

## Appendix B1

### Treasury Management Indicators

The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

**Security:** The authority has adopted a voluntary measure of its exposure to credit risk by monitoring the average credit rating of its investment portfolio.

Credit Risk Indicator	Target
Portfolio average credit	A

**Liquidity:** It is recommended that the Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each month without giving prior notice. However due to regular reporting this limit is set at £0 as an officer should not ever need to exceed the borrowing limit.

	Target
Total sum borrowed in previous 3 months without prior notice	£0m

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Interest rate exposures:** This indicator is set to monitor the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise in forecast interest rates will be:

Interest rate risk indicator	Limit £'000
Upper limit on one-year revenue impact of a 1% rise in interest rates	£3,508

**Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

<b>Refinancing rate risk indicator</b>	<b>Upper limit</b>	<b>Lower limit</b>
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

**Principal treasury sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

<b>Price risk indicator</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Limit on principal treasury sums invested beyond year end	£14.5m	£14.5m	£14.5m

**Estimates of Capital Expenditure:** The Authority's planned capital expenditure and financing may be summarised as follows.

<b>Capital Expenditure and Financing</b>	<b>2018/19 Estimate £'000</b>	<b>2019/20 Estimate £'000</b>	<b>2020/21 Estimate £'000</b>	<b>2021/22 Estimate £'000</b>
General Fund	114,917	76,974	25,265	20,074
<b>Total Expenditure</b>	<b>114,917</b>	<b>76,974</b>	<b>25,265</b>	<b>20,074</b>
Capital Receipts	1,063	1,396	133	0
Grants	4,997	5,296	2,300	3,176
Developers Contributions	9,429	665	0	0
Revenue	393	21	19	0
Borrowing	99,035	69,596	22,813	16,898
<b>Total Financing</b>	<b>114,917</b>	<b>76,974</b>	<b>25,265</b>	<b>20,074</b>

**Estimates of Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
General Fund	488,773	553,677	571,619	583,376
<b>Total CFR</b>	<b>488,773</b>	<b>553,677</b>	<b>571,619</b>	<b>583,376</b>

**Gross Borrowing and the Capital Financing Requirement:** In order to ensure that over the medium term borrowing will only be for a capital purpose, the Authority should ensure that borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Borrowing	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Borrowing	454,706	519,610	537,552	549,309
Finance leases	-	-	-	-
PFI liabilities	-	-	-	-
<b>Total Borrowing</b>	<b>454,706</b>	<b>519,610</b>	<b>537,552</b>	<b>549,309</b>

Total borrowing is expected to remain below the CFR during the forecast period.

The actual borrowing levels are monitored against the Operational Boundary and Authorised Limit for External Borrowing, below.

**Operational Boundary for External Borrowing:** The Operational Boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external borrowing.

Operational Boundary	2018/19 Limit £'000	2019/20 Limit £'000	2020/21 Limit £'000	2021/22 Limit £'000
Borrowing	466,773	531,677	549,619	561,376
Other long-term liabilities	1,000	1,000	1,000	1,000
<b>Total Borrowing</b>	<b>467,773</b>	<b>532,677</b>	<b>550,619</b>	<b>562,376</b>

The Authority confirms that during 2017/18, the Operational Boundary was not breached. The future Operational Boundary will continue to be reviewed during 2018/19 and approval sought when there is more certainty over a potential breach.

**Authorised Limit for External Borrowing:** The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act. It is the maximum amount of borrowing that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

<b>Authorised Limit</b>	<b>2018/19 Limit £'000</b>	<b>2019/20 Limit £'000</b>	<b>2020/21 Limit £'000</b>	<b>2021/22 Limit £'000</b>
Borrowing	487,773	552,677	570,619	582,376
Other long-term liabilities	1,000	1,000	1,000	1,000
<b>Total Borrowing</b>	<b>488,773</b>	<b>553,677</b>	<b>571,619</b>	<b>583,376</b>

The Authority confirms that during 2017/18 the Authorised Limit was not breached at any time.

**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.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2019/20 Estimate %</b>	<b>2020/21 Estimate %</b>	<b>2021/22 Estimate %</b>
General Fund	56.7	79.8	95.3

**Incremental Impact of Capital Investment Decisions:** This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact shows a notional benefit to tax payers of the capital programme, by looking at the additional revenue income received from capital schemes against the additional revenue cost of these schemes.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2019/20 Estimate £</b>	<b>2020/21 Estimate £</b>	<b>2021/22 Estimate £</b>
General Fund - increase in annual Band D Council Tax	(262.85)	(250.83)	(226.17)

Adoption of the CIPFA Treasury Management Code: The Authority has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition and subsequent revisions.