

## 1. Prudential Indicators

### 1.1. Introduction

1.2. The Local Government Act 2003 requires the Councils to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that councils have fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

1.3. This report compares the approved indicators with the outturn position for 2019/20. Actual figures have been taken from, or prepared on a basis consistent with, the Councils' Statements of Accounts for 2019/20.

### 1.4. Capital Expenditure

1.5. The Councils' capital expenditure and financing for 2019/20 compared to budget is summarised in table 15 below.

### 1.6. Table 15: Capital Expenditure and Financing

<b>Babergh District Council</b>			
<b>Capital Expenditure and Financing</b>	<b>2019/20 Budget</b>	<b>2019/20 Actual</b>	<b>Variance Adverse / (Favourable)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	28.620	8.751	(19.869)
HRA	23.260	9.598	(13.662)
<b>Total Expenditure</b>	<b>51.880</b>	<b>18.349</b>	<b>(33.531)</b>
Capital Receipts	7.670	1.643	(6.027)
Grants and Contributions	4.380	0.539	(3.841)
Revenue Contributions and Reserves	4.260	1.381	(2.879)
Major Repairs Reserve	3.310	3.812	0.502
Borrowing	32.260	10.974	(21.286)
<b>Total Financing</b>	<b>51.880</b>	<b>18.349</b>	<b>(33.531)</b>

## Appendix E cont'd

<b>Mid Suffolk District Council</b>			
<b>Capital Expenditure and Financing</b>	<b>2019/20 Budget</b>	<b>2019/20 Actual</b>	<b>Variance Adverse / (Favourable)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	31.010	11.541	(19.469)
HRA	12.260	4.458	(7.802)
<b>Total Expenditure</b>	<b>43.270</b>	<b>15.999</b>	<b>(27.271)</b>
Capital Receipts	1.720	0.268	(1.452)
Grants and Contributions	0.710	1.020	0.310
Revenue Contributions and Reserves	3.780	0.273	(3.507)
Major Repairs Reserve	3.710	4.007	0.297
Borrowing	33.350	10.431	(22.919)
<b>Total Financing</b>	<b>43.270</b>	<b>15.999</b>	<b>(27.271)</b>

1. **Prudential Indicator Compliance**1.1. **Capital Financing Requirement**

1.2. The Capital Financing Requirement (CFR) measures the Councils' underlying need to borrow for capital purposes.

1.3. **Table 16: Capital Financing Requirement**

<b>Babergh District Council</b>			
<b>Capital Financing Requirement</b>	<b>31.3.20 Budget</b>	<b>31.3.20 Actual</b>	<b>Variance Adverse / (Favourable)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	71.410	51.680	(19.730)
HRA	91.060	89.585	(1.475)
<b>Total CFR</b>	<b>162.470</b>	<b>141.265</b>	<b>(21.205)</b>

<b>Mid Suffolk District Council</b>			
<b>Capital Financing Requirement</b>	<b>31.3.20 Budget</b>	<b>31.3.20 Actual</b>	<b>Variance Adverse / (Favourable)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	96.400	75.691	(20.709)
HRA	91.750	87.970	(3.780)
<b>Total CFR</b>	<b>188.150</b>	<b>163.661</b>	<b>(24.489)</b>

1.4. The CFR increased during the year for Babergh by £9.5m and for Mid Suffolk by £9.4m as capital expenditure financed by debt outweighed resources put aside for debt repayment. These figures are shown in Appendix A Table 1.

## 2. Actual Debt

2.1. The Councils' actual debt at 31 March 2020 was as follows:

### 2.2. Table 17: Total Debt

Total Debt	31.3.20 Budget £m	31.3.20 Actual £m	Variance Adverse / (Favourable) £m
Babergh District Council	147.680	112.523	(35.157)
Mid Suffolk District Council	166.120	135.339	(30.781)

## 3. Gross Debt and the Capital Financing Requirement

3.1. In order to ensure that over the medium-term debt will only be for a capital purpose, the Councils' should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

3.2. The total debt remained below the CFR during the forecast period, which shows compliance with the indicator.

### 3.3. Table 18: Debt and Capital Financing Requirement

<b>Babergh District Council</b>			
Debt and CFR	31.3.20 Actual £m	31.3.20 Estimate £m	31.3.21 Estimate £m
Total Debt	112.523	122.960	138.210
Capital financing requirement	141.265	156.430	177.770
<b>Headroom</b>	<b>28.742</b>	<b>33.470</b>	<b>39.560</b>
<b>Mid Suffolk District Council</b>			
Debt and CFR	31.3.20 Actual £m	31.3.20 Estimate £m	31.3.21 Estimate £m
Total Debt	135.339	139.580	169.900
Capital financing requirement	163.661	174.810	193.410
<b>Headroom</b>	<b>28.322</b>	<b>35.230</b>	<b>23.510</b>

## 4. Operational Boundary for External Debt

4.1. The operational boundary is based on the Councils' estimate of the most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Councils' estimates of capital expenditure, the capital financing requirement, and cash flow requirements, and is a key management tool for in-year monitoring.

4.2. **Table 19: Operational Boundary and Total Debt**

<b>Operational Boundary and Total Debt</b>	<b>31.3.20 Boundary £m</b>	<b>31.3.20 Actual Debt £m</b>	<b>Complied</b>
Babergh District Council	157.000	112.523	✓
Mid Suffolk District Council	175.000	135.339	✓

5. **Authorised Limit for External Debt**

5.1. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Councils can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

5.2. **Table 20: Authorised Limit and Total Debt**

<b>Authorised Limit and Total Debt</b>	<b>31.3.20 Limit £m</b>	<b>31.3.20 Actual Debt £m</b>	<b>Complied</b>
Babergh District Council	172.000	112.523	✓
Mid Suffolk District Council	190.000	135.339	✓

6. **Ratio of Financing Costs to Net Revenue Stream**

6.1. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income (shown as a percentage).

6.2. **Table 21: Ratio of Financing Costs to Net Revenue Stream**

<b>Babergh District Council</b>			
<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>31.3.20 Budget %</b>	<b>31.3.20 Actual %</b>	<b>Variance Adverse / (Favourable) %</b>
General Fund	(3.50)	(3.79)	(0.29)
HRA	18.92	17.21	(1.71)
<b>Mid Suffolk District Council</b>			
<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>31.3.20 Budget %</b>	<b>31.3.20 Actual %</b>	<b>Variance Adverse / (Favourable) %</b>
General Fund	(5.04)	(6.59)	(1.55)
HRA	19.92	18.29	(1.64)

**7. Adoption of the CIPFA Treasury Management Code**

- 7.1. Both Councils adopted the Chartered Institute of Public Finance and Accountancy's "Treasury Management in the Public Services: Code of Practice 2011 Edition" in February 2012.

**8. HRA Limit on Indebtedness**

- 8.1. The limit imposed on the Council's HRA borrowing by the Ministry for Housing, Communities and Local Government (MHCLG) has been removed.