

**Agenda Item No:** 17  
**Report To:** Cabinet  
**Date:** 14<sup>th</sup> July 2016  
**Report Title:** Funding to support the delivery of the new Ashford Town Centre College Campus  
**Report Author:** Andrew Osborne, Economic Development Manager  
Ben Lockwood, Head of Finance  
**Portfolio Holder:** Cllr Gerry Clarkson, Leader of Ashford Borough Council



**Summary:** Following the Council's agreement to provide a bridging loan of up to £2 million to the College in February 2015 to deliver Phase 1 of the Elwick Road Campus, this report updates the Council on the Colleges new plans to complete both Phase 1 and 1a of the College development by September 2017, providing the opportunity to move all of their operations from Jemmett Road to Elwick Road, and providing efficiency savings and improvements in the standards of educational provision.

In accelerating this development, the College have now requested a further bridging loan of up to £1 million, and then the conversion of both loans into a grant of up to £3 million to enable the delivery of Phase 1 and 1a of the Elwick Road Campus.

**Key Decision:** YES

**Affected Wards:** All wards

**Recommendations:** **The Cabinet be asked to:-**

- I. Recommend that the Council agree to provide an additional bridging loan to West Kent and Ashford College in the sum of up to £1m to be used for the sole purpose of the development of Phase 1 and Phase 1a of the Ashford College Campus on Elwick Road;**
- II. Recommend that the Council agree to provide grant funding to West Kent and Ashford College in the sum of up to £3m to be used for the sole purpose of the development of Phase 1 and 1a of Ashford International College Campus on Elwick Road, and to be conditional as set out in the Heads of Terms;**
- III. Recommend that the Council agree to the**

**allocation of the receipt from the sale of land at Conningbrook to be put towards the proposed £3m grant to West Kent and Ashford College;**

- IV. Recommend that the Council agree that the loans and grant can be secured against the West Kent and Ashford College Tonbridge Campus and Elwick Road Campus, subject to the successful completion of due diligence, which confirms there is sufficient security for the loan/grant and no state aid impediment to proceeding in the opinion of the Head of Finance; and**
- V. Recommend that the Council delegate authority to the Director of Law and Governance in consultation with the Head of Finance to execute and complete all necessary documentation to give effect to the above recommendations;**
- VI. Recommend that the Council agree the revised prudential indicators as outlined in appendix 2.**

**Policy Overview:**

The proposed funding will secure the release of other external funding streams, and will enable delivery of Phase 1 and 1a of the Ashford International College Campus on Elwick Road. The College is one of the Council's "Big 8" projects and is strategically important in delivering better further education provision, the regeneration of Ashford Town Centre and growth within the Borough.

This project is identified within the Council's Corporate Plan 2015-20, under Priority 1, Enterprising Ashford: Economic Investment and Growth as a key priority project.

**Financial Implications:**

The loan to the college will be made at the rate of interest that the council would pay to finance the transaction. In the longer term it is proposed to fund the grant from reserves and the land receipt from the Conningbrook commercial deal. This has been allowed for within the resource planning for the corporate delivery plan and is affordable.

Appendix 2 shows the revised prudential indicators that ensure that there is sufficient provision for the proposed loans and future new corporate priorities, within the operational boundary for borrowing.

**Risk Assessment**

YES

**Equalities Impact Assessment**

NO

**Exemption**

**Appendix 3 and 4 to this report are Not For Publication**

**Clauses:** by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

**Background Papers:** Cabinet Report 11th February 2015, "Bridging funding to West Kent and Ashford College for the Ashford International College Campus"

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## **Report Title: Funding to support the delivery of the new Ashford Town Centre College Campus**

### **Purpose of the Report**

1. To update Cabinet on the progress in delivering a new Further Education College Campus in Ashford Town Centre
2. To ask Cabinet to recommend that the Council approve an additional bridging loan of up to £1 million to fund phases 1 and 1a of the Ashford College town centre campus.
3. To ask Cabinet to recommend that the Council approve the conversion of the bridging loans into a grant of up to £3 million to gap fund phase 1 and 1a of the Ashford College town centre campus, subject to the college complying with the conditions of a funding agreement.

