

The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

Prudential Indicator for Capital Expenditure

This table shows the revised estimate for capital expenditure and change since the capital programme was agreed as part of the budget setting process.

Capital Expenditure	2015/16 Original Budget £000	2015/16 Current Budget* £000	Position as at 30 th Sept 2015 £000m
General Fund	4,317	8,266	1,200
Total	4,317	8,266	1,200

* Current budget includes unspent capital budgets carried-forward from 2014/15 (£3,919,000 – primarily budget for the Purchase of an Environmental Services depot site and Environmental Services vehicles) and those capital schemes approved since the Prudential Indicator was set in February 2015 (an additional £30,000 toward air conditioning works at CLC).

Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the supported and unsupported elements of the capital programme, and the expected financing arrangements of this capital expenditure. Any borrowing element in the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision).

The Council currently has no requirement to borrow.

Capital Expenditure	2015/16 Original Budget £000	2015/16 Current Budget £000	Position as at 30 th Sept 2015 £000
Financed by:			
Capital receipts	3,645	7,264	664
Capital grants	422	422	286
Earmarked reserves (revenue)	0	230	0
Revenue contributions	250	350	250
Total financing	4,317	8,266	1,200
Borrowing need	0	0	0

Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

The table below shows the Capital Financing Requirement (CFR), which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

The Council is on target to achieve the original forecast Capital Financing Requirement. The Council does not expect to borrow during 2015/16.

Prudential Indicator – External Debt / the Operational Boundary

The operational boundary represents the maximum operational borrowing limit at any one time.

	2015/16 Original Indicator £000	Actual position as at 30th Sept 2015 £000
Prudential Indicator – Capital Financing Requirement		
Total CFR	0	0
Net movement in CFR	0	0
Prudential Indicator – The Operational Boundary		
Borrowing	4,500	0
Other long term liabilities	0	0
Total debt 31 March	4,500	0

Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2015/16 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2015/16 Original Estimate £000	Position as at 30th Sept 2015 £000
Gross borrowing	0	0
CFR (expected year-end position)	0	0

The Chief Finance Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2015/16 Original Indicator £000	Actual debt as at 30th Sept 2015 £000
Borrowing	6,500	0
Other long term liabilities	0	0
Total	6,500	0