PRUDENTIAL AND TREASURY INDICATORS

PRUDENTIAL INDICATORS - A Brief Description

Capital Expenditure

This shows the capital programme as it currently stands. Members will note that the amount estimated to be included within the programme for 2018/19 is £10.141 million.

This is a reduced value from the previous year, (and £4m of this is slippage from 2017/18), and through obtaining the associated funding through grants, capital receipts and other contributions the borrowing required has been minimised. This means that the effect of the investment on the Council's revenue account has been factored into the 2018/19 revenue budget within prudent limits. There is still uncertainty about the levels of spend in future years.

It is not known exactly at this stage what the effects on revenue of sustaining a high level of capital programme investment will be in future years. It is however envisaged that there will continue to be a significant contribution from grants. This will again minimise borrowing to within prudential levels and thus keep the resultant financing charge to the revenue budget within prudent limits.

Ratio of Financing Costs to Net Revenue

The net revenue stream is the estimated amount of spending to be met from Government Grants and local taxpayers. It is used in projections and for estimating the need for budget savings. It is based upon the system of Government revenue support and assumes a 2.99% increase in Council Tax for 2018/19 and a 1.99% increase for the following two years. The Council tax base used for assessing the impact on revenue is 23,118 which is the calculation given under the system of Council tax funding (22,579 for 2017/18)

Financing costs include interest on borrowing and the amount included in the budget for repayment of debt (Minimum Revenue Provision).

Net Borrowing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the previous year plus the estimates of any additional capital financing requirement in the current year and the next two financial years. At all times the level of borrowing will be monitored to ensure that it does not exceed the estimated capital financing requirement in two years time.

Capital Financing Requirement as at 31 March

The capital financing requirement is an indication of how much the Council needs to borrow for capital purposes. This is as a result of not financing capital expenditure "up front" by means of capital receipts, grants etc. and relying on borrowing, which is ultimately repaid and then replaced if required.

Incremental impact of capital investment decisions

This indicator requires a comparison between the total budgetary requirement of the Council including and excluding the costs of changes to the existing capital programme. The proposed Burnley Borough Council Band D Council Tax for 2018/19 is £291.50 and includes the borrowing costs of capital investment decisions prior to 2018/19. The indicator shows, in terms of a Band D charge, how much extra will be paid by Council Tax payers as a result of capital programme spending during the next three years.

PRUDENTIAL AND TREASURY INDICATORS 2018/19 - 2020/21

TABLE 1 - PRUDENTIAL INDICATORS	2016/17 Actual £' 000	2017/18 Revised Estimate £' 000	2018/19 Estimate £' 000	2019/20 Estimate £' 000	2020/21 Estimate £' 000
Capital Expenditure	6,790	11,418	10,141	10,474	6,096
Ratio of financing costs to net revenue stream	10.7%	11.9%	13.3%	14.3%	15.3%
Net borrowing requirement brought forward 1 April			32,207	32,401	31,435
Capital Financing Requirement as at 31 March	28,560	30,017	30,673	30,858	29,938
Incremental impact of capital investment decisions Increase in council tax (band D) per annum			2.12	3.05	1.83

TABLE 2 - TREASURY MANAGEMENT INDICATORS	2016/17 Actual £' 000	2017/18 Revised Estimate £' 000	2018/19 Estimate £' 000	2019/20 Estimate £' 000	2020/21 Estimate £' 000
Authorised Limit for external debt -			33,817	34,021	33,007
For 2018/19, this is the Council's statutory limit for debt as determined under section 3(1) of the Local Government Act 2003. Limits have also been provisionally set for the following two financial years. These limits include provision for "unusual cash movements" as referred to in the Code.					
Operational Boundary for external debt -			32,207	32,401	31,435
This is lower than the authorised limit by the additional headroom provided for "unusual cash movements". It equates to the maximum level of external debt projected in estimates.					
Actual/Estimated external debt at year end	20,616	24,107			
Upper limit for fixed interest rate exposure expressed as :- Net interest re fixed rate borrowing / investments			100%	100%	100%
Upper limit for variable rate exposure expressed as :- Net interest re variable rate borrowing / investments			25%	25%	25%
Upper limit for total principal sums invested over 364 days	0	4,000	4,000	4,000	4,000

TABLE 3 - Maturity Structure of fixed rate borrowing during 2018/19		lower limit	upper limit
This indicator limits the period to repayment of overall expected debt outstanding and shows five bands. There are minimum and maximum proportions of overall debt within each band. This means that the amount of debt in each band will fall within this range as a proportion of overall debt.	under 12 months	0%	35%
	12 months - within 24 months	0%	20%
	24 months - within 5 years	10%	30%
	5 years - within 10 years	10%	55%
	10 years and above	15%	60%