

## Prudential and Treasury Indicators

During 2015/16, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2014/15 Actual £000	2015/16 Original £000	2015/16 Actual £000
Capital expenditure	1,859	2,718	22,446*
Capital Financing Requirement	(41,900)	(23,904)	(23,100)
Gross borrowing	0	0	0
External debt	7,500	7,500	7,500
Investments	69,846	45,779	54,184
Net borrowing	(62,346)	(38,279)	(46,684)

*\*Note: The significant capital expenditure variance in 2015/16 was due to the purchase of Old River Lane, which was not in the original budget.*

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2015/16) plus the estimates of any additional capital financing requirement for the current (2016/17) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2015/16.

**The authorised limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2015/16 the Council has maintained gross borrowing within its authorised limit.

**The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

**Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2015/16
Authorised limit	£12m
Maximum gross borrowing position	£0m
Operational boundary	£8m
Average gross borrowing position	£7.5 m
Financing costs as a proportion of net revenue stream	2.63%

TABLE 1	31 March 2015 Principal	Rate/ Return	Average Life yrs		31 March 2016 Principal	Rate/ Return	Average Life yrs
Fixed rate funding:							
-PWLB	£1.5m	8.875%	40		£1.5m	8.875%	39
-Market	£6m	8.785%	5		£6m	8.785%	4
<b>Total debt</b>	<b>£7.5m</b>				<b>£7.5m</b>		
<b>CFR</b>	<b>(£41.9m)</b>				<b>(£23.1m)</b>		
<b>Over/ (under) borrowing</b>	<b>(£37.4m)</b>				<b>(£15.6m)</b>		
<b>Total investments</b>	<b>£69.5m</b>				<b>£54.2m</b>		
<b>Net debt</b>	<b>(£62m)</b>				<b>(£46.7m)</b>		

The maturity structure of the debt portfolio was as follows:

	31 March 2015 actual	2015/16 original limits	31 March 2016 actual
Under 12 months	£0m	£0m	£0m
12 months and within 24 months	£0m	£0m	£0m
24 months and within 5 years	£6m	£6m	£6m
5 years and within 10 years	£0m	£0m	£0m
10 years and within 20 years	£0m	£0m	£0m
20 years and within 30 years	£0m	£0m	£0m
30 years and within 40 years	£1.5m	£1.5m	£1.5m
40 years and within 50 years	£0m	£0m	£0m

The maturity structure of the investment portfolio was as follows:

	2014/15 Actual £000	2015/16 Original £000	2015/16 Actual £000
Investments			
Longer than 1 year	10,000	20,000	19,936
Under 1 year	59,547	25,779	34,247
<b>Total</b>	<b>69,547</b>	<b>45,779</b>	<b>54,183</b>

The exposure to fixed and variable rates was as follows:

	31 March 2015 Actual £000	2015/16 Original Limits £000	31 March 2016 Actual £000
Limits on fixed interest rates based on net debt:			
• Debt only	100%	100%	100%
• Investments only	43%	98%	27%
Limits on variable interest rates:			
• Debt only	0%	50%	0%
• Investments only	57%	95%	73%