

Cabinet 14 July 2016 – Tabled Papers

Agenda Item No.17 – Funding to support the delivery of the new Ashford Town Centre College Campus

Please substitute the revised attached Appendix 2 'Revised Prudential Indicators 2016/17 to 2018/19'

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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:

Capital Expenditure and Financing Estimates	2016/17 Revised	2017/18 Estimate	2018/19 Estimate
	£,000	£,000	£,000
General Fund	40,529	24,658	47,529
HRA	9,775	4,962	5,267
Total Expenditure	50,305	29,621	52,796
Capital Receipts	165	165	165
Reserves	13,228	5,060	5,267
Borrowing	34,150	23,122	47,044
External Grants	2,761	1,274	320
Total Financing	50,305	29,621	52,796

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

Estimated Capital Financing Requirement	31.03.17 Revised	31.03.18 Estimate	31.03.19 Estimate
	£,000	£,000	£,000
General Fund	48,209	71,330	118,374
HRA	143,206	139,390	137,516
Total CFR	191,415	210,720	255,890

The CFR is forecast to rise by £64.475m 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.

Estimated Debt	31.03.17 Revised £,000	31.03.18 Estimate £,000	31.03.19 Estimate £,000
Borrowing	49,257	72,378	119,422
HRA	117,664	114,664	113,664
PFI liabilities	22,439	21,623	20,749
Total Debt	189,360	208,665	253,835

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 (5m), 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.

Operational Boundary for Borrowing	2016/17 Revised £,000	2017/18 Estimate £,000	2018/19 Estimate £,000
Borrowing	172,000	193,000	239,000
Other long-term liabilities	23,000	22,000	21,000
Total Debt	195,000	215,000	260,000

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.

Authorised Limit for Borrowing	2016/17 Revised £,000	2017/18 Estimate £,000	2018/19 Estimate £,000
Borrowing	405,000	450,000	535,000
Other long-term liabilities	25,000	24,000	23,000
Total Debt	430,000	474,000	558,000