### **Issue to be Decided**

4. Whether the Council should approve an additional bridging loan of a sum of up to £1 million, in addition to the bridging loan of a sum of up to £2 million that was agreed by Full Council on 19<sup>th</sup> February 2015, to bring the total bridging loans for Phase 1 and 1a of the Ashford College Town Centre Campus to a sum of up to £3 million.
5. Whether the Council should approve the conversion of the bridging loans into a grant of up to £3 million for the development of Phase 1 and 1a of the Ashford College Town Centre Campus, subject to the calculation of the requirement for gap funding on completion of the development, and compliance of the College with the terms of a funding agreement.

### **Background**

6. The development of a new Ashford International College Campus within Ashford town centre has been an aspiration for all partners over the last 10 years. The poor level of further education provision provided by previous operators of the Ashford College Campus and the poor condition of the buildings and facilities at Jemmett Road, have created a challenging environment in improving the skills and training of the local workforce, young people and other residents.
7. There are currently a large proportion of local residents who travel outside of the borough to undertake further education courses, reflecting the previous standards and unattractive local provision.
8. The current proposals for the Elwick Road Campus provide the delivery of:
  - a. Phase 1, a 4,715m<sup>2</sup> college building which will house the general academic departments and administrative facilities, including Mathematics, English, Business Studies, the Learning Resource Centre, Art & Design, Multi Media, Music, Hair & Beauty, Catering,

other specialist departments, the Refectory, Fine Dining, Coffee Shop and General Shop; as well as

- b. Phase 1a, a 2,391m<sup>2</sup> technology block providing facilities which will include the construction and engineering departments.
9. Planning Permission for Phases 1 and 1a of the new Ashford International College Campus on Elwick Road was permitted in October 2015, with a variation to conditions to facilitate revisions to Phase 1a of the development being permitted in February 2016.
10. Demolition was undertaken at the end of 2015, with development work for Phase 1 having started on site in January 2016. The College now have plans in place for the opening of both Phase 1 and Phase 1a by the summer of 2017 to allow all operations to relocate from the Jemmett Road site, subject to the funding being in place and the outcome of this report.

### **Report to Cabinet 11<sup>th</sup> February 2015**

11. A report titled "Bridging funding to West Kent and Ashford College for the Ashford International College Campus" was reported to Cabinet in February 2015 and recommendations were then approved at the Full Council meeting on the 19<sup>th</sup> February 2015. At this time the College were requesting a bridging loan of up to £2 million for Phase 1 of their Elwick Road Campus, subject to the repayment of the loan through the sale of their existing Jemmett Road site to a housing developer.
12. The Council approved this bridging loan facility to ensure the delivery of Phase 1 could be taken forward and therefore assisting the College in securing £5 million from the Skills Funding Agency (SFA), and £9.8 million from the South East Local Enterprise Partnership (SELEP) Single Local Growth Fund to deliver this £16.7 million first phase development. The college have not yet proceeded with this funding request and it is proposed to roll this bridging loan into the revised request.

### **Business Case for Gap Funding**

13. With the Hadlow group having taken over the West Kent and Ashford College from K College in August 2014, and secured the funding for Phase 1 in February 2015, the College have subsequently looked into the benefits of bringing forward the Phase 1A Engineering and Construction block, previously scheduled to come forward 2 years after Phase 1. The new Ashford College Campus phasing diagram attached as Appendix 1 of this report provides a plan showing the different phases of development on the Elwick Road site. The college have also submitted a Case for Support document which is an exempt item attached as Appendix 3 of this report, which sets out the College's full justification for bringing Phase 1A forward. These arguments include:
  - a. The conditions of premises at the Jemmett Road site are poor and deteriorating.
  - b. The existing premises require higher management, maintenance and running costs.

- c. Operating two sites within Ashford will increase costs and have an impact on availability of services on the Jemmett Road site.
- d. Retaining operations at Jemmett Road will impact on the College's standards of educational delivery, due to the facilities, environment and services available to engineering and construction students.
- e. Operating a smaller secondary site has the potential to impact on the standards of discipline at the Jemmett Road site.
- f. There are cost efficiencies in delivering both Phase 1 and 1a concurrently, and early delivery will also mitigate against tender price inflation in the future.
- g. Ashford College has already secured £427,500 of SELEP funding for Phase 1A, which could be lost if delivery is not completed in 2017/18.
- h. The current agreement with the housing developer is for vacant possession of the Jemmett Road site by the summer of 2017, to maximise the value of the site.
- i. Delivery of Phase 1 and 1A by September 2017 will provide additional benefits to the regeneration of Ashford Town Centre, through additional activity and footfall.

