

EXECUTIVE

Date: Tuesday 9 February 2016
Time: 5.30 pm
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

Members are invited to attend the above meeting to consider the items of business.

If you have an enquiry regarding any items on this agenda, please contact Sarah Selway, Democratic Services Manager (Committees) on 01392 265275.

Entry to the Civic Centre can be gained through the Customer Service Centre, Paris Street.

Membership -

Councillors Edwards (Chair), Denham, Hannaford, Leadbetter, Morse, Owen, Pearson and Sutton

Agenda

Part I: Items suggested for discussion with the press and public present

8 The Prudential Code for Capital Finance in Local Authorities (Incorporating the Annual Statement of Minimum Revenue Provision)

To consider the report of the Assistant Director Finance.

(Pages 3 -
14)

Scrutiny Committee – Resources considered the report at its meeting on 27 January 2016 and its comments will be reported.

Date of Next Meeting

The next scheduled meeting of the Executive will be held on **Tuesday 15 March 2016** at 5.30 pm in the Civic Centre.

A statement of the executive decisions taken at this meeting will be produced and published on the Council website as soon as reasonably practicable.

Find out more about Exeter City Council services by looking at our web site <http://www.exeter.gov.uk>. This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on (01392) 265115 for further information.

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HRA Prudential Indicator Calculations

APPENDIX B

Local authorities that have a Housing Revenue Account (HRA) are required to prepare separate calculations for their HRA and non-HRA elements.

HRA Capital Expenditure

The prudential indicator for capital expenditure should be based upon a capital programme that takes into account the Council's asset management and capital investment strategies.

Description	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
MAINTAIN OUR PROPERTY ASSETS	5,984	6,886	7,872	9,473	7,738
HELP ME FIND SOMEWHERE TO LIVE	3,190	2,441	8,246	6,409	148
Total HRA Capital Expenditure	9,174	9,327	16,118	15,882	7,886

HRA Financing costs

Description	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Interest payable with respect to short term borrowing	0	0	0	0	0
Interest payable under 'irredeemable' long term liabilities	1,980	1,980	1,980	1,980	1,980
Interest and investment income	(75)	(64)	(66)	(66)	(66)
Voluntary Revenue Provision (England and Wales)	0	0	0	0	0
Voluntary contribution to financing costs in respect of short-life assets	0	0	0	0	0
Total HRA Financing Costs	1,905	1,916	1,914	1,914	1,914

HRA Estimates of the ratio of financing costs to net revenue stream

For the Housing Revenue Account the net revenue stream, for the purposes of the Code, is the amount to be met from rent income.

Description	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Financing costs	1,905	1,916	1,914	1,914	1,914
Net revenue stream	18,624	20,939	19,076	20,720	19,054
Ratio of financing costs to net revenue stream %	10.2	9.2	10.0	9.2	10.0
Negative for a debt free authority	%	%	%	%	%

Estimates of the incremental impact of capital investment decisions on the Housing Rents

A fundamental constraint on HRA capital investment by a local authority is its scope to afford its financial implications. For local authorities it is ultimately determined by a judgement about acceptable rent levels.

This prudential indicator shows the potential impact of the HRA capital investment decisions on the average weekly rent.

Description	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Forecast HRA budgetary requirements for the authority with existing HRA capital programme	20,990	22,634	20,968
Forecast HRA budgetary requirements for the authority with proposed HRA capital programme	20,990	22,634	20,968
Difference	0	0	0
Incremental Impact on average weekly housing rents	£0.00	£0.00	£0.00

HRA Capital Financing Requirement

The Capital Financing Requirement will reflect the Council's underlying need to finance capital expenditure.

