

Appendix D

1. THE PRUDENTIAL INDICATORS

The following indicators are based on the figures put forward within the Capital and Revenue Plans set out in this report.

1.1. Affordability

1.1.1. Estimates of ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non-HRA	5.96%	6.45%	6.79%
HRA (inclusive of settlement figure)	37.58%	35.65%	33.87%

The estimates of financing costs include current commitments and the proposals in this budget report.

The indicators show the proportion of income taken up by capital financing costs. Indicative Aggregate External Finance (AEF) for 2017/2018 is a 2% decrease on 2016/2017 and for 2018/19 a 2% estimated decrease on 2017/2018.

1.1.2. Estimates of the incremental impact of capital investment decisions on the Council Tax

A fundamental measure of affordability.

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

All capital projects that would have had revenue implications have been removed from the capital programme. This will reduce the call on council tax payers since less revenue is needed to fund new projects.

Incremental Impact on Council Tax			
£	2016/17	2017/18	2018/19
Increase in Band D Council Tax	2.15	2.20	0.56

Appendix D

These figures show the likely effect on Council Tax of the proposals; they are **not** Council Tax estimates.

1.1.3. Estimates of the incremental impact of capital investment decisions on housing rent levels

A fundamental measure of affordability.

Similar to the Council tax calculation this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

The proposed changes are shown as the total revenue impact on Housing Rents. Items in the capital programme where there is already a commitment to carry out that scheme are excluded from this Indicator.

Incremental Impact on Weekly Housing Rent			
	2016/17	2017/18	2018/19
Increase in Housing Rent	0.00	0.00	0.00

The final affect on the housing rent will be constrained by the Welsh Government Social Housing Rents Policy.

1.2. Prudence

1.2.1. The Capital Financing Requirement (CFR)

This prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above, which has not immediately been paid for, will increase the CFR.

The Council is asked to approve the CFR projections below:

£m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Non-HRA	260	263	259
HRA	131	131	144
HRAS	77	76	74
TOTAL	468	470	477

Appendix D

1.2.2. The Gross Borrowing and Capital Financing Requirement indicator

The control mechanism to limit external debt.

Estimated gross borrowing for the four years starting with the last full year (2014/15) must not exceed the CFR in the medium term, but can in the short term due to cash flows.

Ensures borrowing is only for approved capital purposes.

The Director of Corporate Services reports that the authority complied with this requirement in 2014/15 and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

Details of Gross Borrowing:

£m	2014/15 Actual	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Debt at 1 st April	259	280	379	404	424
Expected Change in Debt	21	20	25	20	23
HRAS	-	79	-	-	-
Gross debt at 31st March	280	379	404	424	447
CFR	374	468	468	470	477
Under / (Over) borrowing	94	89	64	46	30

1.2.3. External Debt

The Authorised Limit and the Operational Boundary:

The Authorised Limit prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

£m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Borrowing	514.5	516.5	523.5
Other Long-Term Liabilities	0.5	0.5	0.5
Total	515.0	517.0	524.0

Appendix D

The Operational Boundary for external debt is based on the same estimates as the authorised limit, but without the additional headroom for unusual and unexpected cash movements, and equates to the level of projected external debt. This is clearly subject to the timing of borrowing decisions.

£m	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Borrowing	467.9	469.9	476.9
Other Long-Term Liabilities	0.1	0.1	0.1
Total	468.0	470.0	477.0

The Council is asked to approve both the Authorised Limit and the Operational Boundary shown above.

1.2.4. Actual External Debt

The Council's actual external debt at 31st March 2015 was £280m. The actual external debt is not directly comparable to the authorised limit and operational boundary because the actual external debt reflects the position at a point in time.

It is recommended that the above Prudential Indicators are adopted and that the Director of Corporate Services is given delegated authority by Council to change the balance between borrowing and other long-term liabilities.

Other long-term liabilities are other credit arrangements, which are, in the main, finance leases.