Ashford College have estimated that the overall cost savings that could be achieved through the early delivery of Phase 1A is £2.627m.

- 14. In bringing forward the Phase 1A development, the College are now requesting additional bridge funding of up to an additional £1m, and also the conversion of both bridging loans into a grant of up to £3m upon the completion of both Phase 1 and Phase 1A.

#### **What a Council grant will facilitate**

- 15. Phase 1 and 1A of the new Ashford College Campus represents an investment of £25.8 million in 7,106m<sup>2</sup> of new grade A Further Education College facilities, which could support over 2,000 learners, with the potential for student numbers to increase by up to 80% by 2020.
- 16. Ashford College have so far been successful in securing £22.8 million in funding through the future sale of Jemmett Road, applications for SELEP funding, and a Skills Funding Agency grant. This leaves a gap in funding on current estimates of approximately £3 million.
- 17. West Kent and Ashford College are currently rated Inadequate (grade 4) through the Ofsted assessment undertaken previously. The College are working towards improving this rating to Good (grade 2) through changes to the curriculum and improvements to teaching and management standards, but a key part of these required improvements are to the physical environment that students are learning within, and the facilities and equipment that students are able to use. The relocation to the Elwick Road site and completion of Phase 1 and 1A, are crucial to obtaining a Good rating for the College.

18. Currently there are approximately 500 local students who are travelling outside of the Borough to undertake Further Education qualifications, due to past poor provision locally. The College has 1,243 learners in 2015/16, and the proposals for the new campus could see this increase by up to 80% to 2,236 learners by 2020. Improved local provision will make quality learning more accessible for local residents and businesses, strengthening the local workforce and economy and supporting the new developments coming forward within the Borough.
19. The curriculum provision within the new campus will see the delivery of courses that look to support business and employment opportunities within the Borough. As well as delivering Mathematics, English, Business Studies, the Learning Resource Centre, Music, Hair & Beauty, Catering, and other specialist departments, alongside real working experience through a, Fine Dining Restaurant, a Coffee Shop, Salon and General Shop, the new Campus will focus on:
  - a. Engineering
  - b. Construction
  - c. IT and digital media
  - d. Retail and business
  - e. Health and social care
  - f. Creative Arts.

These courses will support both existing business, but also the Council's Big 8 projects, through development of skills in sectors that will support occupiers for the Commercial Quarter, Elwick Place, and Ashford Designer Outlet, as well as construction skills for the delivery of key developments and infrastructure projects such as Chilmington Green and M20 Junction Jct10a.

20. Within the new campus, the College educational provision will also be able to increase the number of apprenticeships and higher apprenticeships, make learning more accessible both through its new town centre location, but also through enabling a widened participation for learners with learning difficulties and disabilities. A key aspiration for the Council in developing "Enterprising Ashford" is the improvement of higher level skills within the Borough, and although the larger Higher Education provision will come forward through the delivery of Phase 2 of the Elwick Road site (proposed to be delivered in the future), a higher level of HE provision will be supported within the new Campus. It is important to also note that in discussions with the College, officers have been informed that the College will not be requesting any further grant funding from the Council for Phase 2 of the Elwick Road development with other sources of funding potentially available to support its delivery.
21. In addition to the improved education provision, the movement of the College campus into the Elwick Road site will also bring footfall and activity to this town centre site. With over 1,000 students and over a hundred staff in this location, within easy walking distance of shops, services, bars and restaurants within Ashford town centre, this development will also have a positive impact on local businesses through the potential for increased visitor numbers and

turnover. As well as supporting the High Street, Park Mall, and County Square, students and staff will be potential customers for the new cinema and restaurants to be built in Elwick Place.

