

Proposed Prudential Indicators 2019/20 revised, 2020/21 and forecasts for 2021/22 to 2022/23

Indicators for Prudence

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	2018/19	2019/20	2020/21	2021/22	2022/23
£000s	Actual	Revised	Estimate	Forecast	Forecast
Total Capital Expenditure	4,831	13,767	1,024	816	824
Financing - General Fund					
External contributions	(203)	(67)	-	-	-
Section 106	(168)	(15)	-	-	-
Coast protection grant	(2,609)	(2,108)	-	-	-
Other Government grants	-	(322)	-	-	-
Disabled Facilities Grant	(1,077)	(4,727)	(757)	(757)	(757)
Capital receipts	(41)	(907)	-	-	-
Direct revenue contributions	(165)	(418)	(55)	(55)	(55)
Earmarked reserves	(568)	(5,203)	(212)	(4)	(12)
Total Capital Financing	(4,831)	(13,767)	(1,024)	(816)	(824)
Net Financing need (External Borrowing)	0	0	0	0	0

Housing Revenue Account Capital Schemes	2018/19	2019/20	2020/21	2021/22	2022/23
£000	Actual	Revised	Estimate	Forecast	Forecast
Total Capital Expenditure	4,283	6,712	3,457	3,176	3,176
Financing - Housing Revenue Account					
Major repairs reserve	(3,224)	(3,754)	(3,176)	(3,176)	(3,176)
Direct revenue contributions	(342)	(2,891)	(281)	-	-
Section 106	-	-	-	-	-
Capital receipts	(37)	-	-	-	-
External contributions	(600)	(67)	-	-	-
Government grant	(80)	-	-	-	-
Total Capital Financing	(4,283)	(6,712)	(3,457)	(3,176)	(3,176)
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	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
General Fund	5,676	5,449	5,231	5,022	4,820
Housing Revenue Account	41,770	40,106	38,441	36,777	34,563
Total	47,446	45,555	43,672	41,799	39,383

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	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
Capital Financing Requirement	47,446	45,555	43,672	41,799	39,383
External debt	42,076	40,312	38,592	36,921	34,699
Internal borrowing	5,370	5,243	5,080	4,878	4,684

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	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
Operational boundary - borrowing	67,861	67,704	67,525	67,469	68,012
Authorised limit - borrowing	80,505	76,455	76,156	76,112	76,821

Indicators for Affordability

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	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Revised	Estimate	Forecast	Forecast
	%	%	%	%	%
General Fund	-1.91	-0.64	-1.61	-1.19	-1.26
Housing Revenue Account	47.89	46.23	45.05	43.90	46.55

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	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
Upper limit for Fixed Interest Rates on debt	47,446	45,555	43,672	41,799	39,383
Upper limit for Variable Interest Rates on debt (based on 30% of the fixed rate limit)	14,234	13,667	13,102	12,540	11,815

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	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
Limits on the total principal sum invested to final maturities longer than 364 days	3,500	3,500	3,500	3,500	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	Estimated outstanding debt maturity % at			
	%	%	31/03/2020	31/03/2021	31/03/2022	31/03/2023
Under 12 months	25	0	4.27%	4.33%	6.02%	4.10%
12 months and within 24 months	30	0	4.15%	5.76%	3.85%	7.56%
24 months and within 5 years	60	0	15.55%	16.76%	20.22%	17.10%
5 years and within 10 years	75	0	20.13%	17.57%	14.76%	14.60%
10 years and above	95	25				
10-20 years			16.89%	15.76%	14.52%	13.41%
20-30 years			1.82%	0.95%	18.96%	25.94%
>30 years			37.21%	38.87%	21.67%	17.29%

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	2018/19 Actual	2019/20 to 31/12	2020/21 Upper limit
Average credit score for investments	1.43	1.31	2.00