

PRUDENTIAL INDICATORS AND LIMITS FOR 2013/14 to 2016/17 **CAPITAL EXPENDITURE & EXTERNAL DEBT**

The Prudential Code requires the Council to set a number of prudential indicators and a Minimum Revenue Provision (MRP) policy statement. These should be agreed annually in conjunction with the annual strategy and the budget for the following year, and they should cover a minimum of three years. Ours cover five years in line with our MTFS. The Prudential indicators are designed to ensure that the Council's investment plans are affordable, prudent and sustainable.

Actual and Estimated Capital Expenditure

The actual expenditure for 2011/12 and the estimates of capital expenditure for 2012/13 and future years are:

Capital Expenditure 2011-12 to 2017-18							
	2011-12 Actuals £000's	2012-13 Estimate £000's	2013-14 Estimate £000's	2014-15 Estimate £000's	2015-16 Estimate £000's	2016-17 Estimate £000's	2017-18 Estimate £000's
Capital Programme	1,105	1,923	2,655	8,600	6,210	1,110	490

Ratio of financing Costs to net revenue stream

Estimates of the ratio of financing costs to net revenue stream for the current and future years and actual figures for 2011/12 are set out below. The net revenue stream is the amount of the budget to be met from Formula Grant and Council Tax income (also known as the Budget Requirement).

Ratio of financing costs to net revenue stream						
	2011-12 Actuals £000's	2012-13 Estimate £000's	2013-14 Estimate £000's	2014-15 Estimate £000's	2015-16 Estimate £000's	2016-17 Estimate £000's
Financing costs (net)	719	716	706	1,108	1,544	1,805
Net revenue stream	10,902	10,588	10,379	9,915	9,865	9,740
Ratio of financing costs to net revenue stream	6.60%	6.76%	6.80%	11.17%	15.79%	18.70%

Capital Financing Requirement

The Actual Capital Financing Requirement at 31st March 2012 and estimates for future years are:

Capital Financing Requirement as at 31st March						
	2011-12 Actuals £000's	2012-13 Estimate £000's	2013-14 Estimate £000's	2014-15 Estimate £000's	2015-16 Estimate £000's	2016-17 Estimate £000's
	7,082	6,596	7,698	14,460	18,906	18,748

The Capital Financing Requirement measures the authority's underlying need to borrow for capital purposes. The Council's strategy is to avoid new borrowing unless it is fully supported by existing revenue budgets (e.g. replacement vehicles) or to finance spend to save projects in the Capital Programme (e.g. capital investment that reduces revenue costs such as the refuse collection wheeled bins project). The Capital Financing Requirement and other Prudential Indicators have been calculated on the basis that a small element of the Capital Programme will continue to be financed through borrowing.

Minimum Revenue Provision

CLG Regulations require Councils to approve an MRP (Minimum Revenue Provision) policy statement in advance of each year. The MRP determines the minimum amount required to be provided through revenue to pay back the principal amount due on external borrowing. A variety of options have been provided to councils to replace the existing regulations with the key principle of there being a prudent provision made.

No change is proposed to the calculation of current MRP, and the Council is therefore recommended to approve the following MRP policy statement:

'For all unsupported (i.e. prudential) borrowing the Minimum Revenue Provision (MRP) will be based on the estimated life of the assets financed by borrowing in accordance with the MRP regulations'

Authorised Limit for External debt

The Council is required to approve Authorised Limits for external debt, gross of investments. The limits are in accordance with the proposed Borrowing Strategy within the Treasury Management Strategy and are set to allow for borrowing if required at a time when the economic conditions prove favourable.

Authorised Limit for External Debt					
	2011-12	2012-13	2013-14	2014-15	2015-16
	£000's	£000's	£000's	£000's	£000's
Borrowing	15,000	15,000	15,000	21,000	28,000
Other long term liabilities	500	500	500	500	500
Total	15,500	15,500	15,500	21,500	28,500

Operational Limit for External Debt

The Council is also required to approve the following Operational Limit for external debt for the same period. The Operational Limit is based on the same estimates as the Authorised Limit but differs in that it does not take into account short term borrowing. The Council's actual external debt at 31st March 2012 was £7.5m. Recommended limits are as follows:

Operational Limit for External Debt					
	2011-12	2012-13	2013-14	2014-15	2015-16
	£000's	£000's	£000's	£000's	£000's
Borrowing	11,000	11,000	11,000	19,000	26,000
Other long term liabilities	500	500	500	500	500
Total	11,500	11,500	11,500	19,500	26,500

AFFORDABILITY OF CAPITAL PROGRAMME

Council Tax Implications of the Capital Programme

Following advice from the Council's treasury advisors the method of calculation of the implications on Council Tax has been changed from previous years. The revised table identifies the revenue costs associated with the proposed changes within the capital programme, and converts this to a notional annual Council Tax charge implication at Band D equivalent rates.

Notional Council Tax Implications of future Capital Programme					
	2012-13	2013-14	2014-15	2015-16	2016-17
Additional Band D charge p.a.	£0.00	£0.00	£12.16	£15.79	£8.88

It should be noted however, that the proposed capital programme assumes a number of estimates which are subject to the approval of individual business cases e.g. swimming pool, crematorium improvements. The business cases need to address affordability by looking at, for example, existing budgets, future income streams, external grants, borrowing, and they will only be approved if the affordability can be assessed with a reasonable degree of certainty. It is therefore likely that there will not be an impact on Council Tax payers, certainly to the extent as highlighted above, and in any case such increases would be subject to the new Council Tax referendum arrangements.

TREASURY MANAGEMENT

The following limits for borrowing during 2012-13 to 2014-15 are recommended:

Type of borrowing:	Percentage of net outstanding principal sums
Fixed rate exposure	Manage with the range 70% to 100% (upper limit)
Variable rate exposure	Manage within range 0% to 30% (upper limit)

Upper and lower limits for the maturity structure of any borrowings:

The following limits are recommended:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total borrowing that is fixed rate		
	Upper limit	Lower limit
Under 12 months	20%	0%
Above 12 months and within 24 months	20%	0%
Above 24 months and within 5 years	50%	0%
Above 5 years and within 10 years	75%	0%
Above 10 years.	100%	25%

Total principal sum longer term invested to final maturity beyond year end

The Prudential Code requires a council to set out the total **investments** for periods longer than 364 days, setting upper limits for maturity of these investments in future years. This is to manage within good practice guidelines and a spread of maturities to reduce risk of interest rate volatility. **The Council does not invest for longer than 364 days.**