Actual HRA Capital Financing Requirement at 31 March 2015

Description	£'000
Property, Plant and Equipment	213,703
Investment Properties	0
Revaluation Reserve	(17,264)
Capital Adjustment Account	(138,557)
Actual HRA Capital Financing Requirement 31 March 2015	57,882

Estimated HRA Capital Financing Requirement at 31 March 2016

Estimate of HRA Capital Financing Requirement 31 March 2015	57,882
Estimate of change in Property, Plant and Equipment	9,174
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(9,174)
Estimate of HRA Capital Financing Requirement 31 March 2016	57,882

Estimated HRA Capital Financing Requirement at 31 March 2017

Estimate of HRA Capital Financing Requirement 31 March 2016	57,882
Estimate of change in Property, Plant and Equipment	9,327
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(9,327)
Estimate of HRA Capital Financing Requirement 31 March 2017	57,882

Estimated HRA Capital Financing Requirement at 31 March 2018

Estimate of HRA Capital Financing Requirement 31 March 2017	57,882
Estimate of change in Property, Plant and Equipment	16,118
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(16,118)
Estimate of HRA Capital Financing Requirement 31 March 2018	57,882

Estimated HRA Capital Financing Requirement at 31 March 2019

Estimate of HRA Capital Financing Requirement 31 March 2018	57,882
Estimate of change in Property, Plant and Equipment	15,882
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(15,882)
Estimate of HRA Capital Financing Requirement 31 March 2019	57,882

CLG Limit on indebtedness

The limit on indebtedness for the HRA is £57.882 m

Prudential Indicator Calculations**PRUDENTIAL INDICATORS OF AFFORDABILITY****Estimates of Incremental Impact of Capital Investments Decisions on the Council Tax**

This prudential indicator shows the potential impact of the capital investment decisions on the Council Tax.

Description	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Incremental Impact on Band D Council Tax	£19.97	£0.56	£0.00

Estimates of Incremental Impact of Capital Investments Decisions on the Housing Rents

This prudential indicator shows the potential impact of the HRA capital investment decisions on the average weekly rent.

Description	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
Incremental Impact on Average Weekly Housing Rents	£0.00	£0.00	£0.00

Total Actual / Estimates of Capital Expenditure

The prudential indicator for capital expenditure should be based upon a capital programme that takes into account the Council's asset management and capital investment strategies.

Description	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Total General Fund Capital Expenditure	7,328	9,843	5,272	9,053	6,019
Total HRA Capital Expenditure	9,174	9,327	16,118	15,882	7,886
Total Actual / Estimates of Capital Expenditure	16,502	19,170	21,390	24,935	13,905

Prudential Indicator CalculationsTotal Actual / Estimates of Financing Costs

Description	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Total General Fund Financing Costs	3,613	3,446	3,175	3,321	3,636
Total HRA Financing Costs	1,905.00	1,916.00	1,914.00	1,914.00	1,914.00
Total Actual / Estimates of Financing Costs	5,518	5,362	5,089	5,235	5,550

Actual / Estimates of Ratio of Financing Costs to Net Revenue Stream

The net revenue stream is the estimate of the amounts to be met from government grants and local taxpayers, and for the Housing Revenue Account, is the estimate of the amounts to be met from rent income.

Since the Council is 'debt-free' the ratio of financing costs to net revenue stream will be negative. This reflects the fact that for 'debt-free' authorities, the negative financing costs are making a contribution to the consolidated revenue account.

Description	2014/15 Actual %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
General Fund Ratio of Financing Costs to Net Revenue Stream	26.0	27.0	26.0	28.2	31.6
HRA Ratio of Financing Costs to Net Revenue Stream	10.2	9.2	10.0	9.2	10.0

Prudential Indicator Calculations**Actual / Estimates of Capital Financing Requirement**

The Capital Financing Requirement will reflect the Council's underlying need to finance capital expenditure.

Description	2014/15 Actual £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
General Fund Capital Financing Requirement	33,345	39,606	43,550	56,809	52,565
HRA Capital Financing Requirement	57,882	57,882	57,882	57,882	57,882
Total Actual / Estimates of Capital Financing Requirement	91,227	97,488	101,432	114,691	110,447

Authorised Limit

In England and Wales the prudential indicator for the Authorised Limit for external debt for the current year is the statutory limit determined under Section 3 (1) of the Local Government Act 2003: 'A local authority shall determine and keep under review how much money it can afford to borrow'

The Authorised Limit should not be set so high that it would never in any possible circumstances be breached. It should reflect a level of borrowing which, while not desired, could be afforded but may not be sustainable. The Authorised Limit must therefore be set to establish the outer boundary of the Council's borrowing, based on a realistic assessment of the risks.

