

# 1. 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.

## 1.1 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>2016/17 Original Estimate £m</b>	<b>2016/17 Current Position £m</b>	<b>2016/17 Revised Estimate £m</b>
General Fund	9.196	0.825	9.129
HRA	8.219	2.201	8.362
<b>Total capital expenditure</b>	<b>17.415</b>	<b>3.026</b>	<b>17.491</b>

Capital expenditure for the General Fund is estimated to come in under budget at year end by around £3.3m. This is mainly due to the Crematorium project which has been delayed. It is likely that no PWLB borrowing will be taken in this financial year now.

## 1.2 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>2016/17 Original Estimate £m</b>	<b>2016/17 Revised Estimate £m</b>
<b>Total capital expenditure</b>		
Financed by:		
Capital receipts	1.080	5.213
Capital grants	0.380	0.727
Capital reserves	6.568	6.082
3 <sup>rd</sup> Party Contributions	0.750	1.447
Revenue	1.722	1.630
<b>Borrowing requirement</b>	<b>6.915</b>	<b>2.392</b>

## 1.3

Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below 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, which is termed the Operational Boundary.

### Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast Capital Financing Requirement (*or explain any significant changes*).

### Prudential Indicator – the Operational Boundary for external debt

	2016/17 Original Estimate £m	2016/17 Current Position £m	2016/17 Revised Estimate £m
<b>Prudential Indicator – Capital Financing Requirement</b>			
<b>Total CFR</b>	86.148	86.148	86.148
<b>Prudential Indicator – the Operational Boundary for external debt</b>			
Borrowing	107.00	65.117	107.00
Other long term liabilities*	0	0	0
<b>Total debt (year- end position)</b>	<b>78.833</b>	<b>65.117</b>	<b>75.150</b>

The Director of Finance 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>	2016/17 Original Indicator £m	2016/17 Current Position £m	2016/17 Revised Indicator £m
Borrowing	117.00	117.00	117.00

#### 1.4 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 2016/17 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.

	<b>2016/17 Original Estimate £m</b>	<b>2016/17 Current Position £m</b>	<b>2016/17 Revised Estimate £m</b>
Borrowing (Total Debt)	68.530	65.117	64.850
<b>CFR* (year-end position)</b>	86.148	86.148	86.148