

Prudential & Treasury Indicators – 2013-14 Outturn Position

Background and Definitions

For background and definitions for the prudential and treasury indicators for 2013-14, see the following reports:

- Prudential Indicators - Prudential Indicators for Capital Finance 2013-14 to 2015-16 – Report to Council 25 February 2013
- Treasury Indicators - Treasury Strategy 2013-14 to 2015-16 – Report to Council 25 February 2013 (Appendix F)

Prudential Indicators

Affordability

- a) Estimate of the ratio of financing costs to net revenue stream

Ratio of financing costs to net revenue stream		
	2013-14	2013-14
	Estimate %	Actual 31 March 2014
General Fund	6.02%	7.71%
HRA	33.49%	34.13%

Actual financing costs on the General Fund were higher than estimated due to:

- (i) inclusion in the outturn of finance leases charges (interest and principal) transferred from service accounts and not in the original estimate
- (ii) savings targets included in the original estimate not being achievable (see main report paragraphs 3.2.12 to 3.2.13)

Actual financing costs on the HRA were broadly in line with budget. The small increase is mainly due to the Major Repairs Allowance (representing HRA depreciation) being slightly higher than estimated.

Appendix B

- b) Estimate of the incremental impact of capital investment decisions on the council tax

<i>Estimates of incremental impact of new capital investment decisions on the Council Tax</i>	
	2013-14
	Estimate £.p
General Fund	0.27

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

- c) Estimate of the incremental impact of capital investment decisions on the housing rents

<i>Estimates of incremental impact of new capital investment decisions on weekly housing rents</i>	
	2013-14
	Estimate £.p
HRA	0.06

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

Prudence

d) Net borrowing and the capital financing requirement (CFR)

Gross debt less than the CFR			
	2013-14 £000	2013-14 Actual 31 March 2014 £000	2013-14 Maximum Net to 31 March 2014
Gross External Debt	216,129	226,546	226,546
2012-13 Closing CFR (Forecast)	216,826	216,615	216,615
Changes to CFR:			
2013-14	5,118	15,427	15,427
2014-15	-	34,432	34,432
2015-16	-	28,777	28,777
Adjusted CFR	221,944	295,251	295,251
Gross external debt greater than adjusted CFR	No	No	No

This is the key indicator of prudence. It is intended to show that external borrowing 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 requirement for the current and new two financial years.

The forward looking changes to CFR are estimates that will be firmed up as more accurate forecasts become available.

Gross external debt during the year, and at 31 March 2014, remained below the adjusted Capital Financing Requirement

Capital Expenditure

e) Estimate of capital expenditure

Capital Expenditure		
	2013-14	2013-14
	Estimate £000	Outturn £000
General Fund	5,747	24,523
HRA	24,375	24,371
Total	30,122	48,894

In the General Fund, the original capital programme expenditure estimate was increased by scheme carryforwards from 2012-13, and the addition of new schemes during the year. This included loans totalling £10m to local sports clubs to support local economic development.

Appendix B

In the HRA, although the capital programme was increased during the year, total actual expenditure was in line with the original budget.

Full details of the 2013-14 capital outturn, variances and budget carryforwards to 2014-15 are set out in the Finance and Monitoring Report to Cabinet on 9 July 2014.

f) Estimates of capital financing requirement (CFR)

Capital Financing Requirement (Closing CFR)		
	2013-14	2013-14
	31 March 2014 Estimate £000	31 March 2014 Actual £000
General Fund	35,141	45,239
HRA	186,803	186,803
Total	221,944	232,042

The CFR can be understood as the Council's underlying need to borrow money long term for a capital purpose – that is, after allowing for capital funding from capital receipts, grants, third party contributions and revenue contributions. Changes to the CFR are linked directly to the use of borrowing to finance new capital expenditure (including finance leases), and to the repayment of debt through Minimum Revenue Provision (MRP).

The General Fund CFR at 31 March 2014 is above the estimate due to an increase capital expenditure funded by borrowing for the reasons set out at (e) above. The HRA CFR has remained unchanged since none of the HRA capital programme in 2013-14 was financed by borrowing.

