

Prudential Indicators

Ratio of Financing Costs to Net Revenue Stream

	2012/13	2013/14	2013/14
	Actual	Approved	Forecast Out-turn
Ratio of financing costs to net revenue stream			
Non - HRA	11.55%	12.51%	12.99%
HRA	47.76%	47.67%	46.05%

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 higher than approved budget resulting from finance charges on lease liability. The HRA has a favourable variance due to a minor increase in forecast rental income.

Net Borrowing Requirement

	2012/13	2013/14	2013/14
	Actual	Approved	Forecast Out-turn
	£'000	£'000	£'000
Net borrowing requirement			
brought forward 1 April	294,681	274,232	273,284
carried forward 31 March	273,284	280,908	242,557
In year borrowing requirement	-21,397	6,676	-30,727

The net borrowing requirement looks at the change in debt less investment balances. The reduction of £30.7m is due mainly to income receivable in advance of spend for the Children and Families capital programme and other forecast underspends in the capital programme.

Capital Financing Requirement

	2012/13	2013/14	2013/14
	Actual	Approved	Forecast Out-turn
	£'000	£'000	£'000
Capital Financing Requirement as at 31 March			
Non – HRA	251,788	264,487	266,260
HRA	149,574	149,614	149,546
Total	401,362	414,101	415,806
Annual change in CFR			
Non – HRA	-1,281	5,286	14,472
HRA	-40	0	-28
Total	-1,321	5,286	14,444

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 £375 million, indicating the level of cash generated by revenue balances.

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

Incremental Impact of capital Investment Decisions

	2012/13	2013/14	2013/14
	actual	Approved	Forecast Out-turn
	£	£	£
Incremental impact of capital investment decisions			
Increase in Council Tax (Band D) per annum	17.20	20.59	20.59
Increase in average housing rent per week	16.11	-2.39	-2.00

The incremental ratios identify the impact of the cost of debt and depreciation (MRP) linked to new capital borrowing on Council Tax and rents. A high or growing ratio would suggest that Council Tax 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.

Ratio of Net to Gross Borrowing

	2012/13	2013/14	2013/14
	Actual	Approved	Forecast Out-turn
	£'000	£'000	£'000
Net to Gross Debt Limit			
Gross borrowing	369,216	360,357	360,357
Net borrowing	273,284	280,908	242,557
Net debt percentage	74%	78%	67%
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 was expected to increase as cash balances were expected to reduce to fund the capital programme. However, as discussed above forecast underspends in the capital programme and the receipt of income in advance of spend is forecast top cause the ratio to fall.

Borrowing and Investment Limits

	2012/13	2013/14	2013/14
	Actual	Approved	Forecast Out-turn
	£m	£m	£m
Authorised Limit for external debt			
Borrowing and finance leases	372	414	415
Operational Boundary for external debt			
Borrowing	350	352	352
Other long term liabilities	22	23	23
Total	372	375	375
Upper limit for fixed interest rate exposure			
Net principal re fixed rate borrowing	350	352	352
Upper limit for variable rate exposure			
Net principal re variable rate borrowing	0	0	0
Upper limit for principal sums invested over 364 days	25	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 £20m are within the £25m limit.