

Appendix 2

Prudential Indicators

(a) Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2018/19 is shown in the table below:

Capital Financing Requirement	31/03/2019 Estimate £m	31/03/2019 Actual £m
General Fund	487.2	527.1
HRA	167.0	159.9
Total CFR	654.2	687.0

(b) 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.

Debt	31/03/2019 Estimate £m	31/03/2019 Actual £m
Borrowing	395.8	385.8
PFI Liabilities	31.2	31.2
Total Debt	427.1	417.1
Capital Financing Requirement	654.2	687.0
Borrowing in excess of CFR?	No	No

(c) Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

	Operational Boundary £m	Authorised Limit £m	Actual External Debt £m 31/03/2019
Borrowing	900.0	1,000.0	385.8
Other Long Term Liabilities			31.2
Total	900.0	1,000.0	417.1

The Chief Finance Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2018/19.

(d) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed.

	Approved Limits for 2018/19 as a proportion %	Maximum during 2018/19 as a proportion %
Upper Limit for Fixed Rate Exposure Compliance with limits:	100 Yes	100 Yes
Upper Limit for Variable Rate Exposure Compliance with limits:	40 Yes	0 Yes

(e) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing at 31/3/2019	% of Fixed Rate Borrowing at 31/3/2019	Compliance with set limits?
	%	%	£m	%	Yes / No
Under 12 months	40%	0%	31	8%	Yes
12 months and within 24 months	40%	0%	14	4%	Yes
24 months and within 5 years	40%	0%	38	10%	Yes
5 years and within 10 years	60%	0%	3	1%	Yes
10 years and within 20 years	75%	0%	24	6%	Yes
20 years and within 30 years	75%	0%	51	13%	Yes
30 years and within 40 years	75%	0%	213	55%	Yes
40 years and within 50 years	75%	0%	11	3%	Yes
50 years and above	75%	0%	0	0%	Yes
			385.8	100%	

(f) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

Capital Expenditure	31/3/2019 Estimate	31/3/2019 Actual
General Fund	169.6	113.6
HRA	51.6	37.5
Total	221.2	151.1

(g) Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	31/3/2019 Estimate	31/3/2019 Actual
General Fund	5.92%	4.45%
HRA	16.75%	16.06%

(h) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council adopted the principles of best practice.

Statement: The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 (2017 Edition).

(i) Upper Limit for Total Principal Sums Invested Over 364 Days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for Total Principal Sums Invested Over 364 Days	31/3/2019 Approved £m	31/3/2019 Actual £m
	40	0

(j) HRA Limit on Indebtedness

HRA Debt Cap per MHCLG	£199m	
	31/3/2019 Estimate £m	31/3/2019 Actual £m
HRA CFR	£167m	£159m

In October 2018 the government removed the HRA borrowing cap by issuing a determination revoking previous determinations that specified a local authority's limits on indebtedness.