External Debt

g) Authorised limit for external debt

Authorised limit for external debt			
	2014-15	2013-14	2013-14
	Limit £000	Actual 31/03/2014 £000	Maximum to 3 March 2014 £000
Borrowing	245,000	226,050	226,050
Other long-term liabilities	5,000	496	496
Total	250,000	226,546	226,546

The long term liabilities figure relates to finance leases.

External debt remained below the authorised limit throughout 2013-14.

Appendix B

h) Operational boundary for external debt

Operational boundary for external debt			
	2013-14	2013-14	2013-14
	Boundary £000	Actual 31 March 2014 £000	Maximum to 31 March 2014 £000
Borrowing	240,000	226,050	226,050
Other long-term liabilities	5,000	496	496
Total	245,000	226,546	226,546

The long term liabilities figure relates to finance leases.

External debt remained below the operational boundary throughout 2013-14.

i) HRA Limit on Indebtedness

HRA Limit on Indebtedness		
	2013-14	2013-14
	Limit £000	Closing HRA CFR 31 March 2014 £000
HRA	208,401	186,803

The HRA limit on indebtedness is £208.401m. This is the HRA debt cap imposed by the Department for Communities and Local Government at the implementation of HRA self-financing. The HRA CFR of £186.803m, which is the measure of indebtedness, is below the limit.

Compliance

j) Adoption of the CIPFA code of Practice for Treasury Management in the Public Services

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes. The adoption is included in the Council's Constitution, approved by the Council on 14 March 2011, at paragraph 6.10 of the Financial Regulations

Treasury Management Indicators

1. Upper limits on interest rate exposures

Upper limits on interest rate exposures - Investments			
	2013-14	2013-14	2013-14
	Limit %	Actual 31 March 2014 £000	Maximum to 31 March 2014 £000
Fixed Interest Rate Exposures	100%	39%	57%
Variable Interest Rate Exposures	100%	61%	66%

Upper limits on interest rate exposures - Borrowing			
	2013-14	2013-14	2013-14
	Limit %	Actual 31 March 2014 £000	Maximum to 31 March 2014 £000
Fixed Interest Rate Exposures	100%	89%	89%
Variable Interest Rate Exposures	100%	11%	12%

Upper limits on interest rate exposures - Net borrowing			
	2013-14	2013-14	2013-14
	Limit %	Actual 31 March 2014 £000	Maximum to 31 March 2014 £000
Fixed Interest Rate Exposures	150%	113%	122%
Variable Interest Rate Exposures	150%	-13%	3%

The purpose of these three indicators is to express the Council's appetite for exposure to variable interest rates, which may, subject to other factors, lead to greater volatility in payments and receipts. However this may be offset by other benefits such as lower rates. Separate indicators have been set and monitored for debt and investments, as well as for the net borrowing position. Maximum exposure for fixed and variable rates during the year may add up to more than 100% (or 150% in the case of the combined indicator) as each is likely to occur on a different date. Actual exposure at 31 March 2014, and during the year, remained within the agreed limits.

Appendix B

2. Total principal sums invested for periods longer than 364 days

Upper limit on investments for periods longer than 364 days			
	2013-14	2013-14	2013-14
	Upper Limit £000	Actual 31 March 2014 £000	Maximum to 31 March 2014 £000
Investments longer than 364 days	17,000	-	1,000

Investment periods have been kept short to minimise counterparty risk in the uncertain economic environment.

3. Maturity Structure of Borrowing

Maturity structure of borrowing			
	2013-14	2013-14	2013-14
	Lower Limit %	Upper Limit %	Actual at 31 March 2014
Under 12 months	0%	20%	11%
1-2 years	0%	20%	1%
2-5 years	0%	20%	8%
5-10 years	0%	20%	7%
10-20 years	0%	40%	17%
20-30 years	0%	60%	1%
30-40 years	0%	80%	0%
Over 40 years	0%	100%	55%

The Treasury Management Code of Practice requires the maturity of borrowing to be determined by reference to the earliest date on which the lender can require payment.

Two of the Council's three LOBO loans are due to mature within the next twelve months. The remaining LOBO loan is also presented as maturing in the same period, due to the six monthly break clauses, whereby the lender can opt to increase the rate, and the Council can choose to accept or decline the new rate. However in the current interest rate environment it is not to the lender's advantage to increase the rate at the break dates and this option is not likely to be exercised.