

## PRUDENTIAL AND OTHER INDICATORS 2020-21

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 2019-20 actual capital expenditure, the capital programme approved by Council on 25 February 2020 and the latest projection for the current financial year which has incorporated slippage of schemes from 2019-20 together with any new grants and contributions or changes in the profile of funding.

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2019-20 Actual £m	2020-21 Estimate (Council February 2020) £m	2020-21 Projection £m
Council Fund services	22.822	55.954	33.888
Investment Properties	-	0.480	0
<b>TOTAL</b>	<b>22.822</b>	<b>56.434</b>	<b>33.888</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 as follows:

Table 2: Capital financing

	2019-20 Actual £m	2020-21 Estimate (Council February 2020) £m	2020-21 Projection £m
External sources	16.199	21.551	15.928
Own resources	1.408	23.664	9.974
Net Financing Requirement	5.215	11.219	7.986
<b>TOTAL</b>	<b>22.822</b>	<b>56.434</b>	<b>33.888</b>

The net financing requirement has fallen compared to the estimate in the Capital Strategy as a result of the reduction in forecast spend, reduction in anticipated external funding sources, and associated reduction in the anticipated level of Prudential Borrowing in the year. 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 total of these are shown in Table 3 below.

*Table 3: Replacement of debt finance*

	2019-20 Actual £m	2020-21 Estimate (Council February 2020) £m	2020-21 Projection £m
Minimum Revenue Provision (MRP)	2.858	2.925	2.925
Additional Voluntary Revenue Provision	1.948	1.505	1.489
<b>Total MRP &amp; VRP</b>	<b>4.833</b>	<b>4.430</b>	<b>4.414</b>
<b>Other MRP on Long term Liabilities</b>	<b>0.690</b>	<b>0.743</b>	<b>0.743</b>
<b>Total Own Resources</b>	<b>5.523</b>	<b>5.173</b>	<b>5.157</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*

	2019-20 Actual £m	2020-21 Estimate £m	2020-21 Projection £m
<b>Capital Financing Requirement</b>			
Opening CFR excluding PFI & other liabilities	155.084	155.893	155.466
Opening PFI CFR	17.000	16.309	16.310
<b>Total opening CFR</b>	<b>172.084</b>	<b>172.203</b>	<b>171.776</b>
Movement in CFR excluding PFI & other liabilities	0.382	6.789	3.061
Movement in PFI CFR	(0.690)	(0.743)	(0.743)
<b>Total movement in CFR</b>	<b>(0.308)</b>	<b>6.046</b>	<b>2.318</b>
<b>Closing CFR</b>	<b>171.776</b>	<b>178.249</b>	<b>174.094</b>
<b>Movement in CFR represented by:</b>			
Net financing need for year (Table 2 above)	5.215	11.219	7.475
Minimum and voluntary revenue provisions	(4.833)	(4.430)	(4.414)
MRP on PFI and other long term leases (Table 3)	(0.690)	(0.743)	(0.743)
<b>Total movement</b>	<b>(0.308)</b>	<b>6.046</b>	<b>2.318</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>2019-20 Actual £m</b>	<b>2020-21 Estimate (Council Feb 20) £m</b>	<b>2020-21 Projection £m</b>
Debt (incl. PFI & leases)	116.867	<b>117.867</b>	<b>113.367</b>
Capital Financing Requirement	171.776	<b>178.249</b>	<b>174.094</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 below shows these two limits and as the current projection for debt is £113.367 million, it is within the Operational Boundary.

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

	<b>2019-20 Actual £m</b>	<b>2020-21 Estimate (Council February 2020) £m</b>	<b>2020-21 Projection £m</b>
Authorised limit – borrowing	145.000	<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>175.000</b>	<b>200.000</b>	<b>200.000</b>
Operational boundary – borrowing	105.000	<b>140.000</b>	140.000
Operational boundary – other long term liabilities	20.000	<b>20.000</b>	20.000
<b>Operational Boundary Limit Total</b>	<b>130.000</b>	<b>165.000</b>	<b>165.000</b>
<b>Total Borrowing and Long Term Liabilities</b>	<b>116.867</b>	<b>117.867</b>	<b>113.367</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>2019-20 Actual £m</b>	<b>2020-21 Estimate (Council February 2020) £m</b>	<b>2020-21 Projection £m</b>
Capital Financing Central	6.728	6.995	6.975
Other Financing costs	3.893	3.451	3.451
<b>TOTAL FINANCING COSTS</b>	<b>10.821</b>	<b>10.446</b>	<b>10.426</b>
Proportion of net revenue stream	3.92%	3.85%	3.84%

This shows that in 2019-20, 3.92% of our net revenue income was spent paying back the costs of capital expenditure. The estimate for 2020-21 is 3.84% which is in-line with the approved Capital Strategy.