APPENDIX E

Prudential Indicators 2019-20 – 2021-22

1. 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

2. The Authority's planned capital expenditure and financing may be summarised as follows. Further detail is provided in Month 8 Capital Monitoring for 2018-19 as reported at Cabinet on 5 February 2019.

Capital Expenditure and Financing	2019-20 Estimate £m	2020-21 Estimate £m	2021-22 Estimate £m
General Fund	184	129	41
HRA	271	210	210
Total Expenditure	**455**	**339**	**251**
Capital Receipts	81	39	34
Capital Grants	54	35	30
Revenue and Reserves	73	72	72
External Contributions	10	31	31
Funded by Borrowing	237	162	84
Total Financing	**455**	**339**	**251**

Estimates of Capital Financing Requirement

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

4. The CFR is forecast to rise over the next three years as capital expenditure financed by debt is outweighed by resources put aside for debt repayment.

Capital Financing Requirement	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m	2021-22 Estimate £m
General Fund	653	783	887	908
HRA	430	464	517	570
Total CFR	**1,083**	**1,247**	**1,404**	**1,478**

Gross Debt and the Capital Financing Requirement

5. 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. Actual external borrowing is expected to remain well under this value.

Debt	31-03-19 Estimate £m	31-03-20 Estimate £m	31-03-21 Estimate £m	31-03-22 Estimate £m
External Borrowing	613	863	975	1,073
Other Long Term Liabilities	96	91	86	81
Total Debt	**709**	**954**	**1,061**	**1,154**

6. Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt

7. The operational boundary is based on the Authority's estimate of most likely (i.e. significantly 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.

Operational Boundary	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Borrowing	791	938	1,047	1,149
Other Long-Term Liabilities	110	101	90	90
Total Debt	**901**	**1,039**	**1,137**	**1,239**

Authorised Limit for External Debt:

8. The authorised limit is the affordable borrowing limit determined in compliance with the [Local Government Act 2003 / Local Government Finance Act (Northern Ireland) 2011]. 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	**2018-19 £m**	**2019-20 £m**	**2020-21 £m**	**2021-22 £m**
Borrowing	1,098	1,207	1,308	1,414
Other Long-Term Liabilities	130	140	137	131
Total Debt	**1,228**	**1,347**	**1,445**	**1,545**

Ratio of Financing Costs to Net Revenue Stream

9. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2018-19 Estimate**	**2019-20 Estimate**	**2020-21 Estimate**	**2021-22 Estimate**
General Fund	3%	5%	5%	6%
HRA	8%	10%	11%	11%

Debt Limits

10. There are three debt related treasury activity limits. The purpose of these is to manage the overall risk for the authority and limit the exposure to any adverse movement in interest rates. Debt shall be subject to the following limits:

Debt limits	
Upper limits on fixed interest rates	100%
Upper limits on variable interest rates	20%

Debt maturity profile limits	**Lower Limit**	**Upper Limit**
Under 12 months	0%	35%
12 months and within 24 months	0%	35%
24 months and within 5 years	0%	50%
5 years and within 10 years	0%	75%
10 years and above	25%	100%

Adoption of the CIPFA Treasury Management Code

11. The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice (the CIPFA Code).* It fully complies with the Code's recommendations.