

PRUDENTIAL INDICATORS - 2015/16 MID-YEAR UPDATE

BACKGROUND

- 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 and 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 2015, and the outturn position was reported in July 2015. This appendix updates 2015/16 indicators.
- 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.

<u>(A) INDICATORS ON AFFORDABILITY AND PRUDENCE</u>		
2014/15 Actual	2015/16 Estimate	<i>Ratio of Financing Cost to Net Revenue Stream</i> - a measure of the cost of borrowing, long term liabilities (e.g. PFI) and sums set-asides to reduce debt net of interest income, as a percentage of revenue.
24%	17%	HRA
8%	8%	General Fund
2014/15 Actual	2015/16 Estimate	<i>Incremental Impact of Capital Spend</i> - a measure of the effect of capital plans on council tax and rents. The HRA is expecting to draw on debt finance to secure capital expenditure and the cost of servicing and repaying the debt is expected to be met from existing resources
Nil	Nil	Weekly rents
Nil	Nil	Council tax – band D
		<i>Capital Financing Requirements (CFR) and Gross Debt</i> - the CFR is the balance remaining on past capital expenditure financed through loans, internal borrowing and long term liabilities (e.g. PFI). The level of gross debt (PWLB loans) should not exceed the CFR unless prudent over the short term. Actual gross debt (PWLB loans) remained below the CFR throughout the half-year to September 2015 on account of internal borrowing and PFI transactions. The estimated CFR includes additional debt finance to support HRA capital expenditure.

2014/15 Actual	2015/16 Estimate	
£792m	£851m	CFR
£475m	£469m	Maximum Gross Debt (PWLB loans) in the Year

(B) INDICATORS ON CAPITAL FINANCE

		<p>Capital Expenditure - capital expenditure estimates.</p> <p>The latest estimated capital spend in 2015/16 is set out below and will be updated over the course of the year to reflect spend profile and the latest position on resources.</p>
2014/15 Actual	2015/16 Estimate	
£169m	£304m	HRA
£101m	£94m	General Fund
£270m	£398m	Total
		<p>Capital Financing Requirement (CFR) - the CFR is the balance on past capital expenditure financed through loans, internal borrowing and long term liabilities (e.g. PFI). The estimated HRA CFR includes additional debt finance to support HRA capital expenditure.</p>
2014/15 Actual	2015/16 Estimate	
£401m	£491m	HRA
£391m	£378m	GF
£792m	£869m	Total
		<p>HRA Indebtedness Limit - a limit determined by the government below which the HRA CFR must remain.</p> <p>The HRA CFR has remained within the indebtedness limit and will remain so following debt finance used to support 2015/16 HRA capital spend.</p>
2014/15 Actual	2015/16 Estimate	
£577m	£577m	HRA indebtedness limit determined by the government
£401m	£491m	Estimated HRA CFR

(C) INDICATORS ON TREASURY MANAGEMENT

		<p>Operational Boundary on Debt and Authorised Limits for External Debt - limits the council determine to accommodate borrowing (PWLB loans) 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 authorised limit, enabling additional borrowing to be taken for very short periods, in the interest of prudence, within a risk controlled framework.</p> <p>No new loans were taken on in the first half of</p>
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2014/15 Actual	2015/16 Limit	2015/16 Estimate	2015/16. The council was able to access internal cash and remain below both limits over the six months to September 2015.
			Operational Boundary
£475m	£705m	£469m	Borrowing (maximum PWLB loans outstanding over 1 st half of 2015/16)
£114m	£120m	£114m	Other Long Term Liabilities
£589m	£825m	£583m	Total

			Authorised Limit
£475m	£740m	£469m	Borrowing (maximum PWLB loans outstanding over 1 st half of 2015/16)
£114m	£125m	£114m	Other Long Term Liabilities
£589m	£865m	£583m	Total

			Gross and Net Debt - an upper limit on net debt (PWLB loans less investments) as a percentage of gross debt (PWLB loans).
2014/15 Actual	2015/16 Limit	2015/16 Estimate	The net debt has remained below the gross on account of investments held to meet spend.
65%	100%	46%	Upper Limit and Outturn

			Fixed and Variable Rate Upper Limits - limits recognising existing positions with flexibility to vary exposure within a risk controlled framework should it be prudent.
2014/15 Actual	2015/16 Limit	2015/16 Estimate	
£475m	£740m	£469m	Fixed rate debt
£0m	£185m	£0m	Variable rate debt

			Maturity Structure of Fixed Rate Debt - limits accommodating existing loan maturity profile with flexibility to vary exposure within a risk controlled framework.
2014/15 Lower Limit	2015/16 Upper Limit	2015/16 Position	
0%	20%	1%	Under 1 year
0%	20%	1%	1 year and within 2 years
0%	30%	5%	2 years and within 5 years
0%	40%	19%	5 years and within 10 years
0%	50%	28%	10 years and within 20 years
0%	50%	6%	20 years and within 30 years
0%	50%	33%	30 years and within 40 years
0%	50%	7%	40 years and within 50 years

			Limits on Investments Greater than One Year - caps on the maximum exposure to longer investments, while recognising benefits from prudent exposure within a risk controlled
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2014/15 Outturn	2015/16 Limit	2015/16 Mid Year Position	framework. Actual exposure has remained cautious in view of market volatility.
15%	50%	17%	Percentage longer than one year
8 Months	2 Years	8 Months	Overall maximum average maturity
<i>The CIPFA code of Practice on Treasury Management was adopted by council assembly in 2010</i>			