Description	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Borrowing	120,000	125,000	130,000
Other long term liabilities	0	0	0
Authorised Limit	120,000	125,000	130,000

Prudential Indicator Calculations**Operational Boundary**

The Operational Boundary is the focus of day-to-day treasury management activity within the authority. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed Authorised Limit. The Operational Boundary may be breached temporarily on occasions due to variations in cashflow. However, a sustained or regular trend above the Operational Boundary would be significant and should lead to further investigation.

Description	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000
Borrowing	110,000	115,000	120,000
Other long term liabilities	0	0	0
Operational Boundary	110,000	115,000	120,000

Actual External Debt

The prudential indicator for actual external debt will not be directly comparable to the authorised limit and operational boundary, since the actual external debt will reflect the actual position at one point in time.

Description	2014/15 Actual £'000
Actual borrowing as at 31 March 2015	66,921
Actual long term liabilities as at 31 March 2015	0
Actual External Debt as at 31 March 2015	66,921

Prudential Indicator Calculations
PRUDENTIAL INDICATORS OF PRUDENCE

Gross Debt and Capital Financing Requirement

The Code makes it necessary, if a financial strategy is to be prudent, that it is one in which in the medium term gross debt is only used for capital purposes. In the Code this requirement is to be demonstrated through a comparison of gross debt with the Capital Financing Requirement.

Description	£'000
Total Capital Financing Requirement at 31 March 2015	91,227

2015/16 Estimated Change in Capital Financing Requirement	
Capital expenditure	19,170
Application of useable capital receipts	(1,616)
Application of capital grants/contributions	(10,475)
The replacement for MRP	(818)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2015/16	6,261

2016/17 Estimated Change in Capital Financing Requirement	
Capital expenditure	21,390
Application of useable capital receipts	(500)
Application of capital grants/contributions	(16,070)
The replacement for MRP	(875)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2016/17	3,945

Prudential Indicator Calculations

2017/18 Estimated Change in Capital Financing Requirement	
Capital expenditure	24,935
Application of useable capital receipts	(2,610)
Application of capital grants/contributions	(8,195)
The replacement for MRP	(871)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2017/18	13,259

Capital Financing Requirement:	
Opening Balance 2014/15	91,227
Estimated Closing Balance 2015/16	114,692
This is an increase over the three years of	23,465

Prudential Indicators for Treasury Management

The first prudential indicator for treasury management is not a numerical indicator, but a statement of good practice:

*'The Council adopts the 2011 edition of the CIPFA Code of Practice for Treasury Management in the Public Services'
Adopted by the Council 7 February 2012 (Executive Committee)*

Prudential Indicator Calculations**Operational Boundaries to Exposure to Interest Rate Risks**

Interest rate risk management is a top priority for local authority management. The setting of upper limits has the effect of setting ranges within which the Council will limit its exposure to both fixed and variable interest rate movements.

Description	2016/17 £'000	2017/18 £'000	2018/19 £'000
Total projected interest payable on borrowing	2,340	2,490	2,550
Total projected interest receivable on investments	(126)	(126)	(136)
Net Interest	2,214	2,364	2,414
Upper limit - fixed rates = 100%	(126)	(126)	(136)
Upper limit - variable rates = 20%	(25)	(25)	(27)

This means that the Head of Treasury Services will manage fixed interest rate exposure within the range 0% to 100% and variable interest rate exposure within the range 0% to 20%

Operational Boundary to the Exposure Inherent in the Maturity Structure of Borrowings

This indicator is designed to be a control over the Council having a large concentration of fixed rate debt needing to be replaced at times of uncertainty over interest rates. The indicator is, in effect, a limit on longer term interest rate exposure and is set for the forthcoming year.

The analysis of borrowing by maturity used in the Code uses the same periods as that required in the local authority SORP.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

Period	Upper Limit	Lower Limit
Under 12 months	100%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	20%	0%
10 years and above	100%	0%

Prudential Indicator Calculations**Principal Sums Invested for Periods Longer than 364 Days**

The purpose of the prudential limit for principal sums invested for periods longer than 364 days is for 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.

Description	At 31/3/2015
	£'000
Longer-term investments	0
Less - Held for operational purposes	0
Current Assets - Investments	0
Current Assets - Cash and at Bank	0
Total available for investment longer term	0

Limits to be placed on investments to final maturities beyond year end:	£'000
31/03/16	0
31/03/17	0
31/03/18	0