Item 19/07 Appendix B

CAPITAL PRUDENTIAL INDICATORS 2019-20 to 2022-23

The Capital Prudential Indicators are driven by the Dorset & Wiltshire Fire and Rescue Authority's (the Authority) Capital Programme plans. The Capital Programme influences all borrowing decisions made by the Authority and the subsequent Treasury Management activity associated with this.

Capital Expenditure

This indicator is a summary of the Authority's capital programme requirement as indicated in the Budget Report and Medium Term Finance Plan (MTFP).

	Estimate 2018-19 £000	Estimate 2019-20 £000	Estimate 2020-21 £000	Estimate 2021-22 £000	Estimate 2022-23 £000
Capital Expenditure					
- Property/Estates	2.129	1.329	1.288	1.238	1.150
- Vehicles	4.240	5.608	4.111	3.681	1.687
- Equipment	1.026	0.918	0.105	0.105	1.756
- Information Communication Technology	0.911	0.549	1.246	0.225	0.560
Total Capital Programme	**8.306**	**8.404**	**6.750**	**5.249**	**5.513**

Capital Financing Requirement

The capital financing requirement (CFR) measures the Authority's underlying need to borrow for capital purposes. It is simply the total historic capital expenditure, including financing that is implicit in Private Finance Initiative (PFI) schemes and finance leases, which has not yet been paid for from either revenue or capital resources.

	Estimate 2018-19 £m	Estimate 2019-20 £m	Estimate 2020-21 £m	Estimate 2021-22 £m	Estimate 2022-23 £m
CFR at 1 April (start of year)	**37.170**	**38.535**	**44.549**	**48.258**	**50.264**
Planned Capital expenditure	**8.306**	**8.404**	**6.750**	**5.249**	**5.153**
Less:					
Write down of PFI and Finance leases	**-0.742**	**-0.620**	**-0.641**	**-0.668**	**-0.650**
Revenue Financing	**-3.691**	**-0.267**	**-0.282**	**-0.033**	**0.000**
Grants/Receipts Applied	**-1.103**	**0.000**	**0.000**	**0.000**	**0.000**
Statutory Charge to Revenue	**-1.406**	**-1.503**	**-2.118**	**-2.541**	**-2.773**
CFR at 31 March (end of year)	**38.535**	**44.549**	**48.258**	**50.264**	**55.194**

Ratio of Financing Cost to the Net Revenue Stream

This indicator shows the net cost of financing the capital programme as a percentage of the funding receivable from the Government and council tax payers, expressed as a ratio. The net cost of financing includes interest and principal repayments, netted off by interest receivable in respect of any cash investments held.

	Estimate 2018-19	Estimate 2019-20	Estimate 2020-21	Estimate 2021-22	Estimate 2022-23
Ratio of financing costs to net revenue stream	**6.10%**	**6.31%**	**6.69%**	**7.81%**	**8.51%**

TREASURY MANAGEMENT PRUDENTIAL INDICATORS 2019-20 to 2022-23

The Prudential Code places a number of limits on the debt management of the Authority. These are to restrain the activity of the treasury function with certain limits to manage risk and reduce the impact of any adverse or sudden movements in interest rates. However, the limits have to include sufficient flexibility to allow costs to be minimised and performance maximised.

Authorised Limit and Operational Boundary

The Prudential Code requires that the total external debt does not exceed the Authorised Limit for external debt and only exceeds the Operational Boundary for external debt temporarily, on occasions, due to variation in cash flow and the possibility of extra borrowing becoming available during the year, as a result of Government supporting further schemes. The Authorised Limit is set at £2.5m above the Operational Boundary to provide some flexibility.

	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Authorised Limit is:					
- for borrowing	19.758	26.975	33.074	38.022	40.869
- for other long term liabilities	13.849	13.108	12.488	11.847	11.179
	33.607	**40.083**	**45.562**	**49.869**	**52.048**
Operational Boundary is:					
- for borrowing	17.758	24.975	31.074	36.022	38.869
- for other long term liabilities	13.349	12.608	11.988	11.347	10.679
	31.107	**37.583**	**43.062**	**47.369**	**49.548**

Performance will be measured against these limits periodically, and where necessary be reported to Members should the limits be breached or require amendment.

External Debt

The Authority needs to ensure that its long term gross debt does not exceed, except in the short term, the projected Capital Financing Requirement (CFR) for the forthcoming year and the following two financial years. This prevents the Authority from over borrowing in the long term and thereby taking on excessive levels of debt.

There are no difficulties envisaged in the current or future years in meeting this requirement. This view takes account of the current commitments, and existing capital plans.

The current estimates for gross debt are shown in the table below:

	Estimate 2018-19 £m	Estimate 2019-20 £m	Estimate 2020-21 £m	Estimate 2021-22 £m	Estimate 2022-23 £m
Debt outstanding 1st April	10.758	16.975	24.774	30.922	33.869
New debt	7.000	8.000	6.300	5.100	5.000
Debt repayment	-0.782	-0.202	-0.152	-2.153	-0.608
Debt outstanding	**16.975**	**24.774**	**30.922**	**33.869**	**38.261**
PFI/Lease Liabilities	13.349	12.608	11.988	11.347	10.679
PFI/Lease written down	-0.742	-0.620	-0.641	-0.668	-0.650
PFI/Lease Liability outstanding	**12.608**	**11.988**	**11.347**	**10.679**	**10.029**
Gross Debt outstanding	**29.583**	**36.761**	**42.269**	**44.547**	**48.290**

Interest Rate Exposure and Maturity of Debt

The code identifies three indicators that minimise exposure to fluctuations in interest rates and refinancing risks, and also cap the interest costs of borrowing to provide stability to this area of the Authority's finances, namely:

- Upper Limits for Variable Interest Rate Exposure - this identifies a maximum revenue cost of interest paid on variable debts
- Upper Limits for Fixed Rate Interest Rate Exposure - this identifies a maximum revenue cost of interest paid on fixed rate debts and is intended to prevent the Authority from being locked into rates of interest that it cannot easily exit; and
- Maturity Structure of Borrowing - this is an indicator on longer term interest rate exposure, the amount of projected borrowing that is fixed rate maturing in each period as a % of the total projected borrowing that is fixed rate.

The following treasury indicators and limits are adopted:

<u>Interest Rate Exposure</u>

	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Upper Limit – Fixed Rate Exposure	100%	100%	100%	100%	100%
Upper Limit – Variable Rate Exposure	10%	10%	10%	10%	10%

<u>Maturity Structure of Borrowing</u>

	Old limit		New limit	
	Upper Limit %	Lower Limit %	Upper Limit %	Lower Limit %
Under 12 months	15	0	20	0
12 mths and within 24 mths	15	0	30	0
24 mths and within 5 years	30	0	40	0
5 years and within 10 years	50	0	50	0
10 years and above	80	0	100	0

Principal Sums invested greater than one year

In addition to the restrictions that the Authority places upon itself to maximise security, ensure liquidity and maximise yield, the prudential code sets limits on the maximum period of time monies can be invested for.

The Authority's strategy is to not to invest any funds for a period greater than one year.