

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.

Capital Expenditure by Service	2015/16 Original Estimate	Current Position As at 30th Sept 2015	2015/16 Revised Estimate
	£m	£m	£m
General Fund	2.309	14.552	23.838
HRA	6.688	2.748	6.780
Total	8.997	17.300	30.618

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.

Capital Expenditure	2015/16 Original Estimate	2015/16 Revised Estimate
	£m	£m
Financed by:		
Capital receipts	847	7.809
Capital grants	306	660
Capital reserves	6.184	5.912
Third Party Contribution	50	893
Revenue	804	975
Total financing	8.191	16.249
Borrowing need	806	14.369

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 revised forecast Capital Financing Requirement

Prudential Indicator – External Debt / the Operational Boundary

	2015/16 Original Estimate	Current Position As at 30 th Sept 2015	2015/16 Revised Estimate
	£m	£m	£m
Prudential Indicator – Capital Financing Requirement			
CFR – non housing	38.470	25.975	51.950
CFR – housing	35.400	17.700	35.400
Total CFR	73.870	43.675	87.350
Prudential Indicator – External Debt / the Operational Boundary			
Borrowing	106.600	106.600	106.600
Other long term liabilities*	-	-	-
Total debt 31 March	106.600	106.6000	106.600

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 2015/16 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.

	2015/16 Original Estimate	Current Position As at 30 th Sept 2015	2015/16 Revised Estimate
	£m	£m	£m
Gross borrowing	67.830	74.622	74.504
CFR* (year end position)	73.870	87.350	87.350

The Section 151 Officer 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.

Authorised limit for external debt	2015/16 Original Indicator £m	Current Position As at 30 th Sept 2015 £m	2015/16 Revised Indicator £m
Borrowing	60.827	65.619	65.501
Other long term liabilities*	0	0	0
Total	60.827	65.619	65.501