### **West Kent and Ashford College's Current Financial Position**

22. The issues that K-college had in the past have been well documented and have led to the Hadlow group taking over the operations at the Ashford campus. The group have been reviewing its operations and seeking to stabilise the colleges business to allow for the college to recover in the future. The past problems have resulted in there being some legacy debt with Barclays bank which has led to conditions being imposed on the college about the way it secures funding going forward and being unable to take out long term debt to fund the Ashford development. In order to permit the bridging loan previously approved by the council and the extension of this funding the College has sought approval from the bank, which is to be provided to the council before any loan is entered into.
23. The College has provided its business plan showing that the new campus is forecast to make a small surplus once in operation, an average of £213,000 pa between 2017-2020 which is just under 4% of turnover. The model suggests that the colleges finances will be stabilised enabling it to continue to deliver courses over the medium to long term. The college has suggested that in the event that the loan were not to be converted to grant that this would be unsatisfactory to their other funders and make them un-viable, however officers have sought and not been provided with sufficient evidence to support this view.
24. The college currently has a guaranteed level of funding as part of the transitional arrangements of the restructuring. This funding level is currently greater than the level of funding it would actually receive based on student numbers and therefore the new facilities and additional students that it will attract is fundamental to the college maintaining its current level of government support. Therefore whilst the model shows significant increases in student numbers this is not proportionate with the increase it will receive in future funding.
25. The move to the new site will result in a reduction in running costs, the college has also surrendered the lease of a site at Henwood which also reduces the operating costs, this cost reduction is a major element of the stabilisation of the business plan and shows the benefit of bringing forward phase 1a.
26. The College currently has a cash deficit with the balance supported by the Hadlow group. Over the period of the model the college cash flow is forecast to increase over the period and return to a cash surplus.
27. Overall the projections submitted by the college suggest that the new college will be able to become a viable college, however given the risk in the sector it is advisable that the council takes security for the loan and grant to ensure that the objectives of the council continue to be delivered.



## Proposed terms of the Funding Agreement and future protection for Ashford Borough Council

28. The Council's Director of Law and Governance, Head of Finance and Economic Development Manager have drafted proposed Heads of Terms for a loan and grant agreement, which can be found as an exempt item as **Appendix 4** of this report. This document sets out the proposed arrangements and conditions upon which a funding agreement with the College should be based.
29. The proposed agreement includes a bridging loan of up to £2 million which was originally agreed by Full Council in February 2015, and is programmed to be put in place by the end of July 2016. This draft agreement also proposes an additional bridging loan of up to £1 million in December 2016, and then for both bridging loans to be converted into a grant of up to £3 million in December 2017 on completion of the Phase 1 and 1A of the new further education college and the completion of the first term of operation.
30. To secure the Council's interest in achieving the long term provision of further education from the Elwick Road site, covenants are proposed within the agreement. The original Council approval specified that the loan be secured against the Jemmett Rd site but the college have asked whether the council would consider moving this charge to the Tonbridge Campus site as a charge on the Jemmett Rd site would restrict their flexibility to work with the developer and maximise their receipt at the earliest opportunity. A charge against the Tonbridge Campus would be a second charge as the college has a loan secured against this site. Due diligence will need to be undertaken to ensure sufficient security is in place, and it is a recommendation that the Head of finance be authorised to assess and sign off this undertaking. Accordingly the loan will be drafted to include a charge against the Tonbridge campus, and the Elwick Road site. This will ensure that for whatever reason, if the current College are unable to undertake further education training within the new campus in the future, and another operator is not able to be found, the Council's financial investment will be able to be returned.
31. The draft Heads of Terms also recognises the Council's requested role in gap funding the Phase 1 and 1A developments through a grant of up to £3 million. With the realisation of the value of the Jemmett Road not yet complete, and the College still to procure the fit out of Phase 1 and the construction and fit out of Phase 1A, the agreement reflects the requirement to calculate the real value of the gap funding grant required at the time of the completion of the development and following the operation of one full term of activity (currently scheduled for December 2017).
32. The agreement seeks to ensure that if the college meets the terms for conversion to grant funding that a charge is placed upon the college site to ensure that in the event that the college ceases to provide education courses on the site the Council's grant will be repaid.
33. The Council has been mindful of potential State Aid Implications and has sought an undertaking from the college that the loan/grant will be within state aid rules. As part of the due diligence in finalising the funding agreements, the Council will need to ensure there is no State Aid impediments and that an

appropriate record justifying this position has been provided. It is again recommended that this be assessed and signed off by the Head of Finance.

34. The council has undertaken a resource planning exercise to support the development of the corporate delivery plan. Whilst the transaction is a loan the council will be able to recover its financing costs from the interest paid by the college, however once the loan is converted to grant the council will need to bear its own financing costs (estimated at £240,000 per annum). Therefore if the council were to borrow to fund this then it would need to pay interest costs and the debt repayment amount from its revenue budget. The resource plan has allocated reserves balances to fund the grant and it is recommended that any receipt from the Conningbrook land deal be allocated towards funding this initiative.

