

Report to:	Cabinet Council	Date of Meeting:	27 July 2017 21 September 2017
Subject:	Revenue and Capital Budget Plan 2016/17 - 2019/20 - Prudential Indicators 2017/18		
Report of:	Head of Corporate Resources	Wards Affected:	All
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	Yes
Exempt Confidential Report:	/ No		

Summary:

To update the Councils Prudential Indicators as required under the Prudential Code for Capital Finance in Local Authorities.

Recommendation(s):

Cabinet are recommended to

Approve the revised Prudential Indicators as detailed in the report, in order to comply with The Prudential Code for Capital Finance in Local Authorities.

Council are recommended to

Approve the revised Prudential Indicators as detailed in the report, in order to comply with The Prudential Code for Capital Finance in Local Authorities.

Reasons for the Recommendation(s):

The Councils Prudential Indicators for 2017/18 were approved at Budget Council in March 2017. In the event that an update is required then this is to be approved by Cabinet. Following recent investment activity by the Council and update is required to 4 of the Council's 10 prudential indicators.

Alternative Options Considered and Rejected: (including any Risk Implications)

None.

What will it cost and how will it be financed?

(A) Revenue Costs

There are no revenue implications arising from this report.

(B) Capital Costs

There are no capital implications arising from this report

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None.
Legal Implications: None.
Equality Implications: There are no equality implications.

Contribution to the Council's Core Purpose:

Protect the most vulnerable: n/a
Facilitate confident and resilient communities: n/a
Commission, broker and provide core services: The changes proposed within this report will ensure that the Council continues to meet its statutory requirements under the Prudential Code
Place – leadership and influencer: n/a
Drivers of change and reform: n/a
Facilitate sustainable economic prosperity: n/a
Greater income for social investment: n/a
Cleaner Greener: n/a

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources (FD 4743/17) is the author of the report

Head of Regulation and Compliance (LD4027/17) has been consulted and has no comments on the report.

(B) External Consultations

N/A.

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Appendices:

There are no appendices to support this report

Background Papers:

There are no background papers available for inspection.

1. Introduction

- 1.1 The CIPFA Prudential Code for Capital Finance in Local Authorities (The Prudential Code) was introduced following the Local Government Act 2003. It details a number of measures/limits/parameters (Prudential Indicators) that are required to be set each financial year. The approval of these limits will ensure that the Council complies with the relevant legislation, is acting prudently and that its capital expenditure proposals are affordable. The Prudential Indicators 2017/18 report was approved by Council on 02 March 2017.
- 1.2 Since the approval of the 2017/18 prudential indicators the Council has incurred capital expenditure which means that certain prudential indicators need to be updated. These are:
- (i) Capital Expenditure (Section 2);
 - (ii) Capital Financing Requirement (Section 3);
 - (iii) Gross Debt and the Capital Financing Requirement (Section 4);
 - (iv) Limit on Interest Rate Exposure (Section 5);

Prudential Indicator – Capital Expenditure

- 2.1. This indicator details the overall total planned capital expenditure of the Council and therefore reflects the Council's Capital Programme.
- 2.2. The revised estimate of capital expenditure recommended for approval are summarised below:-

Capital Expenditure - 2017/2018 to 2019/2020			
	2017/18 £m Estimate	2018/19 £m Estimate	2019/20 £m Estimate
TOTAL	62.935	18.875	12.809

3. Prudential Indicator – Capital Finance Requirement

- 3.1. The Capital Financing Requirement indicator reflects the Authority's underlying need to borrow for a capital purpose. This is based on historic capital financing decisions and a calculation of future years planned capital expenditure requirements.

- 3.2. The revised estimates of the end of year Capital Financing Requirement for the current and future years are set out in the table as follows:

Capital Financing Requirement			
	31/03/2018 £m Estimate	31/03/2019 £m Estimate	31/03/2020 £m Estimate
General Fund	241.000	236.000	233.000

- 3.3 The reduction in the CFR in future years reflects the reduced borrowing required for the capital programme as spending falls over time.
- 3.4. CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following statement as a key indicator of prudence:

"In order to ensure that the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short-term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years".

4. Gross Debt and the Capital Financing Requirement

- 4.1. This prudential indicator is used to ensure that the authority does not borrow in advance of need. If the authority borrowed in advance of need then the net position would be negative – i.e. borrowing greater than the CFR. The figures below illustrate that the Council is not intending to borrow in advance of need, and that there is a significant level of "internal borrowing". The revised estimates are detailed below:

Gross Debt and the CFR			
	2017/18 £m	2018/19 £m	2019/20 £m
CFR	241.000	236.000	233.000
Borrowing	-174.353	-175.049	-176.644
Net Position	66.647	60.951	56.356

5. Interest Rate Exposure

- 5.1. This indicator calculates exposure of either fixed or variable rate borrowings, less fixed or variable rate investments, expressed as a percentage of both fixed and variable rate borrowings net of fixed and variable rate investments.

- 5.2. It has been necessary to revise the interest rate exposure limits in light of the increase fixed rate borrowing undertaken in 2017/18:

Limit on Interest Rate Exposure		
	<u>Upper</u> <u>Limit</u>	<u>Lower</u> <u>Limit</u>
Fixed Borrowing / Investment	340%	100%
Variable Borrowing / Investment	-5%	-240%

6 Conclusion

- 6.1 The Prudential indicators for each financial year are set at Budget Council and reflect the most up to date knowledge at that time. As the Councils capital programme evolves, certain indicators may need revision. In approving the changes within this report the council will be ensuring that it is complying with the appropriate elements of the prudential code. These will subsequently be monitored throughout the year by Audit and Governance committee.