# Prudential Indicator Performance Report 2016/17

**Introduction:** The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

This report compares the approved indicators with the outturn position for 2016/17. Actual figures have been taken from or prepared on a basis consistent with, the Authority's statement of accounts.

**Capital Expenditure:** The Authority's capital expenditure and financing may be summarised as follows.

| Capital Expenditure and Financing | 2016/17 Estimate £m | 2016/17 Actual £m | Difference £m |
|---|---|---|---|
| **Total Expenditure** | **37.1** | **37.0** | **0.1** |
| Capital Receipts | 4.2 | 5.4 | (1.2) |
| Government Grants | 13.0 | 10.9 | 2.1 |
| Reserves | - | - | - |
| Revenue | - | - | - |
| Borrowing | 19.9 | 20.0 | (0.1) |
| Leasing and PFI | - | 0.7 | (0.7) |
| **Total Financing** | **37.1** | **37.0** | **0.1** |

**Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

| Capital Financing Requirement | 31.03.17 Estimate £m | 31.03.17 Actual £m | Difference £m |
|---|---|---|---|
| **Total CFR** | **310.8** | **300.5** | **10.3** |

The CFR fell by £10.3m as capital expenditure financed by debt outweighed resources put aside for debt repayment.

**Actual Debt:** The Authority's actual debt at 31st March 2017 was as follows:

| Debt | 31.03.17 Estimate £m | 31.03.17 Actual £m | Difference £m |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Borrowing | 150.4 | **159.8** | 9.4 |
| Finance leases | 0.2 | - | (0.2) |
| PFI liabilities | 85.0 | **97.8** | 12.8 |
| **Total Debt** | **235.6** | **257.6** | **22.0** |

**Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt 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. This is a key indicator of prudence.

| **Debt and CFR** | **31.03.17 Estimate £m** | **31.03.17 Actual £m** | **Difference £m** |
|---|---|---|---|
| Total debt | 235.6 | **257.6** | 22.0 |
| Capital financing requirement | 310.8 | **300.5** | (10.3) |
| **Headroom** | **75.2** | **42.9** | **32.3** |

Total debt remained below the CFR during the forecast period.

**Operational Boundary for External Debt:** The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

| **Operational Boundary and Total Debt** | **31.03.17 Boundary £m** | **31.03.17 Actual Debt £m** | **Complied** |
|---|---|---|---|
| Borrowing | 190 | **159.8** | ✓ |
| Other long-term liabilities | 102 | **97.8** | ✓ |
| **Total Debt** | **292** | **257.6** | ✓ |

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

| **Authorised Limit and Total Debt** | **31.03.17 Boundary £m** | **31.03.17 Actual Debt £m** | **Complied** |
|---|---|---|---|
| Borrowing | 252 | **159.8** | ✓ |

| | | | |
|---|---|---|---|
| Other long-term liabilities | 102 | **97.8** | ✓ |
| **Total Debt** | **354** | **257.6** | ✓ |

**Ratio of Financing Costs to Net Revenue Stream:** This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

| **Ratio of Financing Costs to Net Revenue Stream** | **31.03.17 Estimate** % | **31.03.17 Actual** % | **Difference** % |
|---|---|---|---|
| General Fund | 13.7 | **5.2** | 8.5 |

**Adoption of the CIPFA Treasury Management Code:** The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in February 2011.