## Risk Assessment

35. When drafting the Heads of Terms for the agreement the Council has been mindful of the potential risks and how these will be mitigated, the table below contains the main risks that have been identified

Risk	Mitigation
College do not complete the New Campus and are unable to repay the loans	The Council will be seeking security for the loan with charges being placed on the Tonbridge Campus and the Elwick Campus.
College stop providing FE provision in Ashford	There is a condition in the grant agreement that will require repayment of the grant amount in the event that the college cease to provide FE courses at Elwick. This will be secured on the Elwick Rd site for 25 years.
The cost of the development goes above the estimated £25.8 million	This is the college's risk, the council's funding is capped at £3m. The grant is also conditional on the completion of Phase 1 and 1a of the Elwick Road Campus.
The Council is not able to take a charge against the Jemmett Road site	The College have offered charges against the Tonbridge and Elwick Campus'.
The College are not able to take a loan from Ashford Borough Council due to restrictions.	There is a covenant within the loan agreement requiring the college to evidence that its governance processes to take the loan have been followed and that there are no other restrictions on their ability to take the loan.

<p>The College do not achieve the increased student numbers and income projected.</p>	<p>In the event of this occurring, the College would need to consider its business planning.</p> <p>If they were to cease operation the covenant to repay the grant would be triggered.</p>
<p>The actual costs for the development of Phase 1 and 1a of the Elwick Road Campus are lower than the cost estimates.</p>	<p>The Council will be seeking security through the funding agreement that any reduction in the development costs will reduce the loan / grant required from the Council.</p>

## Equalities Impact Assessment

36. Not Applicable

## Other Options Considered

37. Ashford Borough Council to provide no funding beyond the £2 million loan already agreed, with the result of Phase 1a not being taken forward.
38. Ashford Borough Council to provide a bridging loan of up to £3 million to West Kent and Ashford College to complete Phase 1 and 1A of the development, with the College making repayments over an extended period of time (25 years). The College have provided within their Case for Support, their requirement for a £3 million grant due their current financial position and their future projected accounts.

## Handling

39. The Chief Executive, Head of Finance and Economic Development Manager have progressed discussions with the Director of Finance and Resources and Project Manager at Hadlow College, to bring forward this request and the draft Heads of Terms to inform any funding agreement.

## Conclusion

40. This is one of the Council's Big 8 projects, identified as a priority within the Council Corporate Plan. One of the key challenges to economic growth and greater prosperity within the Borough is the improvement of the low skills base. The delivery of this project will support improved educational provision within the borough, supporting improved prosperity for both residents and businesses alike, therefore supporting a stronger future economy within the area.
41. Following considerable challenges over a number of years, the new college operator (the Hadlow Group), have undertaken a number of improvements to the local provision, but their improvement plans for the Ashford College are

intrinsically linked to the delivery of the new Campus on the Elwick Road site within Ashford Town Centre.

42. As well as providing improvements to the local educational provision, the new campus will also support the regeneration of the town centre through new footfall and spend from both students and staff at Ashford College.
43. Although this request is for a significant loan to be converted into a grant of up to £3 million, this funding will release approximately £22.8 million of investment into the Elwick Road campus, providing new state of the art facilities for the residents and businesses of Ashford Borough.

