

## The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

### Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

<b>Capital Expenditure by Service</b>	<b>2014/15 Original Estimate</b>	<b>Current Position As at 30<sup>th</sup> Sept 2014</b>	<b>2014/15 Revised Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	4.237	1.909	8.984
HRA	8.249	3.996	8.249
<b>Total</b>	<b>12.486</b>	<b>5.905</b>	<b>17.233</b>

### Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

<b>Capital Expenditure</b>	<b>2014/15 Original Estimate</b>	<b>2014/15 Revised Estimate</b>
	<b>£m</b>	<b>£m</b>
Financed by:		
Capital receipts	1.670	2.756
Capital grants	320	829
Capital reserves	6.189	7.036
Third Party Contribution	50	146
Revenue	1.957	1.958
<b>Total financing</b>	<b>10.186</b>	<b>12.725</b>
<b>Borrowing need</b>	<b>2.300</b>	<b>4.508</b>

### Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

### Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement

## Prudential Indicator – External Debt / the Operational Boundary

	2014/15 Original Estimate	Current Position As at 30 <sup>th</sup> Sept 2014	2014/15 Revised Estimate
	£m	£m	£m
<b>Prudential Indicator – Capital Financing Requirement</b>			
CFR – non housing	37.194	18.597	37.194
CFR – housing	35.400	17.700	35.400
Total CFR	72.594	36.297	72.594
<b>Net movement in CFR</b>	-		-
<b>Prudential Indicator – External Debt / the Operational Boundary</b>			
Borrowing	101.000	101.000	101.000
Other long term liabilities*	-	-	-
<b>Total debt 31 March</b>	<b>101.000</b>	<b>101.000</b>	<b>101,000</b>

## Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2014/15 Original Estimate	Current Position As at 30 <sup>th</sup> Sept 2014	2014/15 Revised Estimate
	£m	£m	£m
Gross borrowing	71.774	68.270	71.774
CFR* (year end position)	72.235	72.235	72.235

The Director of Resources reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

<b>Authorised limit for external debt</b>	2014/15 Original Indicator £m	Current Position As at 30 <sup>th</sup> Sept 2014 £m	2014/15 Revised Indicator £m
Borrowing	61.274	59.018	61.274
Other long term liabilities*	0	0	0
Total	61.274	59.018	61.274