

## Item 18/06 Appendix B

### CAPITAL AND TREASURY MANAGEMENT PRUDENTIAL INDICATORS 2018/19

The Capital Prudential Indicators are driven by the Authority's 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).

	Actual 2016/17 £000	Estimate 2017/18 £000	Estimate 2018/19 £000	Estimate 2019/20 £000	Estimate 2020/21 £000
<b>Capital Expenditure</b>					
- Property/Estates	1,034	1,336	1,695	5,107	1,082
- Vehicles	1,214	6,165	6,219	5,041	1,836
- Equipment	171	249	1,026	918	105
- Information Communication Technology	499	1,584	692	320	550
<b>Total Capital Programme</b>	<b>2,918</b>	<b>9,334</b>	<b>9,632</b>	<b>11,386</b>	<b>3,573</b>

#### 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 schemes and finance leases, which has not yet been paid for from either revenue or capital resources.

	Actual 2016/17 £m	Estimate 2017/18 £m	Estimate 2018/19 £m	Estimate 2019/20 £m	Estimate 2020/21 £m
<b>CFR at 1 April (start of year)</b>	<b>41.568</b>	<b>39.354</b>	<b>37.170</b>	<b>43.974</b>	<b>48.774</b>
<b>Planned Capital expenditure</b>	<b>2.918</b>	<b>9.334</b>	<b>9.632</b>	<b>11.386</b>	<b>3.573</b>
<b>Less:</b>					
Write down of PFI and Finance leases	-0.791	-0.770	-0.742	-0.620	-0.641
Revenue Financing	-0.884	-9.161	-0.431	-2.861	0.000
Grants/Receipts Applied	-2.034	-0.173	-0.250	-1.027	0.000
Statutory Charge to Revenue	-1.423	-1.414	-1.406	-2.079	-2.628
<b>CFR at 31 March (end of year)</b>	<b>39.354</b>	<b>37.170</b>	<b>43.974</b>	<b>48.774</b>	<b>49.078</b>

## 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.

	<b>Actual 2016/17</b>	<b>Estimate 2017/18</b>	<b>Estimate 2018/19</b>	<b>Estimate 2019/20</b>	<b>Estimate 2020/21</b>
<b>Ratio of financing costs to net revenue stream</b>	<b>6.23%</b>	<b>6.27%</b>	<b>6.28%</b>	<b>7.79%</b>	<b>8.89%</b>

## **TREASURY MANAGEMENT PRUDENTIAL INDICATORS 2018/19 to 2020/21**

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 be with 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.

	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>
<b>Authorised Limit is:-</b>				
- for borrowing	25.758	31.975	35.274	38.622
- for other long term liabilities	13.849	13.108	12.488	11.847
	<b>39.607</b>	<b>45.083</b>	<b>47.762</b>	<b>50.469</b>
<b>Operational Boundary is:-</b>				
- for borrowing	23.758	29.975	33.274	36.622
- for other long term liabilities	13.349	12.608	11.988	11.347
	<b>37.107</b>	<b>42.583</b>	<b>45.262</b>	<b>47.969</b>

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:

	Actual 2016/17 £m	Estimate 2017/18 £m	Estimate 2018/19 £m	Estimate 2019/20 £m	Estimate 2020/21 £m
Debt outstanding 1st April	12.472	11.949	10.758	22.975	29.774
New debt	0.000	0.000	13.000	7.000	3.500
Debt repayment	-0.523	-1.192	-0.782	-0.202	-0.152
<b>Debt outstanding</b>	<b>11.949</b>	<b>10.758</b>	<b>22.975</b>	<b>29.774</b>	<b>33.122</b>
PFI/Lease Liabilities	14.910	14.119	13.349	12.608	11.988
PFI/Lease written down	-0.791	-0.770	-0.742	-0.620	-0.641
<b>PFI/Lease Liability outstanding</b>	<b>14.119</b>	<b>13.349</b>	<b>12.608</b>	<b>11.988</b>	<b>11.347</b>
<b>Gross Debt outstanding</b>	<b>26.068</b>	<b>24.107</b>	<b>35.583</b>	<b>41.761</b>	<b>44.469</b>

## 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:

## Interest Rate Exposure

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

## Maturity Structure of Borrowing

	Upper Limit	Lower Limit
	%	%
Under 12 mths	15	0
12 mths and within 24 mths	15	0
24 mths and within 5 yrs	30	0
5 yrs and within 10 yrs	50	0
10 yrs and above	80	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.