

PRUDENTIAL INDICATORS

CAPITAL EXPENDITURE

This is an estimate of the amount of investment planned over the period. As can be seen, not all investment necessarily has an impact on the Council Tax, schemes funded by grants, capital receipts or external contributions mean that the effect on the Council Tax is greatly reduced.

Capital Expenditure - General Fund £000s	2014/15 Actual	2015/16 Revised	2015/16 Actual	Notes	2016/17 as agreed by	
					Council April 2016	Amended 2016/17
Total Capital Expenditure	16,850	31,024	22,562		1,940	11,459
Financing - General Fund						
External contributions	(1,152)	(5,151)	(5,032)		-	(116)
Section 106	(149)	(139)	(99)		-	(36)
Coast protection grant	(11,684)	(15,906)	(10,945)		-	(4,962)
Other Government grants	(42)	(358)	(28)		-	(330)
Disabled Facilities Grant	(1,007)	(1,645)	(944)		(690)	(2,339)
Capital receipts	(370)	(1,103)	(261)		(850)	(1,692)
Direct revenue contributions	(1,071)	(532)	(290)		(400)	(400)
Earmarked reserves	(1,375)	(6,190)	(4,963)		-	(1,584)
Total Capital Financing	(16,850)	(31,024)	(22,562)		(1,940)	(11,459)
Net Financing need (External Borrowing)	0	0	0		0	0

Housing Revenue Account Capital Schemes £000	2014/15 Actual	2015/16 Revised	2015/16 Actual	Notes	2016/17 as agreed by	
					Council April 2016	Amended 2016/17
Total Capital Expenditure	5,470	6,276	2,953		4,030	7,024
Financing - Housing Revenue Account						
Major repairs reserve	(3,726)	(3,682)	(1,959)		(3,250)	(4,841)
Direct revenue contributions	(438)	(2,394)	(990)		(780)	(2,183)
Section 106	(102)	-	-		-	-
External Contributions	(152)	-	-		-	-
Capital grant	(1,052)	(200)	(4)		-	-
Total Capital Financing	(5,470)	(6,276)	(2,953)		(4,030)	(7,024)
Net Financing need (External Borrowing)	0	0	0		0	0

CAPITAL FINANCING REQUIREMENT

Each year, the Council finances the capital programme by a number of means, one of which could be borrowing. The Capital Financing Requirement (CFR) represents the cumulative amount of borrowing that has been incurred to pay for the Council's capital assets, less amounts that have been set aside for the repayment of debt over the years. The Council is only allowed to borrow long term to support its capital programme. It is not allowed to borrow long term to support its revenue budget.

CAPITAL FINANCING REQUIREMENT	2014/15 Actual	2015/16 Revised	2015/16 Actual	Notes	2016/17 as agreed by	
					Council April 2016	
	£000	£000	£000		£000	
General Fund	6,682	6,415	6,415		6,158	
Housing Revenue Account	49,027	47,062	47,063		45,098	
Total	55,709	53,477	53,478		51,256	

HRA LIMIT ON INDEBTEDNESS

The Council is required to report the level of the limit imposed (or subsequently amended) at the time of the implementation of self-financing by the Department for Communities and Local Government. This is to be compared to the Housing Revenue Account capital financing requirement.

PRUDENTIAL INDICATOR	2014/15	2015/16	2015/16	Notes	2016/17 as agreed by Council April 2016	
	Actual	Revised	Actual		£000	
	£000	£000	£000		£000	
Limit on indebtedness	60,285	60,285	60,285		60,285	
Capital Financing Requirement	49,027	47,062	47,063		45,098	
Headroom	11,258	13,223	13,222		15,187	

GROSS DEBT AND THE CAPITAL FINANCING REQUIREMENT

This indicator compares the Capital Financing Requirement to the level of external debt and shows how much of the capital programme is financed from internal resources. The capital programme is partially funded in the short to medium term by internal resources when investment interest rates are significantly lower than long term borrowing rates. Net interest payments are, therefore, optimised.

PRUDENTIAL INDICATOR	2014/15	2015/16	2015/16	Notes	2016/17 as agreed by Council April 2016	
	Actual	Revised	Actual		£000	
	£000	£000	£000		£000	
Capital Financing Requirement	55,709	53,477	53,478		51,256	
External debt	50,344	48,117	48,118		45,869	
Internal borrowing	5,365	5,360	5,360		5,387	

OPERATIONAL BOUNDARY AND AUTHORISED LIMIT

The Council must set an operational boundary and authorised limit for external debt. The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It reflects the decision on the amount of debt needed for the Capital Programme for the relevant year. It also takes account of other long term liabilities, which comprise finance leases, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt. The Council has none of these at present.

