

Prudential Indicators 2016/17 Out-turn

Introduction

The Prudential Code for Capital Finance in Local Authorities (Prudential Code) has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide a code of practice to underpin the new system of capital finance embodied in Part 1 of the Local Government Act 2003.

The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable.

The Prudential Code supports a system of self-regulation that is achieved by the setting and monitoring of a suite of Prudential Indicators that directly relate to each other. The indicators establish parameters within which the Authority should operate to ensure the objectives of the Prudential Code are met.

Prudential Indicators

The Prudential Indicators for which the Authority is required to set limits are as follows:

1. Capital Expenditure

The actual amount of capital expenditure that was incurred during 2016/17 was as follows:

	2016/17 Original Feb 2016 £m	2016/17 Forecast Feb 2017 £m	2016/17 Actual £m
Capital Expenditure	10.918	5.813	5.278
Operationally Leased Assets	0.000	0.000	0.355
	10.918	5.813	5.633

2. Ratio of Financing Costs to Net Revenue Stream

Financing Costs include the amount of interest payable in respect of borrowing or other long term liabilities and the amount the Authority is required to set aside to repay debt, less interest and investments income.

The actual Net Revenue Stream is the 'amount to be met from government grants and local taxation' taken from the annual Statement of Accounts, and the estimated figure is the Authority's budget net of any transfers to or from the balances.

The indicator only requires that the costs associated with capital expenditure are measured in this way. However the Authority has used, and may continue to use Operational Leasing as a cost effective method of acquiring vehicles. In the spirit of the Prudential Code these costs are included for comparative purposes.

	2016/17 Original Feb 2016	2016/17 Forecast Feb 2017	2016/17 Actual
	£m	£m	£m
Financing Costs	2.939	2.689	2.665
Net Revenue Stream	30.731	30.907	31.344
Ratio	9.56%	8.70%	8.50%

3. Capital Financing Requirement

The capital financing requirement is a measure of the extent to which the Authority needs to borrow to support capital expenditure. It does not necessarily relate to the actual amount of borrowing at any one point in time. The Authority arranges its treasury management activity via a Service Level Agreement (SLA) with Worcestershire County Council (WCC) which has an integrated treasury management strategy where there is no distinction between revenue and capital cash flow, and the day to day position of external borrowing and investments can change constantly.

The capital financing requirement concerns only those transactions arising from capital spending, whereas the amount of external borrowing is a consequence of all revenue and capital cash transactions combined together following recommended treasury management practice.

	Original Feb 2016	Forecast Feb 2017	Actual
	£m	£m	£m
Capital Financing Requirement (CFR) 31 March 2017	21.351	19.139	18.200

4. Authorised Limit

The Authorised Limit represents an upper limit of borrowing that could be afforded in the short term but may not be sustainable.

5. Operational Boundary

The Operational Boundary represents an estimate of the most likely, prudent, but not worst case scenario and provides a parameter against which day to day treasury management activity can be monitored.

The limits for these indicators set for 2016/17 and the final out-turn are given below, and it can be confirmed that the out-turn figure represents the maximum borrowing at any point in the year, i.e. the Authorised limit was not exceeded.

	2016/17 £m
Authorised Limit	26.000
Operational Boundary	24.000
Actual Borrowing 31 March 2017	12.637

6. Fixed Interest Rate Exposures

The Authority set an upper limit on its fixed interest rate exposures as follows:

Fixed Interest Rate Exposure	2016/17 £m
Upper Limit	26.000
Actual Borrowing 31 March 2017	12.637

7. Variable Interest Rate Exposures

The Authority set an upper limit on its variable interest rate exposures, however all current borrowing is at fixed rates.

8. Maturity Structure of Borrowing

The upper and lower limits for the maturity structure of borrowings are as follows:

Period of Maturity	Lower Limit	Upper Limit	Actual
Under 12 months	0.000	3.159	1.500
12 months and within 24 months	0.000	3.159	0.500
24 months and within 5 years	0.000	6.319	3.226
5 years and within 10 years	0.000	9.478	1.923
10 years and above	3.284	12.005	5.488