

## **EXPLANATION OF PRUDENTIAL INDICATORS**

Central government control of borrowing was ended and replaced with Prudential borrowing by the Local Government Act 2003. Prudential borrowing permits local government organisations to borrow to fund capital spending plans provided they can demonstrate their affordability. Prudential indicators are the means to demonstrate affordability.

**Capital expenditure** – table 1 shows last year's capital expenditure, this year's projected capital expenditure and the approved programme until 2019/20.

**Ratio of financing costs to net revenue stream** – table 5 shows that the General Fund currently receives an income from the investment of balances which turns into a net expenditure in 2018/19 with General Fund borrowing. The HRA borrowing means that interest on net borrowing now accounts for between 15.06% and 16.56% of net revenue.

**Net borrowing need** – table 2 shows borrowing planned to fund the capital programme.

**Capital financing requirement (CFR) as at 31 March** – table 3 shows the CFR which is the council's underlying need to borrow for capital purposes as determined from the balance sheet. Table 8 shows the overall CFR is £112.464m. As the Council has borrowing of £106.717m the balance sheet shows there is currently under borrowing of £5.747m.

**HRA debt limit** – table 11 shows the absolute limit has been reached for HRA indebtedness which is measured against the HRA CFR of £95.742m. No further HRA borrowing is permitted.

**Incremental impact of capital investment decisions – increase in Council Tax (band D) per annum** – table 6 shows the effect of the latest capital programme report on annual council tax. This indicator is based on the estimated decrease or increase in interest payable to or by the General Fund each year due to the changed funding of the capital programme in the latest capital report to January 2017 Strategy and Resources as compared with the previous capital report in June 2016.

**Incremental impact of capital investment decisions – increase in average housing rent per week** – table 7 shows the effect of the latest capital programme report on weekly housing rent. This indicator is based on the estimated decrease or increase in interest payable to or by the HRA each year due to the changed funding of the capital programme in the latest capital report to January 2017 Strategy and Resources as compared with the previous capital report in June 2016.

**Authorised limit for external debt** - table 10 shows the maximum limit for external borrowing. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cashflows.

**Operational boundary for external debt** – table 9 shows the more likely limit to the level of external debt that may be required for day to day cashflow.

**Upper limit for fixed and variable interest rate exposure** – table 13 shows these limits that allow the Council flexibility in its investment and borrowing options.

**Upper limit for total principal sums invested for over 364 days** – table 15 shows the amount it is considered can be prudently invested for period in excess of a year.