Prudential Indicators

Capital Expenditure and Funding

Table 1	2011/12	2012/13	2012/13
	actual	Approved	Forecast Out-turn
	£'000	£'000	£'000
Capital Expenditure			
Non - HRA	29,226	53,192	39,349
HRA - settlement funding	88,461		0
HRA - routine	6,094	9,383	8,333
TOTAL Expenditure	**123,781**	**62,575**	**47,682**
Funding:-			
Grants	10,936	17,684	14,500
Capital Receipts	4,895	9,822	3,600
Revenue Financing	528	1,757	5,349
Major Repairs Allowance	0	8,875	2,884
Total Funding	**16,359**	**38,138**	**26,333**
Borrowing to Fund the Capital Programme	**18,961**	**24,437**	**21,349**
Borrowing - HRA settlement	**88,461**	**0**	
Total new Borrowing	**107,422**	**24,437**	**21,349**

The above table summarises capital expenditure and sources of funding. Further details are contained within the Revenue and Capital Monitoring Report. Anticipated General Fund capital expenditure of £39 million is £14 million lower than that most recent approved budget mainly due to slippage in the schools expansion programme (£9 million). The final outcome is likely to be lower expenditure than forecast. Similarly, capital receipts are only those sales completed to date and the final outcome may be higher. HRA's capital expenditure of £9 million is entirely funded from revenue sources.

Ratio of Financing Costs to Net Revenue Stream

Table 2	2011/12	2012/13	2012/13
	Actual	Approved	Forecast Out-turn
	£'000	£'000	£'000
Ratio of financing costs to net revenue stream			
Non - HRA	11.72%	12.88%	13.05%
HRA	8.61%	52.83%	51.55%

These ratios consider the affordability of capital expenditure by comparing net interest costs and depreciation with net revenues. A ratio that increases indicates that capital costs take a larger share of resources.

The General Fund ratio is broadly in line with expectation, with the increase compared with 2011-12 due to a rise in MRP on short life assets.

Net Borrowing Requirement

Table 3	2011/12	2012/13	2012/13
	Actual	Approved	Forecast Out-turn
	£'000	£'000	£'000
Net borrowing requirement			
brought forward 1 April	195,898	297,546	294,681
carried forward 31 March	294,681	311,355	305,317
In year borrowing requirement	**98,783**	**13,809**	**10,636**

The net borrowing requirement looks at the change in debt less investment balances. The increase of £10.6 million is less than the capital expenditure of £21.3 million (table 1 above) indicating that cash has been generated by revenue transactions.

Capital Financing Requirement

Table 4	2011/12	2012/13	2012/13
	Actual	Approved	Forecast Out-turn
	£'000	£'000	£'000
Capital Financing Requirement as at 31 March			
Non – HRA	253,069	270,318	261,604
HRA	149,614	152,123	149,601
Total	**402,683**	**422,441**	**411,205**
Annual change in CFR			
Non – HRA	1,599	12,655	8,535
HRA	94,417	0	-13
Total	**96,016**	**12,655**	**8,522**

The Capital Financing Requirement is the historic outstanding capital expenditure that has not been allocated to revenue. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure that is not funded from revenue increases the CFR. The value of finance leases is included. The value is greater than the outstanding borrowing (including finance leases) of £372 million, indicating the level of cash generated by revenue balances.

The increase in the year represents net new capital expenditure less MRP.

Incremental Impact of capital Investment Decisions

Table 5	2011/12	2012/13	2012/13
	actual	Approved	Forecast Out-turn
	£'000	£'000	£'000
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**
Increase in council tax (band D) per annum	26.74	19.65	56.53
Increase in average housing rent per week	-14.31	21.94	20.66

The incremental ratios identifies the impact of the cost of debt and depreciation (MRP) linked to new capital borrowing on council taxes and rents. A high or growing ratio would suggest that council taxes or rents will have to increase to fund the capital expenditure programme.

The ratio ignores the favourable impact of assets that have become fully depreciated and drop out of the MRP charge.

The substantial increase for the General Fund is due to lower capital receipts to date, which is therefore not available to offset the cost of short life assets in the MRP calculation. The final outcome is likely to be more favourable due to less expenditure and more receipts than provided for in the calculation.

Ratio of Net to Gross Borrowing

Table 6	**2011/12**	**2012/13**	**2012/13**
	Actual	**Approved**	**Forecast Out-turn**
	£'000	**£'000**	**£'000**
Net to Gross Debt Limit			
Gross borrowing	375,254	375,254	350,261
Net borrowing	294,681	311,355	295,297
Net debt percentage	79%	83%	84%
Minimum ratio		75%	75%

This indicator is designed to highlight borrowing in advance of needs, when large investment cash balances are carried relative to debt. The ratio is expected to increase (which is deemed favourable) as cash balances are reduced to fund the capital programme.

Borrowing and Investment Limits

Table 7	**2011/12**	**2012/13**	**2012/13**
	Actual	**Approved**	**Forecast Out-turn**
	£'m	**£'m**	**£'m**
Authorised Limit for external debt			
Borrowing and finance leases	375	432	372
Operational Boundary for external debt			
Borrowing	350	376	350
Other long term liabilities	25	28	22
Total	375	404	372
Upper limit for fixed interest rate exposure			
Net principal re fixed rate borrowing	375	376	350
Upper limit for variable rate exposure			
Net principal re variable rate borrowing	0	0	0
Upper limit for principal sums invested over 364 days	18	25	23

The approved operational boundary for debt is based on actual debt at the start of the year plus the net projected capital expenditure in the year. The authorised limit is based on CFR balances and includes an allowance for delayed capital receipts. Total borrowing is within both limits during the year. Investments with greater than 12 months to maturity of £23 million are within the £25 million limit.