

Prudential Indicator Outturn Report 2017/18

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. Cipfa published a revised edition of the Prudential Code in December 2017. Amendments required will be incorporated during 2018/19.

This report compares the approved indicators for 2017/18 with the corresponding outturn position. Actual figures have been taken from or prepared on a basis consistent with, the Authority's draft statement of accounts. Compliance with the Operational Boundary and Authorised Limit have already been covered in Appendix 1.

Capital Expenditure: The Authority's capital expenditure and financing including vehicle borrowing may be summarised as follows. Further detail is provided in the Revenue and Capital Outturn report.

Capital Expenditure and Financing	2017/18 Estimate £m	2017/18 Actual £m	Difference £m
Total Expenditure	41.0	48.1	7.1
Capital Receipts	18.1	17.3	(0.8)
Grants & Contributions	11.3	15.1	3.8
Reserves & Revenue	0.0	0.2	0.2
Borrowing	11.6	14.2	2.6
Vehicles - Borrowing	0.0	1.3	1.3
Total Financing	41.0	48.1	7.1

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 Actual £m	31.03.18 Estimate £m	31.03.18 Actual £m	Difference to Estimate £m	Movement in 2017/18
Total CFR	134.6	134.3	146.1	11.8	11.5

The CFR rose by £11.5m during the year as capital expenditure financed by debt outweighed resources put aside for debt repayment. The estimated increase was £7.9m, slightly lower. The Actual CFR at 31 March 2018 was £11.8m higher than estimated in the 2017/18 Treasury Strategy largely due to the higher CFR at 1st April 2017 noted in last year's outturn report which was due principally to a £7.3m set aside of capital receipts budgeted but not carried out in 2016/17. In addition, £3.9m of budgeted borrowing was added to the capital program during the 2017/18 for 21 Century schools, City deal and Street lighting.

Actual Debt: The Authority's actual gross debt at 31st March 2018 was as follows:

Debt	31.03.18 Estimate £m	31.03.18 Actual £m	Difference £m
Borrowing	111.8	129.0	17.2
Finance leases/PFI	1.2	1.9	0.7
Total Debt	113.0	130.9	17.9

The larger borrowing increase than previously estimated, is partly due to an increased use of reserves and partly due to keeping higher investment balances to satisfy the requirements of Mifid II.

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	31.03.18 Estimate £m	31.03.18 Actual £m	Difference £m
Capital financing requirement	134.3	146.1	11.8
Total debt	113.0	130.9	17.9
Headroom	21.3	15.2	(6.1)

Total debt remained below the CFR during the forecast period.

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	31.03.18 Estimate %	31.03.18 Actual %	Difference %
General Fund	4.7	4.7	(0.0)