

Appendix D : Prudential Indicators

1.1 Prudential Indicators 2015/16

The Local Government Act 2003 requires Councils to have regard to CIPFA'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 investments of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Councils have fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

1.2 Estimates of Capital Expenditure

The Councils' planned capital expenditure and financing may be summarised as follows:

<u>BDC</u>	31/03/2015 Actual £m	31/03/2016 Estimate £m
General Fund	2.9	33.7
HRA	3.7	10.5
Total Expenditure	6.6	44.2
Capital Receipts	0.6	0.6
Grants and contributions	0.5	0.3
Reserves	0.2	2.9
Revenue	3.2	6.9
Borrowing	2.1	33.5
Total Financing	6.6	44.2

<u>MSDC</u>	31/03/2015 Actual £m	31/03/2016 Estimate £m
General Fund	3.5	32.7
HRA	5.0	7.5
Total Expenditure	8.5	40.2
Capital Receipts	1.8	1.8
Grants and contributions	0.3	0.2
Reserves	2.6	5.3
Revenue	1.3	2.2
Borrowing	2.5	30.7
Total Financing	8.5	40.2

1.3 Estimates of Capital Financing Requirement

<u>BDC</u>	31/03/2015 Actual £m	31/03/2016 Estimate £m
General Fund	9.8	42.6
HRA	85.5	84.4
Total CFR	95.3	127.0

<u>MSDC</u>	31/03/2015 Actual £m	31/03/2016 Estimate £m
General Fund	16.7	46.2
HRA	86.8	86.8
Total CFR	103.5	133.0

Both Councils are well within the approved capital financing requirement in 2015/16.

1.4 Authorised Limit and Operational Boundary for External Debt

The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent, but not worst case scenario without the additional headroom included within the Authorised Limit. The Authorised Limit and Operational Boundary for 2015/16 are as follows:

	Authorised Limit £m	Operational Boundary £m	Peak Borrowing up to 30/09/15 £m
BDC	130	127	87,797
MSDC	139	136	87,183

The Section 151 Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary in the period to end of September.

1.5 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

The upper limits on fixed and variable rate exposures expressed as the amount of net principal borrowed (loans borrowed less amounts invested) are shown in the table below.

Limits for 2015/16 £m	BDC	MSDC
Upper limit on fixed interest rate exposure	127	136
Actual 30/09/2015	88	76
Compliance with limits:	Yes	Yes
Upper limit on variable interest rate exposure	20	40
Actual 30/09/2015	(17.3)*	0.2
Compliance with limits:	Yes	Yes

* Investments only at variable rates.

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

1.6 Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

<u>BDC</u>					
Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/09/15 £000s	% Fixed Rate Borrowing as at 30/09/15	Compliance with set limits?
Under 12 months	50	0	500	0.57	Yes
12 to < 24 months	50	0	500	0.57	Yes
24 months to < 5 years	50	0	1,500	1.71	Yes
5 years to <10 years	100	0	300	0.34	Yes
10 years and above	100	0	84,747	96.81	Yes

<u>MSDC</u>					
Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	Actual Fixed Rate Borrowing as at 30/09/15 £000s	% Fixed Rate Borrowing as at 30/09/15	Compliance with set limits?
Under 12 months	50	0	6,371	7.78	Yes
12 to < 24 months	50	0	1,100	1.34	Yes
24 months to < 5 years	50	0	900	1.1	Yes
10 years and above	100	0	73,537	89.78	Yes

1.7 Total Principal Sums Invested for Periods Longer than 364 Days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limit on the total principal sum invested to final maturities beyond the period end are:-

<u>BDC and MSDC</u>	2015/16
	£m
Limit on principal invested beyond year end	2
Actual	0

1.8 Ratio of Financing Costs to Net Revenue Stream

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.

Babergh District Council

Ratio of Financing Costs to Net Revenue Stream	2014/15 Actual %	2015/16 Estimate %
General Fund (including Delivery Plan Projects 2015/16)	3.06%	11.52%
HRA	18.06%	17.35%

Mid Suffolk District Council

Ratio of Financing Costs to Net Revenue Stream	2014/15 Actual %	2015/16 Estimate %
General Fund (including Delivery Plan Projects 2015/16)	5.98%	15.12%
HRA	22.01%	22.12%

1.9 Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Babergh District Council

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £
General Fund - increase in annual Band D Council Tax	8.34
HRA - increase in average weekly rents	9.42

Mid Suffolk District Council

Incremental Impact of Capital Investment Decisions	2015/16 Estimate £
General Fund - increase in annual Band D Council Tax	10.31
HRA - increase in average weekly rents	-3.81