

Prudential Indicators

- 1.1 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 estimated £11.672m borrowing for the Leisure Centre refurbishment project. On top of this, an allowance has been made for potential new capital projects.
- 1.2 The Authorised Limits to be recommended to Council by the Executive were included in the Budget report presented to the Executive on 6th February 2019 and need to be ratified by the Council. They are also displayed in the table below:

Authorised Limit	2018/19 Latest	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£000	£000	£000	£000
Debt including HRA Settlement	166,853	196,853	206,853	205,853
Other Long Term Liabilities	2,079	2,063	2,047	2,030
Total	168,932	198,916	208,900	207,883

- 1.3 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 below:

a) **Operational Boundary for External Debt**

Operational Boundary	2018/19 Latest	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£000	£000	£000	£000
Debt including HRA Settlement	148,879	148,879	148,879	148,879
Other Long Term Liabilities	1,079	1,063	1,047	1,030
Total	149,958	149,942	149,926	149,909

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.

Capital Financing Requirement

Year	General Fund £000	HRA £000	Commercial Activities/non financial investments £000	Total £000
2018/19 Latest	15,273	135,787	5,442	156,502
2019/20	14,964	135,787	5,442	156,193
2020/21	13,223	135,787	5,442	154,452
2021/22	13,283	135,787	4,442	153,512

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. The General Fund CFR is further subdivided in order to show that element of the GF CFR attributable to capital expenditure incurred on commercial activities and non- financial investments i.e. loans to third parties which has not yet been financed. The figures in the table above relate to the Europa Way Spine Road and Kenilworth School loans.

- 1.4 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
2019/20	100%	30%
2020/21	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	6%	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	94%	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%

1.5 **Principal sums invested for periods longer than 365 days**

The total maximum sum that can be invested for more than 365 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 365 days currently have 365 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 365 day investments and will not count against the 70% or £20 million limit.