

## TREASURY MANAGEMENT MID-YEAR UPDATE 2017-18

### PRUDENTIAL INDICATORS: 2017-18 MID-YEAR UPDATE

#### BACKGROUND

1. Capital finance, borrowing and investment arrangements are supported by a series of prudential indicators, drawn from the Prudential Code on Capital Finance for Local Authorities and the Treasury Management in the Public Services Code of Practice plus Guidance, published by CIPFA. The Local Government Act 2003 requires that councils have regard to these codes. The indicators were approved by council assembly in February 2017, and the outturn position was reported in July 2017. This appendix updates 2017-18 indicators
2. The indicators are grouped into three broad areas: affordability and prudence, capital finance and treasury management. The indicators are of a technical nature and have no effect on existing budgets.

#### INDICATORS ON AFFORDABILITY AND PRUDENCE

3. The indicators below are for affordability and prudence.

2016-17	2017-18	
		<b>Ratio of Financing Cost to Net Revenue Stream</b> A measure of the cost of borrowing and long term liabilities (e.g. PFI) net of interest income and set-asides, as a percentage of revenue.
9%	9%	HRA
4%	4%	General fund

		<b>Capital Financing Requirements (CFR) and Gross Debt</b> The CFR is the balance remaining on past capital expenditure financed through debt and long term liabilities (e.g. PFI). The level of gross debt should not exceed the CFR unless prudent over the short term.  Actual gross debt remained below the CFR throughout 2016-17 on account of cash balances, internal borrowing and PFI transactions.
£798m	£999m	CFR
£463m	£458m	Maximum Gross Debt in the Year

## INDICATORS ON CAPITAL FINANCE

4. The indicators below are for capital finance.

2016-17	2017-18	
		<b>Capital Expenditure</b>
£153m	£149m	HRA
£99m	£287m	General fund
<b>£252m</b>	<b>£436m</b>	<b>Total</b>

		<b>Capital Financing Requirement (CFR)</b> The CFR is the balance on past capital expenditure financed through borrowing and long term liabilities (e.g. PFI).
£393m	£406m	HRA
£405m	£593m	General fund
<b>£798m</b>	<b>£999m</b>	<b>Total</b>

		<b>HRA Indebtedness Limit</b> A limit determined by the government below which the HRA CFR must remain. The HRA CFR has remained within the indebtedness limit.
£577m	£577m	HRA indebtedness limit determined by the government
£393m	£406m	HRA CFR

## INDICATORS ON TREASURY MANAGEMENT

5. The Operational Boundary on Debt and Authorised Limits for External Debt limits the council determine to accommodate borrowing and long term liabilities. The lower limit is the operational boundary. It takes account of existing positions and accommodates activity which includes replacing internal borrowing with loans. The higher limit is the authorized limit, enabling additional borrowing to be taken for very short periods, in the interest of prudence, within a risk controlled framework.

2016-17 Actual	2017-18 Limit	2017-18 Estimate	
			<b>Operational Boundary on Debt and Authorised Limits for External Debt</b> No new loans were taken on in the first half of 2017-18. The council was able to access internal cash and remain below both limits over the six months to September 2017.
			<b>Operational Boundary</b>
£463m	£1,019m	£458m	Borrowing (maximum loans outstanding over 1 <sup>st</sup> half of 2017-18)
£105m	£110m	£100m	Other Long Term Liabilities
<b>£568m</b>	<b>£1,129m</b>	<b>£558m</b>	<b>Total</b>
			<b>Authorised Limit</b>
£463m	£1,085m	£458m	Borrowing (maximum loans outstanding over 1 <sup>st</sup> half of 2017-18)
£105m	£120m	£100m	Other Long Term Liabilities
<b>£568m</b>	<b>£1,205m</b>	<b>£558m</b>	<b>Total</b>

2015-16 Actual	2017-18 Limit	2017-18 Estimate	
64%	100%	85%	<b>Gross and Net Debt</b> An upper limit on net debt as a percentage of gross debt. The net debt has remained below gross on account of investments held to meet spend.
			<b>Fixed and Variable Rate Upper Limits</b> Limits recognising existing positions with flexibility to vary exposure within a risk controlled framework should it be prudent.
£463m	£1,085m	£640m	Fixed rate debt (maximum outstanding in year)
£0m	£271m	£0	Variable rate debt

			<b>Maturity Structure of Borrowing</b> Limits accommodating existing positions with flexibility to vary exposure within a risk controlled framework.
1%	20%	16%	Under 1 year
3%	20%	18%	1 year and within 2 years
8%	30%	6%	2 years and within 5 years
23%	40%	16%	5 years and within 10 years
23%	50%	16%	10 years and within 20 years
3%	50%	2%	20 years and within 30 years
35%	50%	24%	30 years and within 40 years
3%	50%	2%	40 years and within 50 years

			<b>Limits on Investments Greater than One Year</b> Caps on the maximum exposure to longer investments, while recognising benefits from prudent exposure within a risk controlled framework.  Actual exposure has remained cautious in view of market volatility.
20%	50%	24%	Percentage longer than one year