

## PRUDENTIAL AND OTHER INDICATORS 2019-20

The Prudential Indicators are required to be set and approved by Council in accordance with CIPFA's Prudential Code for Capital Finance in Local Authorities. Table 1 shows the 2018-19 actual capital expenditure, the capital programme approved by Council on 20 February 2019 and the latest projection for the current financial year which has incorporated slippage of schemes from 2018-19 together with any new grants and contributions or changes in the profile of funding.

*Table 1: Prudential Indicator: Estimates of Capital Expenditure*

	<b>2018-19 Actual £m</b>	<b>2019-20 Estimate (Council Oct19) £m</b>	<b>2019-20 Projection £m</b>
Council Fund services	27.614	37.653	33.700
Investment Properties	-	0.480	0.000
<b>TOTAL</b>	<b>27.614</b>	<b>33.133</b>	<b>33.700</b>

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or net financing requirement (borrowing, leasing and Private Finance Initiative). The planned financing of the expenditure has been projected Table 2 is as follows:

*Table 2: Capital financing*

	<b>2018-19 Actual £m</b>	<b>2019-20 Estimate (Council Oct 19) £m</b>	<b>2019-20 Projection £m</b>
External sources	12.407	19.629	18,643
Own resources	9.045	13.617	10,170
Net Financing Requirement	6.162	4.887	4,887
<b>TOTAL</b>	<b>27.614</b>	<b>38.133</b>	<b>33.700</b>

The net financing requirement or 'debt' is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as the Minimum Revenue Provision (MRP). As well as MRP, the Council makes additional voluntary revenue contributions to pay off Prudential or Unsupported Borrowing. The Council changed its policy on MRP in 2018-19 which is why this has reduced from 2017-18 but it is still considered a prudent provision. The total of these are shown in Table 3 below:-

Table 3: Replacement of debt finance

	2018-19 Actual £m	2019-20 Estimate (Council Oct 19) £m	2019-20 Projection £m
Minimum Revenue Provision (MRP)	2.858	2.885	2.885
Additional Voluntary Revenue Provision	1.459	1.504	1.548
<b>Total MRP &amp; VRP</b>	<b>4.317</b>	<b>4.389</b>	<b>4.433</b>
<b>Other MRP on Long term Liabilities</b>	<b>0.641</b>	<b>0.690</b>	<b>0.690</b>
<b>Total Own Resources</b>	<b>4.958</b>	<b>5.079</b>	<b>5.123</b>

The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces by the MRP amount within the year. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows based on the movement on capital expenditure at quarter 3:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	2018-19 Actual £m	2019-20 Estimate (Council Oct 19) £m	2019-20 Projection £m
<b>Capital Financing Requirement</b>			
Opening CFR excluding PFI & other liabilities	153.240	155.084	155.084
Opening PFI CFR	17.640	17.000	17.000
<b>Total opening CFR</b>	<b>170.880</b>	<b>172.084</b>	<b>172.084</b>
Movement in CFR excluding PFI & other liabilities	1.845	0.498	0.454
Movement in PFI CFR	(0.641)	(0.690)	(0.690)
<b>Total movement in CFR</b>	<b>1.204</b>	<b>(0.192)</b>	<b>(0.236)</b>
<b>Closing CFR</b>	<b>172.084</b>	<b>171.892</b>	<b>171.848</b>
<b>Movement in CFR represented by:</b>			
Net financing need for year (Table 2 above)	6.162	4.887	4.887
Minimum and voluntary revenue provisions	(4.317)	(4.389)	(4.433)
MRP on PFI and other long term leases (Table 3)	(0.641)	(0.690)	(0.690)
<b>Total movement</b>	<b>1.204</b>	<b>(0.192)</b>	<b>(0.236)</b>

The capital borrowing need (Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This is known as Internal Borrowing. Projected levels of the Council's

total outstanding debt, which comprises of borrowing, PFI and Other Long Term Liabilities, are shown below compared with the Capital Financing Requirement:-

*Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement*

	<b>2018-19 Actual £m</b>	<b>2019-20 Estimate (Council Oct 19) £m</b>	<b>2019-20 Projection £m</b>
Debt (incl. PFI & leases)	114.750	<b>114.882</b>	<b>114.220</b>
Capital Financing Requirement	172.084	<b>171.892</b>	<b>171.848</b>

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen, the Council expects to comply with this in the medium term.

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

*Table 6: Prudential Indicators: Authorised limit and operational boundary for external debt in £m*

	<b>2018-19 Actual £m</b>	<b>2019-20 Estimate (Council Oct 19) £m</b>	<b>2019-20 Projection £m</b>
Authorised limit – borrowing	140.000	<b>170.000</b>	170.000
Authorised limit – other long term liabilities	30.000	<b>30.000</b>	30.000
<b>Authorised Limit Total</b>	<b>170.000</b>	<b>200.000</b>	<b>200.000</b>
Operational boundary – borrowing	105.000	<b>115.000</b>	115.000
Operational boundary – other long term liabilities	25.000	<b>20.000</b>	20.000
<b>Operational Boundary Limit Total</b>	<b>130.000</b>	<b>135.000</b>	<b>135.000</b>
<b>Total Borrowing and Long Term Liabilities</b>	<b>114.750</b>	<b>114.882</b>	<b>114.220</b>

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

*Table 7: Prudential Indicator: Proportion of financing costs to net revenue stream*

	<b>2018-19 Actual £m</b>	<b>2019-20 Estimate (Council Oct 19) £m</b>	<b>2019-20 Projection £m</b>
Capital Financing Central	6.451	6.509	6.551
Other Financing costs	3.406	3.451	3.451
<b>TOTAL FINANCING COSTS</b>	<b>9.857</b>	<b>9.960</b>	<b>10.001</b>
Proportion of net revenue stream	3.71%	3.68%	3.69%

This shows that in 2018-19, 3.69% of our net revenue income was spent paying back the costs of capital expenditure.