

## TREASURY MANAGEMENT MID-YEAR UPDATE 2016-17

## PRUDENTIAL INDICATORS 2016-17 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 2016, and the outturn position was reported in July 2016. This appendix updates 2016-17 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.

## INDICATORS ON AFFORDABILITY AND PRUDENCE

- The table below shows the indicators for affordability and prudence

2015-16 Actual	2016-17 Estimate	
		<b>Ratio of Financing Cost to Net Revenue Stream</b> 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.
10%	17%	HRA
6%	8%	General Fund
		<b>Incremental Impact of Capital Spend</b> a measure of the effect of capital plans on council tax and rents.
Nil	Nil	Weekly 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	Council tax – band D
		<b>Capital Financing Requirements (CFR) and Gross Debt</b> 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 2016 on account of internal borrowing and PFI transactions. The estimated CFR includes additional debt finance to support HRA capital expenditure.
£776m	£890m	CFR
£463m	£458m	Maximum Gross Debt (PWLB loans) in the Year

## INDICATORS ON CAPITAL FINANCE

4. The table below shows the indicators for capital finance.

2015-16 Actual	2016-17 Estimate	
		<b>Capital Expenditure</b> The latest estimated capital spend in 2016-17 is set out below and will be updated over the course of the year to reflect spend profile and the latest position on resources.
£264m	£221m	Housing Investment Programme
£73m	£162m	General Fund
<b>£317m</b>	<b>£383m</b>	<b>Total</b>
		<b>Capital Financing Requirement (CFR)</b> 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.
£393m	£462m	Housing Investment Programme
£383m	£428m	GF
<b>£776m</b>	<b>£890m</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 and will remain so following debt finance used to support 2016-17 HRA capital spend.
£577m	£577m	HRA indebtedness limit determined by the government
£393m	£462m	Estimated 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 (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.

6. The table below shows the indicators for treasury management.

2015-16 Actual	2016-17 Limit	2016-17 Estimate	
			<b>Operational Boundary on Debt and Authorised Limits for External Debt</b> No new loans were taken on in the first half of 2016-17. The council was able to access internal cash and remain below both limits over the six months to September 2016.
			<b>Operational Boundary</b>
£463m	£780m	£458m	Borrowing (maximum PWLB loans outstanding over 1 <sup>st</sup> half of 2016-17)
£114m	£120m	£110m	Other Long Term Liabilities
<b>£577m</b>	<b>£900m</b>	<b>£574m</b>	<b>Total</b>

2015-16 Actual	2016-17 Limit	2016-17 Estimate	
			<b>Authorised Limit</b>
£463m	£815m	£458m	Borrowing (maximum PWLB loans outstanding over 1 <sup>st</sup> half of 2016-17)
£114m	£125m	£110m	Other Long Term Liabilities
<b>£577m</b>	<b>£940m</b>	<b>£568m</b>	<b>Total</b>
			<b>Gross and Net Debt</b> - an upper limit on net debt (PWLB loans less investments) as a percentage of gross debt (PWLB loans).  The net debt has remained below the gross on account of investments held to meet spend.
69%	100%	80%	Upper Limit and Outturn
			<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.
£469m	£740m	£458m	Fixed rate debt
£0m	£185m	£0m	Variable rate debt

7. The table below shows the indicators for maturity structure of fixed rate debt which limits accommodating existing loan maturity profile with flexibility to vary exposure within a risk controlled framework.

2015-16 Actual	2016-17 Limit	2016-17 Estimate	Maturity Structure of Fixed Rate Debt
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

8. The table below shows the indicators for limits on investments greater than one year which 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.

2015-16 Actual	2016-17 Limit	2016-17 Estimate	Limits on Investments Greater than One Year
19%	50%	17%	Percentage longer than one year
8 Months	2 Years	8 Months	Overall maximum average maturity