

## Appendix 1

### Prudential and Treasury Indicators 2019/20

#### Capital Expenditure and Financing 2019/20

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need (though the timing of borrowing may be delayed through the application of cash balances held by the Council).

The actual capital expenditure forms one of the required prudential indicators and is shown in the table below.

|                           | 2018/19<br>Actual<br>£m | 2019/20<br>Revised<br>Budget<br>£m | 2019/20<br>Actual<br>£m |
|---------------------------|-------------------------|------------------------------------|-------------------------|
| Total capital expenditure | 66                      | 125                                | 115                     |

#### The Council's Overall Borrowing Need

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

**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 (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2019/20. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

| CFR (£m)  | 31 March<br>2019<br>Actual | 31 March<br>2020<br>Actual |
|-----------|----------------------------|----------------------------|
| Total CFR | 320.7                      | 413.4                      |

| CFR (£m)                    | 31 March<br>2019<br>Actual | 31 March<br>2020<br>Actual |
|-----------------------------|----------------------------|----------------------------|
| Gross Borrowing Position    | 321.1                      | 412.7                      |
| (Under)/over funding of CFR | 0.4                        | (0.7)                      |

**The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2019/20 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. Borrowing levels were maintained well below the operational boundary throughout the year.

**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 liabilities net of investment income) against the net revenue stream.

|   | 2019/20 |
|---|---------|
| Authorised limit  | £520m   |
| Maximum gross borrowing position  | £414.1m |
| Operational boundary  | £470m   |
| Average gross borrowing position ;  | £347.1m |
| Financing costs as a proportion of net revenue stream   | 13%     |
| <i>Financing costs as a proportion of net revenue stream including Gross Investment Property income</i> | 4%      |

### Treasury Indicators:

**Maturity Structure of the fixed rate borrowing portfolio** - This indicator assists Authorities avoid large concentrations of fixed rate debt that has the same maturity structure and would therefore need to be replaced at the same time.

|                      | <b>31 March<br/>2020<br/>Actual</b> | <b>31 March 2020<br/>Proportion</b> | <b>2019/20<br/>Original<br/>Limits<br/>Lower-Upper</b> |
|----------------------|-------------------------------------|-------------------------------------|--|
| Under 12 months      | £3.6M                               | 1%                                  | 0% - 30%   |
| 12 months to 2 years | £2.6M                               | 1%                                  | 0% - 30%   |
| 2 years to 5 years   | £14.9M                              | 4%                                  | 0% - 30%   |
| 5 years to 10 years  | £25.8M                              | 7%                                  | 0% - 40%   |
| 10 years to 20 years | £66.9M                              | 17%                                 | 0% - 50%   |
| 20 years to 30 years | £69.2M                              | 10%                                 | 0% - 60%   |
| 30 years to 40 years | £100.1M                             | 33%                                 | 0% - 50%   |
| Over 40 years        | £112.0M                             | 28%                                 | 0% - 50%   |

**Principal sums invested for over 364 days** - The purpose of this indicator is to contain the Council's exposure to the possibility of losses that might arise as a result of it having to seek early repayment or redemption of principal sums invested. The Actual figure reflects investment in the CCLA Property Fund

|                                | <b>2019/20<br/>Limit</b> | <b>2019/20<br/>Actual</b> |
|--------------------------------|--------------------------|---------------------------|
| Investments of 1 year and over | £20M                     | £5m                       |