

Prudential Indicators

- 1.0 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Authorised Limit". The Council must have regard to the Prudential Code when setting its Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax / rent levels is acceptable. Whilst termed an Authorised Limit, the capital plans to be considered for inclusion incorporate those planned to be financed by both external borrowing and other forms of liability, such as credit arrangements e.g. finance leases. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years. The limits shown include the impact of the HRA Self Financing debt settlement which took place on the 28th March 2012. It also includes the HRA "Headroom" which is the amount that the HRA can borrow between the debt settlement and the Debt Cap set under the Self Financing regime and also the £10.196m borrowing for the Leisure Centre refurbishment project. On top of this an allowance has been made for potential new capital projects.
- 1.1 The Authorised Limits to be recommended to Council by the Executive were included in the Budget report presented to the Executive on 7th February and need to be ratified by the Council. They are also displayed in the table below:

Authorised Limit	2017/18 Latest	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£000	£000	£000	£000
Debt	44,050	66,050	66,050	66,050
Add HRA Settlement	136,157	136,157	136,157	136,157
HRA Head Room	13,843	13,843	13,843	13,843
Other Long Term Liabilities	2,063	2,047	2,030	2,012
Total	196,113	218,097	218,080	218,062

- 1.2 The Prudential Indicators required by the code are explained in more detail in the report on the budget and those relevant to an integrated treasury management strategy are reproduced here:

a) **Operational Boundary for External Debt**

Operational Boundary	2017/18 Latest	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£000	£000	£000	£000
Debt	1,050	1,050	13,050	13,050
Add HRA Settlement	136,157	136,157	136,157	136,157
HRA Head Room	13,843	13,843	13,843	13,843
Other Long Term Liabilities	1,063	1,047	1,030	1,012
Total	152,113	152,097	164,080	164,062

The Council is required to set an Operational Boundary for external debt which itself forms part of the Authorised Limit. The Operational Boundary is effectively the day to day working limit for cash flow purposes.

- b) That the Council has adopted the revised CIPFA Treasury Management Code of Practice which it did in February 2011.

c) **Capital Financing Requirement**

Year	General Fund £000	HRA £000	Total £000
2017/18 Revised	17,918	135,787	153,705
2018/19	18,474	135,787	154,261
2019/20	18,303	135,787	154,089
2020/21	18,553	135,787	154,340

The Capital Financing Requirement (CFR) as shown in the table above is a measure of the Council's underlying need to borrow in order to meet past capital expenditure. The CFR is reduced by any provision for the repayment of debt each year. In the case of the General Fund CFR this is the principal element of the PWLB Annuity loans expected to finance the Leisure Centre borrowing and the principal element of the Dog Van and Colour Copier leases. In the case of the HRA debt redemption is not scheduled to start until year 41 (2052/53) of the current Business Plan.

d) **Incremental Impact on Council Tax / Housing Rents**

Year	Council Tax	Housing Rent
2018/19	-£3.16	£0.46
2019/20	-£2.17	£0.60
2020/21	-£1.12	£0.76

- e) As a result of HRA Self Financing, the Council is also limited to a maximum HRA CFR. This limit is currently:

HRA Debt Limit	2017/18 (for comparison)	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Total	150.00	150.00	150.00	150.00

- 1.3 In addition certain indicators that used to be part of the Prudential Code are now part of the Treasury Management Code of Practice and are shown below:

Upper limits to fixed interest rate and variable interest rate exposures on borrowing

Year	Upper Limit - Fixed Rate	Upper Limit - Variable Rate
2018/19	100%	30%
2019/20	100%	30%
2021/22	100%	30%

Upper and Lower Limits respectively for the Maturity Structure of Fixed Interest Rate Borrowing

Period	Upper	Lower
Under 12 months	4%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	20%	0%
10 years and above	96%	0%

Upper and Lower Limits respectively for the Maturity Structure of Variable Interest Rate Borrowing

Period	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%

1.4 Principal sums invested for periods longer than 364 days

The total maximum sum that can be invested for more than 364 days is 70% of the core investment portfolio subject to a maximum of £20 million at any one time. However, where investments which originally were for periods of more than 364 days have 364 days or less to maturity at the 1st April each year they shall be classed from that date as short term i.e. less than 364 day investments and will not count against the 70% or £20 million limit.