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 Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

PRUDENTIAL INDICATOR	2014/15	2015/16	2015/16	Notes	2016/17 as agreed by Council April 2016	
	Actual	Revised	Actual		£000	
	£000	£000	£000		£000	
Operational boundary - borrowing	73,832	76,536	76,536		67,471	
Authorised limit - borrowing	82,036	85,040	85,040		74,968	

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.

ESTIMATE OF THE RATIO OF FINANCING COSTS TO NET REVENUE	2014/15	2015/16	2015/16	Notes	2016/17 as agreed by Council April 2016	
	Actual	Revised	Actual		%	
	%	%	%		%	
General Fund	1.13	0.89	0.89		0.74	
Housing Revenue Account	56.92	62.80	53.34		51.90	

INCREMENTAL IMPACT OF CAPITAL INVESTMENT DECISIONS

This is an indicator of affordability that shows the impact of capital investment decisions on the Council Tax and housing rent levels. The incremental impact is the difference between the revenue funding of the proposed capital programme compared to the revenue funding of the previously approved capital programme. As the Council is not proposing any additional borrowing, this means that the impact is solely due to changes in revenue financing of capital expenditure. The increase in Council Tax impact in 2015/16 is mainly due to the Clacton and Holland coast protection scheme. The increase in HRA weekly rents is due to the decision to finance up to £1m of spend from revenue resources each year.

INCREMENTAL IMPACT OF CAPITAL INVESTMENT	2014/15	2015/16	2015/16	Notes	2016/17 as agreed by Council April 2016	
	Actual	Revised	Actual		£	
	£	£	£		£	
Change in General Fund capital spend financed by loan	-	-	-		-	
Change in General Fund capital spend financed from revenue	-	3,484,000	n/a	1	250,000.00	
General Fund, Council Tax impact	-	£77.58	n/a	1	£5.57	
Change in HRA capital spend financed by loan	-	-	-		-	
Change in HRA capital spend financed from revenue and major repairs reserve	-	1,651,000	n/a	1	(220,000.00)	
HRA Average Weekly Rent impact	-	£10.05	n/a	1	(£1.34)	

Note 1: These are not measurable indicators as they are intended to be a measure of the impact of investment proposals when the capital programme is agreed.

INTEREST RATE EXPOSURE

Tendring District Council currently has all its borrowings at fixed rate and usually has a mixture of fixed and variable rate investments. This indicator is set to control the Council's exposure to interest rate risk.

PRUDENTIAL INDICATOR	2014/15	2015/16	2015/16	Notes	2016/17 as agreed by Council April 2016	
	Actual	Revised	Actual		£000	
	£000	£000	£000		£000	
Upper limit for Fixed Interest Rates on debt	55,709	53,477	53,477		51,256	
Upper limit for Variable Interest Rates on debt (based on 30% of the fixed rate limit)	16,713	16,043	16,043		15,377	

TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS (excluding property)

Interest rate risk is also affected by the proportion of the investments invested at fixed rates for longer periods, especially in a period when rates are expected to rise.

PRUDENTIAL INDICATOR	2014/15	2015/16	2015/16	Notes	2016/17 as agreed by Council April 2016	
	Actual	Revised	Actual		£000	
	£000	£000	£000		£000	
Limits on the total principal sum invested to final maturities longer than 364 days	3,500	3,500	0		3,500	

MATURITY STRUCTURE OF FIXED RATE BORROWING

This indicator is set to control the Council's exposure to refinancing risk. The limits are set for each age range to ensure that the Council avoids too many fixed rate loans being matured at one time and spreads the maturity across several periods. The percentages for the upper and lower limits do not add up to 100% as they do not represent an actual allocation.

PRUDENTIAL INDICATOR	Upper limit	Lower limit	Actual outstanding debt maturity		Estimate as agreed by Council April 2016
	%	%	% at		31/03/2017
			31/03/2016		
Under 12 months	25	0	4.67%		4.30%
12 months and within 24 months	30	0	4.10%		7.82%
24 months and within 5 years	60	0	11.03%		21.06%
5 years and within 10 years	75	0	21.53%		17.69%
10 years and above	95	25			
10-20 years			22.23%		14.84%
20-30 years			5.27%		1.60%
>30 years			31.17%		32.70%

TREASURY INDICATOR - EXPOSURE TO CREDIT RISK

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) using the rating applicable when it is taken out and taking the arithmetic average, weighted by the size of each investment. Investments in government instruments such as DMO, treasury bills and in local authorities are scored as 1.

TREASURY INDICATOR	2014/15 Actual	2015/16 Actual	2016/17 Upper limit
Average credit score for investments	1.33	1.45	2.00