

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 10 JULY 2012**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **PRUDENTIAL INDICATORS - ACTUALS 2011/12**

1.00 PURPOSE OF REPORT

1.01 To provide Members with 2011/12 (actual) prudential indicator figures as required under the Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

2.00 BACKGROUND

2.01 The background to this item is provided in the report to Executive of 21st February 2012 (subject : Prudential Indicators 2012/13 to 2014/15). The Prudential Code has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities in determining their programmes for capital investment in fixed assets. Local authorities are required by Regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003.

2.02 The framework established by the Prudential Code is intended to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the 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; the 2012/13 Capital Programme has been prepared on this basis - affordable in terms of implications for Council Tax and housing rents, prudent and sustainable in terms of implications for external borrowing.

2.03 The Prudential Code sets out the indicators that must be used, and the factors that must be taken into account in preparing such.

3.00 CONSIDERATIONS

3.01 Actual (2011/12) prudential indicators have now been calculated in respect of the following:

- capital expenditure

- ratio of financing costs to net revenue stream
- capital financing requirement
- authorised limit for external debt

The prudential indicators for capital expenditure are based on the Council's capital programme (that takes into account the Council's asset management and capital investment strategies), and are supplemented (for capital accounting purposes) by the value of finance leases held. The capital expenditure totals are the starting point for the calculation of the prudential indicators, and essentially provide the base financial data from which all other indicators follow.

- 3.02 Prior year (2010/11) actuals and 2011/12 estimate totals are included for information purposes, together with forward totals for 2012/13 (as previously provided in the report of 21st February 2012).
- 3.03 Actual (2011/12) capital expenditure for the Council Fund and the Housing Revenue Account (HRA) is £43.026m as shown in the table below, (this total includes £5.035m in relation to Finance Leases as described in 3.05).

CAPITAL EXPENDITURE				
	2010/11	2011/12	2011/12	2012/13
	Actual	Estimate	Actual	Estimate
	£m	£m	£m	£m
Council Fund	22.072	17.232	32.628	23.825
Housing Revenue Account	8.205	10.059	10.398	9.398
Total	30.277	27.291	43.026	33.223

- 3.04 Capital expenditure and related funding issues are part of the agenda for meetings of the Corporate Asset Management Group (CAMG). A detailed analysis and commentary regarding 2011/12 actual expenditure will be provided in the capital outturn report.
- 3.05 The capital programme actual totals in 3.03 are supplemented (for capital accounting purposes) by the value of those finance leases associated with the re-development of Deeside Leisure Centre and Flint Pavillion.
- 3.06 The actual ratio of financing costs to net revenue stream for 2011/12 is 5.76% for the Council Fund and 8.68% for the HRA.

RATIO OF FINANCING COSTS TO NET REVENUE STREAM				
	2010/11	2011/12	2011/12	2012/13
	Actual	Estimate	Actual	Estimate
	%	%	%	%
Council Fund	5.707	5.831	5.755	5.959
Housing Revenue Account	9.799	8.857	8.678	8.343

The HRA net revenue stream is the amount to be met from Welsh Government grants and from rentpayers, and the Council Fund equivalent is the amount to be met from Welsh Government grants and local taxpayers. The HRA ratio continues to fall in line with reducing capital financing costs attributable to long term debt outstanding, consequent to the introduction of the Major Repairs Allowance in Wales in 2004, from which point all new borrowing relates to the Council Fund only.

- 3.07 The actual (cumulative) capital financing requirement for 2011/12 is £178.251m, being the measure of the Council's underlying need to finance capital expenditure by borrowing or other long term liabilities as at 31st March 2012; the reducing HRA debt outstanding total as referred in section 3.06 above is evidenced in the table below :

CAPITAL FINANCING REQUIREMENT				
	2010/11	2011/12	2011/12	2012/13
	Actual	Estimate	Actual	Estimate
	£m	£m	£m	£m
Council Fund	146.592	147.920	151.047	154.570
Housing Revenue Account	28.085	27.324	27.204	26.555
Total	174.677	175.244	178.251	181.125

The 2012/13 estimated totals shown in the table above have been revised since the report to Executive of 21st February 2012 to reflect current information available.

- 3.08 The actual authorised limit for external debt for 2011/12 is £197.4m, with separately identified limits for borrowing and other long term liabilities such as finance leases :

AUTHORISED LIMIT FOR EXTERNAL DEBT				
	2010/11	2011/12	2011/12	2012/13
	Actual	Estimate	Actual	Estimate
	£m	£m	£m	£m
All Borrowing (Capital/Revenue)	196.100	195.200	191.400	198.020
Other Long Term Liabilities	2.200	2.200	6.000	9.600
Total	198.300	197.400	197.400	207.620

Whilst the authorised limit for external debt for 2011/12 was not breached, it was necessary for the Head of Finance to use the delegated authority to effect movements between the separately identified limits for borrowing and other long term liabilities during the year, in order to accommodate the funding arrangements of the capital investment made at Deeside Leisure Centre, which were classified as finance leases after the 2011/12 prudential indicators had been set. The 2012/13 figures have been set higher to reflect this revised classification.

4.00 RECOMMENDATIONS

4.01 Cabinet is requested to note and approve the report.

5.00 FINANCIAL IMPLICATIONS

5.01 None; the financial information provided is retrospective.

6.00 ANTI POVERTY IMPACT

6.01 None.

7.00 ENVIRONMENTAL IMPACT

7.01 None.

8.00 EQUALITIES IMPACT

8.01 None.

9.00 PERSONNEL IMPLICATIONS

9.01 None.

10.00 CONSULTATION REQUIRED

10.01 None.

11.00 CONSULTATION UNDERTAKEN

11.01 None.

12.00 APPENDICES

12.01 None.

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

Final accounts working papers 2011/12
Various Welsh Government and CIPFA papers

Contact Officer: Liz Thomas
Telephone: 01352 702289
Email: liz.thomas@flintshire.gov.uk