

## MENDIP DISTRICT COUNCIL PRUDENTIAL INDICATORS

Mendip District Council is required to monitor its overall level of debt in line with the CIPFA Prudential Code for Capital Finance under the Local Government Act 2003. The code requires consideration of a number of "Indicators" in order to demonstrate that capital investment plans are affordable, prudent and sustainable.

The Prudential Code Indicators have been based on the assumption that Cabinet will approve the proposals contained in the Revenue Budget and Capital Investment Programme.

### 1 Prudential Indicators relating to the Capital Investment

#### 1.1 Capital Expenditure

This prudential indicator summarises the Councils annual capital expenditure plans, both those agreed previously and those forming part of this budget cycle.

Capital Expenditure	2016/17 Actuals £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Corporate Services	0	17,578	532	0	0
Law & Governance	29	67	1,482	0	14
Neighbourhood Services	320	208	585	253	220
Community Health	0	15	15	0	0
Planning & Growth	285	69	0	0	0
Housing	628	843	1,151	951	951
5 Councils	210	0	10	0	0
<b>Total</b>	<b>1,473</b>	<b>18,780</b>	<b>3,774</b>	<b>1,204</b>	<b>1,185</b>

#### 1.2 Capital Financing Requirement

This indicator shows the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It is essentially a measure of the Councils underlying need to borrow for capital purposes.

Capital Financing Requirement (CFR)	2016/17 Actuals £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Brought forward	2,417	1,410	19,133	21,611	21,504
Borrowing requirement	(526)	17,885	2,598	228	209
Less MRP and other financing movements	(480)	(162)	(120)	(335)	(362)
<b>CFR Carried Forward</b>	<b>1,410</b>	<b>19,133</b>	<b>21,611</b>	<b>21,504</b>	<b>21,350</b>
<b>Net movement in CFR</b>	<b>(1,006)</b>	<b>17,723</b>	<b>2,478</b>	<b>(107)</b>	<b>(153)</b>

### 1.3 Ratio of Financing Cost to Net Revenue Stream

This indicator shows the relationship between Capital Financing Costs and the Net Revenue Stream. It is a measure of the year-on-year impact of the capital investment programme on the revenue budget and shows the estimated revenue costs of borrowing, less net interest receivable on investments as a proportion of annual income from council tax payers and central government.

	2016/17 Actuals	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Ratio of Financing Costs to Net Revenue Stream (%)	0.59	1.46	2.52	3.77	3.67

### 1.4 Authorised Limit

The Authorised Limit represents the level at which the Council is able to borrow and enter into Other Long Term Liabilities and needs to be approved by Council. It is a statutory limit determined under section 3(1) of the Local Government Act 2003 and represents a limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The limit needs to be set or revised by the Full Council.

Authorised Limits for External Debt	2016/17 Actuals £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Borrowing	40,000	100,000	100,000	100,000	100,000
Other long term liabilities	0	0	0	0	0
<b>Total</b>	<b>40,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>

\* Note: Full Council in December 2017 approved the increase of the Authorised Limit to £100m to facilitate a programme of commercial investment

### 1.5 Operational Boundary

The Operational Boundary is based on the expected level of the maximum external debt required during the year. This is not a limit and actual borrowing could vary around this boundary for short periods. Cash flow variations may lead to occasional breaches of the operational boundary in the short term. However sustained breaches would suggest that there is a danger of exceeding the Authorised Limits.

Operational Boundary for External Debt	2016/17 Actuals £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Borrowing	38,000	80,000	80,000	80,000	80,000
Other long term liabilities	0	0	0	0	0
<b>Total debt at year end</b>	<b>38,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>

\* This limit reflects the proposal to undertake commercial investment and not the proposed capital investment.

## 1.6 Gross Debt and Capital Financing Requirement

The Council is also required to ensure that its gross debt; except in the short term does not exceed the total of the Capital Financing Requirement. Where gross debt exceeds the Capital Financing Requirement, the reasons should be clearly stated in its treasury management strategy.

<b>Borrowing</b>	<b>2016/17 Actuals £'000</b>	<b>2017/18 Estimate £'000</b>	<b>2018/19 Estimate £'000</b>	<b>2019/20 Estimate £'000</b>	<b>2020/21 Estimate £'000</b>
Borrowing	162	16,334	16,314	16,294	16,275
Other long term liabilities	0	0	0	0	0
<b>Total debt</b>	162	16,334	16,314	16,294	16,275
CFR (at year end)	1,410	19,133	21,611	21,504	21,350
<b>Under / (Over) Borrowing</b>	<b>1,249</b>	<b>2,799</b>	<b>5,297</b>	<b>5,210</b>	<b>5,076</b>

## 2 Prudential Indicators relating to the Treasury Management Strategy

### 2.1 Interest rate exposure

This indicator shows the Councils interest rate exposure to the effect of changes in interest rates.

<b>Interest rate exposures – UPPER Limit</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	100%	100%	100%

<b>Interest rate exposures – UPPER Limit</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	100%	100%	100%

### 2.2 Maturity structure of borrowing

The indicator shows the proportion of projected borrowing that has a fixed or variable rate maturing in each period, expressed as a percentage of the total projected borrowing that is fixed rate.

<b>Maturity structure of Fixed / Variable interest rate borrowing 2018/19</b>	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

### 2.3 Prudential Limit for principal sums invested for periods longer than 364 days

The purpose of this indicator is to help the Council to contain its exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums invested.

<b>Maximum principal sums invested &gt; 364 days</b>			
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Principal sums invested > 364 days	£5m / 10%	£5m / 10%	£5m / 10%