

## Prudential indicators

### 1 Affordability

#### 1.1 Ratio of financing costs to net revenue stream

These indicators compare the net interest payable less investment income receivable to the overall net revenue spending of the council. Because the council has a high level of investment income and no long term borrowing this indicator is negative.

<b>Indicator A-1</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Ratio of financing costs to net revenue stream</b>	<b>actual</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
Non – HRA	(13.9%)	(14.0%)	(14.2%)	(14.3%)	(14.5%)

Even though this indicator is negative it is still important for the council as it shows a gradual increase over the period. This is due to the expected slow rise in interest rates, which will impact on the investment income earned by the council, and the expected fall in the council's net revenue spending as government grant income falls.

The key point to note for this authority is that in the Medium Term Financial Plan (MTFP) the council will be using the projected increase in investment income to help mitigate the effects of the reduction in government grant income over this period.

#### 1.2 Estimated incremental impact of capital investment decisions on the council tax

This indicator estimates the incremental impact of capital investment decisions on the council tax by comparing the likely council tax based on the current capital programme and the likely council tax based on the proposed capital programme.

<b>Indicator A-2</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Incremental impact of capital investment decisions on council tax</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Band D council tax	1.05	0.00	4.15	3.09	0.14

This demonstrates the potential increase in band D council tax if this was viewed in isolation. However the MTFP shows that the capital expenditure proposals, when viewed alongside the revenue proposals, are sustainable over the medium term, in accordance with the assumptions included in the MTFP.

## 2 Prudence

### 2.1 Net borrowing and the capital financing requirement

It is prudent to ensure that borrowing is only used to fund capital (as opposed to revenue) expenditure. The indicator to measure whether this is achieved is to demonstrate that net 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 financing requirement for the current and next two financial years. For this council this means that the value of investments should be equal to or higher than the capital financing requirement.

<b>Indicator P-1</b>	<b>2014/15 estimate £000</b>	<b>2015/16 estimate £000</b>	<b>2016/17 estimate £000</b>	<b>2017/18 estimate £000</b>	<b>2018/19 estimate £000</b>
<b>Capital financing requirement</b>	0	0	0	0	0
<b>Average level of investments</b>	106,416	98,884	88,141	78,430	78,430

The head of finance reports that the authority had no difficulty meeting this requirement in 2013/14, nor are there any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in the 2014/15 budget.

### 3 Capital expenditure

#### 3.1 Capital expenditure

The first indicator shows the total capital expenditure plans of the council's approved plus provisional programme.

<b>Indicator C-1</b>	<b>2014/15 estimate £000</b>	<b>2015/16 estimate £000</b>	<b>2016/17 estimate £000</b>	<b>2017/18 estimate £000</b>	<b>2018/19 estimate £000</b>
<b>Estimates of capital expenditure</b>					
Approved programme	5,535	845	845	845	845
Provisional programme	7,988	11,414	11,873	8,050	1,320
<b>TOTAL</b>	<b>13,523</b>	<b>12,259</b>	<b>12,718</b>	<b>8,895</b>	<b>2,165</b>

The second indicator records actual capital expenditure for the previous financial year.

<b>Indicator C-2</b>	<b>2012/13 estimate £000</b>	<b>2012/13 actual £000</b>
<b>Actual capital expenditure</b>		
Approved programme	6,582	5,913
Provisional programme	2,390	0
<b>TOTAL</b>	<b>8,972</b>	<b>5,913</b>

#### 3.2 Borrowing need

This indicator reflects the authority's underlying need to borrow for a capital purpose, its Capital Financing Requirement (CFR). This borrowing may not need to take place externally, and the council may judge it prudent to make use of cash that it has already invested for long term purposes.

<b>Indicator C-3</b>	<b>31/3/2014 estimate £000</b>	<b>31/3/2015 estimate £000</b>	<b>31/3/2016 estimate £000</b>	<b>31/3/2017 estimate £000</b>	<b>31/3/2018 estimate £000</b>
<b>Estimate of capital financing requirement</b>					
Non-HRA	0	0	0	0	0
<b>Estimate of movement in year</b>					
Non-HRA	0	0	0	0	0

The capital financing requirement as at 31 March each year is derived from specific balances within the balance sheet, and adjustments are made for capital expenditure, and the resources applied to finance the expenditure. As all the authority's capital expenditure is resourced immediately from capital receipts, reserves, grants, contributions and directly from revenue, the CFR remains constant throughout.

The actual CFR for 31 March 2013 is shown below.

	<b>31/3/2013 actual £000</b>
<b>Indicator C-4</b>	
<b>Actual capital financing requirement</b>	
Non-HRA	0
<b>Actual movement in year</b>	
Non-HRA	0