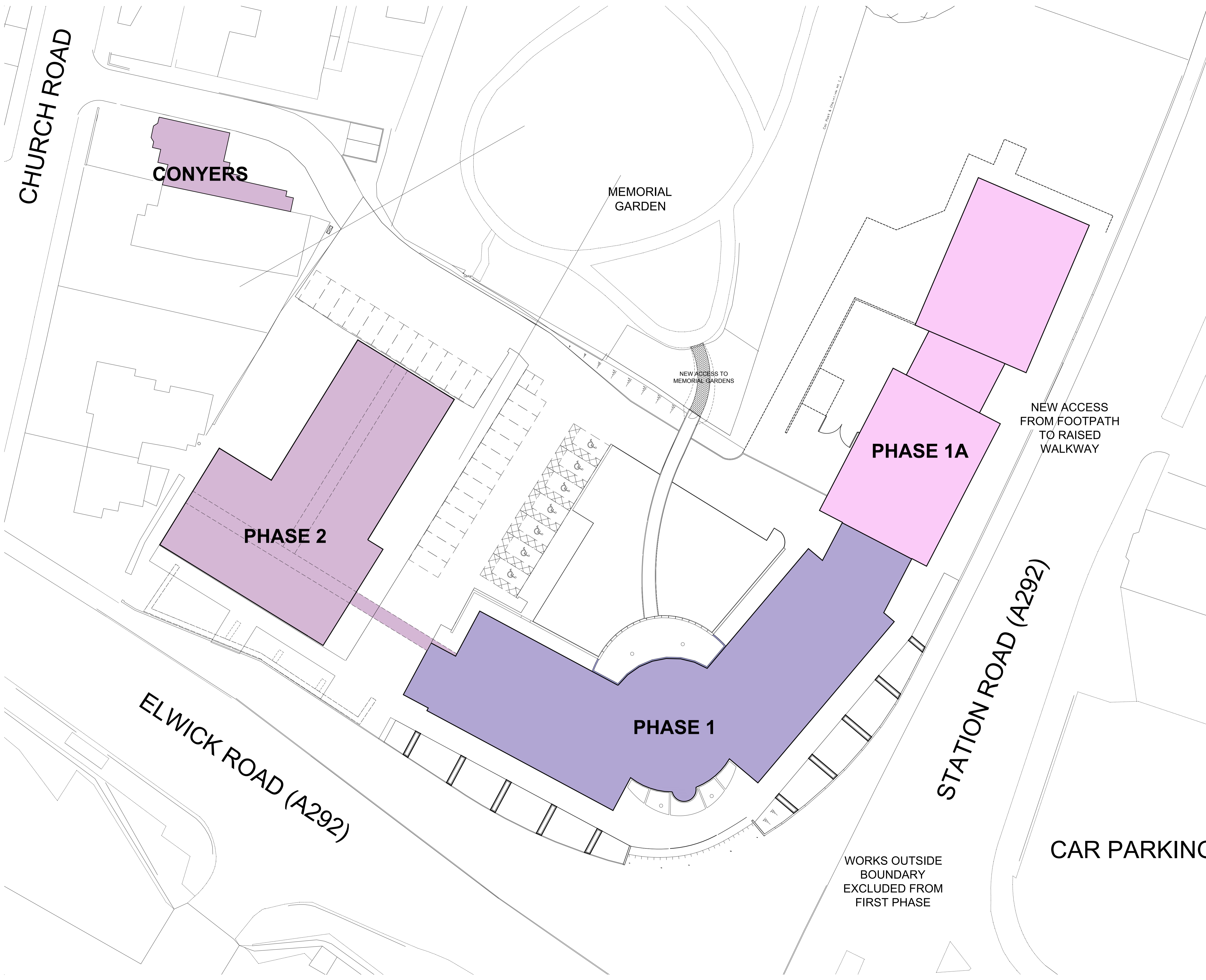
### **Portfolio Holder's Views**

44. This quest for a new college campus has been long outstanding, and has previously included plans on another site within Ashford years ago, but all to no avail. In recent years the Council has been very active in urging Government and other organisations to support the building of this new FE and HE college campus for Ashford. The proposed provision of a £3m grant to secure this new campus demonstrates the Council's commitment to delivering this Big 8 Project and supporting Ashford's future.
45. Whilst the delivery of this campus should have a major impact on the vibrancy of the town, it will also provide the opportunity to promote higher skills levels for our workforce. The offer will include much needed vocational and professional skills and technology that will greatly assist development of Ashford and beyond.
46. At present there are many hundreds of people who need to leave the borough to travel some distance away to study. The provision of our own Ashford College on this Elwick Road site should obviate such a need.

