

**Capital Expenditure Plans**

The Council is asked to approve the capital expenditure projections below. The estimate of capital expenditure is based on the capital programme in this report and estimates of capital spend that may become necessary during the period of the medium term financial strategy.

	<b>2017/18 Revised £000</b>	<b>2018/19 Revised £000</b>	<b>2019/20 Revised £000</b>	<b>2020/21 Estimate £000</b>
<b>Projected Capital Expenditure</b>	31,389	24,296	8,989	5,808
<b>Financed by:</b>				
Capital receipts and third party contributions	7,958	6,496	2,776	2,095
Capital grants	513	713	713	713
Revenue reserves*	7,112	7,201	4,442	3,000
<b>Total Financing</b>	<b>15,583</b>	<b>14,410</b>	<b>7,931</b>	<b>5,808</b>
<b>Net financing need</b>	<b>15,806</b>	<b>9,886</b>	<b>1,058</b>	<b>0</b>

\* Includes use of New Homes Bonus

**The Council's borrowing need, the Capital Financing Requirement.**

The Council is asked to approve the projections below.

<b>Capital Financing Requirement</b>	<b>2017/18 Revised £000</b>	<b>2018/19 Revised £000</b>	<b>2019/20 Revised £000</b>	<b>2020/21 Estimate £000</b>
Opening balance	15,989	30,871	39,877	39,925
Net financing need	15,806	9,886	1,058	0
Less MRP	(924)	(880)	(1,010)	(1,035)
<b>Closing balance</b>	<b>30,871</b>	<b>39,877</b>	<b>39,925</b>	<b>38,890</b>
Net increase / (decrease)	14,882	9,006	48	(1,035)

The CFR is forecast to rise significantly next year as capital expenditure financed by debt outweighs resources put aside for debt repayment. In the subsequent two years it stabilises. The current longer term projection shows 2019/20 as the peak level.

**Gross Debt and the Capital Financing Requirement**

In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. Total debt is expected to remain below the CFR during the forecast period as indicated below.

	<b>2017/18 Revised £000</b>	<b>2018/19 Revised £000</b>	<b>2019/20 Revised £000</b>	<b>2020/21 Estimate £000</b>
<b>Gross Borrowing</b>	4,000	9,000	5,000	5,000
Capital Fin. Req.	30,871	39,877	39,925	38,890

## Limits to debt

There are two indicators that seek to put a limit on debt. The first limiting indicator is the 'operational boundary' which represents the expected maximum debt position during each year but is not an absolute limit. The other debt prudential indicator is the 'authorised limit' for external debt which represents the limit beyond which external borrowing is prohibited, and needs to be set and revised by Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The table below shows the estimates that the Council are asked to approve.

	2018/19	2019/20	2020/21
Operational boundary - borrowing	£9m	£5m	£5m
Operational boundary – other long term liabilities	£0m	£0m	£0m
Operational boundary - Total	£9m	£5m	£5m
Authorised limit – borrowing	£17m	£17m	£17m
Authorised limit – other long-term liabilities	£1m	£1m	£1m
Authorised limit – Total	£18m	£18m	£18m

The projection assumes the current single debt is repaid and £5m is borrowed. The authorised limit is increased from last year to take into account the expected increased borrowing.

## Affordability Prudential Indicators

### Estimates of the ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing costs net of investment income) against the net revenue stream. It therefore measures how much of the Council's overall income is used to finance capital. The increase is due to the capital expenditure which is not financed from capital and revenue resources.

2017/18	2018/19	2019/20	2020/21
2%	3%	4%	4%

### Estimates of the incremental impact of capital investment decisions on the Council Tax

This indicator identifies the revenue costs associated with the proposed changes to the capital programme recommended in the budget report. The costs are shown per Band D property and have been included in all the budget projections brought before the Council. The small cost reflects that the growth in capital spend is overwhelmingly externally funded or provides a financial return.

2018/19	2019/20	2020/21
£0.05	£0.10	£0.11

## Adoption of the CIPFA Treasury Management Code

The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition in February 2012. It fully complies with the Codes recommendations.