Prudential Indicators 2012/13 Outturn

Capital Expenditure and Funding

Table 1	2011/12	2012/13	2012/13
	actual	Approved	Actual
	£'000	£'000	£'000
Capital Expenditure			
Non - HRA	29,226	44,932	24,288
HRA - settlement funding	88,461		
HRA - routine	6,094	8,997	7,554
TOTAL Expenditure	**123,781**	**53,929**	**31,842**
Funding:-			
Grants	10,936	9,666	7,389
Capital Receipts	4,895	9,822	5,157
Revenue Financing	528	425	8,068
Major Repairs Allowance	0	8,875	0
Total Funding	**16,359**	**28,788**	**20,614**
Borrowing to Fund the Capital Programme	**18,961**	**25,141**	**11,228**
Borrowing - HRA settlement	**88,461**	**0**	**0**
Total new Borrowing	**107,422**	**25,141**	**11,228**

The above table summarises capital expenditure and sources of funding. Further detail and explanations are contained within the Revenue and Capital Outturn. Anticipated General Fund capital expenditure of £24 million is £21 million lower than that approved in February 2012. The original budget was increased to £55 million to include carry forward from 2011-12. The expectation is that most project slippage will be carried forward into 2013-14. Similarly, capital receipts have been scaled back during the year and the outcome is in line with the revised budget.

From an affordability perspective, which is the treasury consideration, the reduction in expenditure has impacted favourable on interest income and costs. HRA's capital expenditure of £7.6 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	Actual
	£'000	£'000	£'000
Ratio of financing costs to net revenue stream			
Non - HRA	11.72%	12.88%	11.55%
HRA	8.61%	52.83%	47.76%

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

Both ratios are below that approved in the strategy and lower than those projected mid year indicating an improved position.

Net Borrowing Requirement

Table 3	2011/12	2012/13	2012/13
	actual	Approved	Actual
	£'000	£'000	£'000
Net borrowing requirement			
brought forward 1 April	195,898	297,546	294,681
carried forward 31 March	294,681	311,355	273,284
In year borrowing requirement	**98,783**	**13,809**	**-21,397**

The net borrowing requirement looks at the change in debt less investment balances. The decrease of £21 million is a significant improvement over the £11 million increase predicted mid year reflecting capital expenditure slippage discussed in table 1.

Capital Financing Requirement

Table 4	2011/12	2012/13	2012/13
	actual	Approved	Actual
	£'000	£'000	£'000
Capital Financing Requirement as at 31 March			
Non – HRA	253,069	270,318	251,788
HRA	149,614	152,123	149,574
Total	**402,683**	**422,441**	**401,362**
Annual change in CFR			
Non – HRA	1,599	12,655	-1,281
HRA	94,417	0	-40
Total	**96,016**	**12,655**	**-1,321**

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 CFR value is greater than the outstanding borrowing (including finance leases) of £372 million, indicating the level of cash generated by revenue balances.

The change in the year represents net new capital expenditure (after allowing for capital receipts, grants and revenue contributions) less MRP. The two are broadly in balance.

Incremental Impact of capital Investment Decisions

Table 5	2011/12	2012/13	2012/13
	actual	Approved	Actual
	£'000	£'000	£'000
Incremental impact of capital investment decisions	**£ p**	**£ p**	**£ p**
Increase in council tax (band D) per annum	26.74	19.65	17.20
Increase in average housing rent per week	-14.31	21.94	16.11

The incremental ratios identify the impact of the cost of debt and depreciation (MRP) applicable 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. Also capital expenditure that generates matching revenue savings does not harm affordability.

Both capital expenditure and receipts are below budget and the overall impact is favourable on the financing costs of the capital programme.

Borrowing and CFR

Table 6	2011/12	2012/13	2012/13
	actual	Approved	Actual
	£'000	£'000	£'000
Borrowing and CFR			
Gross borrowing	375,254	375,254	369,216
Net borrowing	294,681	311,355	273,284
CRF	402,683	422,441	401,362
Net debt percentage	79%	83%	74%
Over / (under) borrowing	-27,429	-47,187	-32,146

These indicators are designed to highlight borrowing in advance of need, when large investment cash balances are carried relative to debt or the level of debt exceeds the CFR. The reduction in the carrying value of capital assets is reflected in the changes to cash balances and net debt.

Borrowing and Investment Limits

Table 7	2011/12	2012/13	2012/13
	actual	Approved	Actual
	£'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	25

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 £25 million are equal to the £25 million limit.