**Cllr Gerry Clarkson, Leader of Ashford Borough Council**

**Contact:** Andrew Osborne, Economic Development Manager, Ashford Borough Council

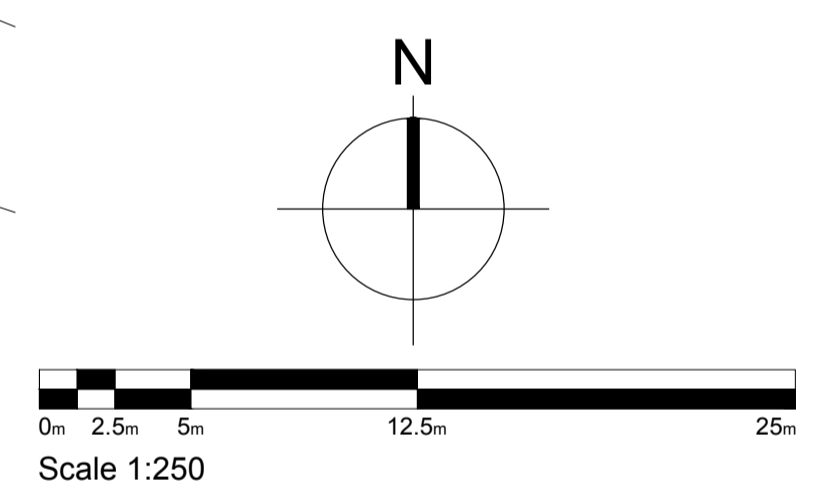
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Rev	Amendments	By	Chkd	Date

- PHASING KEY**
- PHASE 1 NEW BUILD GROUND FLOOR  
GIA = 4715 M<sup>2</sup>
  - PHASE 1A NEW BUILD GROUND FLOOR  
GIA = 2391 M<sup>2</sup>
  - PHASE 2 NEW BUILD GROUND FLOOR  
GIA = 3380 M<sup>2</sup>
- TOTAL = 10,486 M<sup>2</sup>**  
**CONYERS = 250 M<sup>2</sup>**



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Project  
**HADLOW COLLEGE GROUP**  
**ASHFORD COLLEGE**  
**ELLWICK ROAD ASHFORD**

Drawing Title  
**PHASING DIAGRAM**

Drawing Status  
**PRELIMINARY**

Scale  
**A1 - 1:200**

Drawn By  
**ACH**

Checked By  
**KW**

Date  
**03/02/2016**

Project No.  
**16003**

Drawing No.  
**P100**

Revision

### Revised Prudential Indicators 2016/17 to 2018/19

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.

#### Estimates of Capital Expenditure:

<b>Capital Expenditure and Financing Estimates</b>	<b>2016/17 Revised</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
General Fund	40,529	24,658	47,529
HRA	9,775	4,962	5,267
<b>Total Expenditure</b>	<b>50,305</b>	<b>29,621</b>	<b>52,796</b>
Capital Receipts	165	165	165
Reserves	10,228	5,060	5,267
Borrowing	37,150	23,122	47,044
External Grants	2,761	1,274	320
<b>Total Financing</b>	<b>50,305</b>	<b>29,621</b>	<b>52,796</b>

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

<b>Estimated Capital Financing Requirement</b>	<b>31.03.17 Revised</b>	<b>31.03.18 Estimate</b>	<b>31.03.19 Estimate</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
General Fund	52,486	75,607	122,651
HRA	145,675	145,675	145,675
<b>Total CFR</b>	<b>198,161</b>	<b>221,282</b>	<b>268,326</b>

## Appendix 2

The CFR is forecast to rise by £70.165m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

**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.

<b>Estimated Debt</b>	<b>31.03.17 Revised £,000</b>	<b>31.03.18 Estimate £,000</b>	<b>31.03.19 Estimate £,000</b>
Borrowing	52,486	75,607	122,651
HRA	117,664	114,664	113,664
PFI liabilities	26,719	26,217	25,649
<b>Total Debt</b>	<b>196,869</b>	<b>216,488</b>	<b>261,964</b>

Total debt is expected to remain 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.

<b>Operational Boundary for Borrowing</b>	<b>2016/17 Revised £,000</b>	<b>2017/18 Estimate £,000</b>	<b>2018/19 Estimate £,000</b>
Borrowing	174,000	194,000	240,000
Other long-term liabilities	27,000	27,000	26,000
<b>Total Debt</b>	<b>201,000</b>	<b>221,000</b>	<b>266,000</b>

## Appendix 2

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act. 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.

<b>Authorised Limit for Borrowing</b>	<b>2016/17 Revised £,000</b>	<b>2017/18 Estimate £,000</b>	<b>2018/19 Estimate £,000</b>
Borrowing	405,000	450,000	535,000
Other long-term liabilities	25,000	25,000	25,000
<b>Total Debt</b>	<b>430,000</b>	<b>475,000</b>	<b>560,000</b>