

Capital Prudential and Treasury Indicators 2017/18 – 2019/20

Estimates of Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital Expenditure £000	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
General Fund	52,401	68,217	51,182	32,274	6,931
HRA	25,091	29,905	30,004	32,975	21,888
Total	77,492	98,122	81,186	65,249	28,819

The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

Estimates of Capital Financing Requirement

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £239M of such schemes within the CFR. The Council is asked to approve the CFR projections below:

Capital Financing Requirement £000	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
CFR – GF	654,779	680,030	675,658	675,925	676,566
CFR – HRA	282,511	280,561	278,532	276,423	274,228
Total CFR	937,290	960,591	954,190	952,348	950,794

Limits to Borrowing Activity

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. This limit is set to match the Capital Financing Requirement as shown above:

Operational Boundary £000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Debt	721,306	716,352	716,000	715,609
Other Long Term Liabilities	239,285	237,838	236,348	235,185
Total	960,591	954,190	952,348	950,794

The Authorised Limit for External Debt. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The Authorised Limit has been set at £30M above the Operational Boundary.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Authorised Limit £000	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Debt	751,306	746,352	746,000	745,609
Other Long Term Liabilities	239,285	237,838	236,348	235,185
Total	990,591	984,190	982,348	980,794

Interest Rate Exposure and Maturity Structure of Borrowing

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

General Fund

£m	2017/18	2018/19	2019/20
Interest Rate Exposures – (GF)			
	Upper	Upper	Upper
Upper Limit on Fixed Interest Rates based on Net Debt (GF)	90%	90%	90%
Upper Limit on Variable Interest Rates based on Net Debt (GF)	25%	25%	25%
Maturity Structure of Fixed Interest Rate Borrowing 2017/18 - (GF)			
	Lower	Upper	
Under 12 months	0%	50%	
12 months to 2 years	0%	25%	
2 years to 5 years	0%	25%	
5 years to 10 years	0%	25%	
10 years to 20 years	0%	75%	
20 years to 30 years	0%	75%	
30 years to 40 years	0%	75%	
40 years to 50 years	0%	75%	

Housing Revenue Account

£m	2017/18	2018/19	2019/20
Interest Rate Exposures – (HRA)			
	Upper	Upper	Upper
Upper Limit on Fixed Interest Rates based on Net Debt (GF)	100%	100%	100%
Upper Limit on Variable Interest Rates based on Net Debt (GF)	25%	25%	25%
Maturity Structure of Fixed Interest Rate Borrowing 2017/18 - (HRA)			
	Lower	Upper	
Under 12 months	0%	25%	
12 months to 2 years	0%	25%	
2 years to 5 years	0%	25%	
5 years to 10 years	0%	75%	
10 years to 20 years	0%	75%	
20 years to 30 years	0%	75%	
30 years to 40 years	0%	75%	
40 years to 50 years	0%	75%	

Maximum Principal Sums Invested for more than 364 Days

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

Maximum Principal Sums Invested > 364 days			
£m	2017/18	2018/19	2019/20
Principal Sums Invested > 364 Days	£m 20	£m 20	£m 20

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2016/17 Approved	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
GF	15.0	9.5	8.8	9.2
HRA	43.6	43.8	45.7	47.7

Incremental Impact of Capital Investment Decisions on Band D Council Tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

£	2016/17 Approved	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Council Tax - band D	8.30	4.49	4.30	4.26

Incremental Impact of Capital Investment Decisions on Housing Rent Levels

Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

£	2016/17 Approved	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Weekly housing rent levels	0.86	0.61	1.91	3.36

Adoption of the CIPFA TM Code

This indicator is acknowledgment that the Local Authority has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes*.

The Council adopted the CIPFA Code of Practice on Treasury Management on 13th February 2002.

Gross Debt and the Capital Financing Requirement

Gross Debt & CFR	2017/18 Estimate
	£M
Outstanding Borrowing	549
Other Long-Term Liabilities	239
Gross Debt	788
Max CFR	954
Headroom	166