Appendix F

Prudential Indicator Outturn 2019/20

1. Background:

1.1 The Local Government Act requires the Council 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 Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

2. Capital Expenditure:

2.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Expenditure	2019/20 Estimate £000s	2019/20 Outturn £000s
Total	21,914	29,009

2.2 Capital expenditure will be financed or funded as follows:

Capital Financing	2019/20 Estimate £000s	2019/20 Outturn £000s
Capital receipts	6,838	2,905
Government Grants and other contributions	10,826	23,446
Revenue contributions and Reserves	3,876	2,658
Internal/External Borrowing	374	0
Total Financing	**21,914**	**29,009**

3. Capital Financing Requirement:

3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital Financing Requirement	**2019/20 Estimate £000s**	**2019/20 Outturn £000s**
Total CFR	2,962	2,962

The total CFR indicated in the table relates to loans provided to Registered providers under the Local Investment Strategy. Although initially this would have increased the CFR, the capital receipts generated by the annual repayments on the loans will be applied to reduce the CFR across subsequent years.

4. Authorised Limit and Operational Boundary for External Debt:

4.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council, and not just those arising from capital spending reflected in the CFR.

4.2 The Authorised Limit sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Council. It is measured against all external debt items (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). The indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

4.3 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

4.4 The Operational Boundary is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario, and without the additional headroom included within the Authorised Limit for unusual cash movements.

	2019/20 Estimate £000s	**2019/20 Outturn £000s**
Authorised Limit for Borrowing	23,400	23,400
Authorised Limit for Other Long-term Liabilities	0	0
Authorised Limit for External Debt	23,400	23,400

Operational Boundary for Borrowing	15,030	15,030
Operational Boundary for Other Long-term Liabilities	0	0
Operational Boundary for External Debt	15,030	15,030

5. Ratio of Financing Costs to Net Revenue Stream:

5.1 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. The definition of financing costs is set out in the Prudential Code.

5.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2019/20 Estimate %**	**2019/20 Outturn %**
Total	(9.19)	(8.58)

The indicator is negative because the Council has interest receivable and minimal financing costs.

6. Adoption of the CIPFA Treasury Management Code:

6.1 This indicator demonstrates that the Council has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at Full Council on 28 April 2010.