

The table below shows the prudential indicators as derived from the Treasury Management Strategy Report for 2017/18 and the Original Budget for 2017/18 as approved at Council in February 2017. The Original Budget for 2017/18 is compared with the Forecast Outturn for 2017/18 as at 30<sup>th</sup> June 2017.

| <b>CAPITAL EXPENDITURE</b>                             | <b>Original Budget 2017/18</b> | <b>Forecast Outturn at 30 June 2017</b> | <b>Variance</b> | <b>Notes</b> |
|--|--------------------------------|---|-----------------|--------------|
|  | <b>£'000</b>                   | <b>£'000</b>                            |                 |              |
| <b>Estimate of Capital Expenditure</b>                 |                                |   |                 |              |
| Non-HRA  | 6,691                          | 29,457                                  | 340.29%         |              |
| HRA existing expenditure                               | 9,991                          | 10,182                                  |                 |              |
| <b>TOTAL</b>   | <b>16,681</b>                  | <b>39,640</b>                           |                 | 1            |
| <b>Estimate of Capital Financing Requirement (CFR)</b> |                                |   |                 |              |
| Non-HRA  | 116,218                        | 137,942                                 | 18.69%          |              |
| HRA existing expenditure                               | 40,530                         | 40,531                                  |                 |              |
| HRA reform settlement                                  | 78,253                         | 78,253                                  |                 | 2            |
| <b>TOTAL</b>   | <b>235,001</b>                 | <b>256,725</b>                          |                 | 3            |

| <b>AFFORDABILITY</b>   | <b>Original Budget 2017/18</b> | <b>Forecast Outturn at 30 June 2017</b> | <b>Variance</b> | <b>Notes</b> |
|--|--------------------------------|---|-----------------|--------------|
|  | <b>£'000</b>                   | <b>£'000</b>                            |                 |              |
| Estimate of incremental impact of capital investment decisions |                                |   |                 |              |
| Increase in council tax (band D, per annum)                    | <b>-£1.10</b>                  | £3.68                                   |                 | 4            |
| Increase in housing rent per week                              | £0.00                          | £0.00                                   |                 | 5            |
| Ratio of Financing Costs to net revenue stream                 |                                |   |                 |              |
| Non-HRA  | 3.03%                          | 3.12%                                   | 2.66%           | 6            |
| HRA  | 14.14%                         | 14.47%                                  | 2.32%           | 6            |
| Net External Borrowing only to support the CFR in Medium Term  | <b>£'000</b>                   | <b>£'000</b>                            |                 |              |
| Net External borrowing over medium term                        | 192,509                        | 192,509                                 |                 | 7            |
| Total CFR over Medium Term                                     | 235,001                        | 256,726                                 |                 | 7            |
| Net External Borrowing < Total CFR                             | TRUE                           | TRUE                                    |                 |              |

| <b>EXTERNAL DEBT</b>              | <b>Original Budget 2017/18</b> | <b>Forecast Outturn at 30 June 2017</b> | <b>Variance</b> | <b>Notes</b> |
|-----------------------------------|--------------------------------|---|-----------------|--------------|
|                                   | <b>£'000</b>                   | <b>£'000</b>                            |                 |              |
| Authorised limit of external debt |                                |   |                 |              |
| Borrowing                         | 190,700                        | 212,400                                 |                 |              |
| Other long term liabilities       | 5,000                          | 5,000                                   |                 |              |
| HRA reform settlement             | 79,300                         | 79,300                                  |                 |              |
| <b>TOTAL</b>                      | <b>275,000</b>                 | <b>296,700</b>                          | 7.89%           | 8            |
| Operational boundary              |                                |   |                 |              |
| Borrowing                         | 155,700                        | 177,400                                 |                 |              |
| Other long term liabilities       | 5,000                          | 5,000                                   |                 |              |
| HRA reform settlement             | 79,300                         | 79,300                                  |                 |              |
| <b>TOTAL</b>                      | <b>240,000</b>                 | <b>261,700</b>                          | 9.04%           | 8            |

| <b>TREASURY MANAGEMENT</b>  | <b>Original Budget 2017/18</b> | <b>Forecast Outturn at 30 June 2017</b> | <b>Variance</b> | <b>Notes</b> |
|---|--------------------------------|---|-----------------|--------------|
| Upper limit for fixed interest rate exposure<br>Net principal re fixed rate borrowing / investments | 115%                           | 116%                                    | 0.72%           | 9            |
| Upper limit for variable rate exposure<br>Net principal re variable rate borrowing / investments    | -15%                           | -16%                                    | 5.55%           | 9            |
| Upper limit for total principal sums invested for<br>> 364 days                                     | £10 m                          | £10 m                                   |                 | 10           |
| Maturity structure of fixed rate borrowing at<br>30 September 2016                                  | Upper/lower<br>limit           | Actual                                  |                 |              |
| Under 12 months   | 40% - 0%                       | 2.39%                                   |                 |              |
| 12 months and within 24 months  | 35% - 0%                       | 8.36%                                   |                 |              |
| 24 months and within 5 years  | 40% - 0%                       | 8.11%                                   |                 |              |
| 5 years and within 10 years   | 50% - 0%                       | 14.97%                                  |                 |              |
| 10 years and above  | 90% - 30%                      | 66.18%                                  |                 |              |

Notes to the Prudential Indicators:

1. The original budget shows the approved Capital Programme expenditure of £16,681,000. The forecast outturn of £39,640,000 is higher than budget because of slippage from 2016/17.
2. Following the Government announcement to reform the system of financing Council housing, the Authority had to pay the Department for Communities and Local Government £78.253m on the 28<sup>th</sup> March 2012. The Council financed this expenditure by PWLB loans.
3. Capital Financing Requirement relates to all capital expenditure – i.e. it includes relevant capital expenditure incurred in previous years. The Capital financing requirement reflects the authority's underlying need to borrow.
4. The finance costs related to the increases in capital expenditure impact upon Council tax. The increase in Council Tax reflects the level of borrowing to be taken in 2017/18 to finance current and previous years' capital expenditure.
5. There is no direct impact of capital expenditure on housing rents as the housing rent is set according to Government formula.
6. The ratios for financing costs to net revenue stream for both General Fund and HRA have remained relatively stable.
7. To ensure that borrowing is only for a capital purpose and therefore show that the authority is being prudent this indicator compares the level of borrowing and capital financing requirement (CFR) over the medium term. The level of borrowing will always be below the CFR.
8. The authorised limit and operational boundary are consistent with the authority's plans for capital expenditure and financing. The authorised limit is the maximum amount that the authority can borrow.

9. The variable and fixed limits together look at the whole portfolio and will therefore together always show 100% exposure. Variable interest rate limit can be positive or negative as investments under 364 days are classed as variable and are credit balances which are offset against debit variable loans. The smaller the balance of investments, the more likely the variable limit will be positive as the variable loan debit balance will be higher than the credit investment balance offset against it.
10. Principal sums invested for periods longer than 364 days have been set at £10 million. The investment balance is estimated to be cash flow driven, however if the opportunity arises that surplus investment balances are available then advantage will be taken of favourable rates.