

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 16 JULY 2013**

REPORT BY: **HEAD OF FINANCE**

SUBJECT: **PRUDENTIAL INDICATORS – ACTUAL 2012/13**

1.00 PURPOSE OF REPORT

1.01 To provide Members with 2012/13 (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 Cabinet 19th February 2013 (subject: Prudential Indicators 2013/14 to 2015/16). 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 investments 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 was 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 (2012/13) prudential indicators have now been calculated in respect of the following:

- Capital expenditure
- Ratio of financing costs to net revenue stream
- Incremental impact of capital investment

- Capital financing requirement
- Authorised Limit for External Debt

- 3.02 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.
- 3.03 Prior year (2011/12) actuals and 2012/13 estimate totals are included for information purposes, together with estimated total for 2013/14 (as previously reported in the report of 19th February 2013).
- 3.04 Actual 2012/13 capital expenditure for the Council Fund and the Housing Revenue Account (HRA) is £39.822m as shown in the table below, (this total includes £2.626m in relation to Finance Leases as described in 3.06)

CAPITAL EXPENDITURE				
	2011/12	2012/13	2012/13	2013/14
	Actual	Estimate	Actual	Estimate
	£m	£m	£m	£m
Council Fund	32.628	23.825	29.080	29.908
Housing Revenue Account	10.398	9.398	10.742	10.992
Total	43.026	33.223	39.822	40.900

- 3.05 Capital expenditure and related funding issues are part of the agenda for meetings of the Corporate Asset Management Group (CAMG). Detailed analysis and commentary regarding 2012/13 actual expenditure is provided in the capital outturn report which is also on this agenda.
- 3.06 The capital programme totals in 3.04 are supplemented (for capital accounting purposes) by the value of those finance leases, of which the majority are associated with the re-development of the Jade Jones Pavillion, Flint.

- 3.07 The actual ratio of financing costs to net revenue stream for 2012/13 is as follows:

RATIO OF FINANCING COSTS TO NET REVENUE STREAM				
	2011/12	2012/13	2012/13	2013/14
	Actual	Estimate	Actual	Estimate
	%	%	%	%
Council Fund	5.755	5.959	5.660	5.489
Housing Revenue Account	8.678	8.343	8.238	7.535

The HRA net revenue stream is the amount to be met from Welsh Government grants and from rent payers, 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.

- 3.08 The actual incremental impact of capital investment was nil in 2012/13 as shown in the table below:

ESTIMATE OF INCREMENTAL IMPACT OF CAPITAL INVESTMENT				
	2011/12	2012/13	2012/13	2013/14
	Actual	Estimate	Actual	Estimate
	£	£	£	£
Band D Council Tax	Nil	2.68	Nil	23.38
Average Weekly Housing Rents	n/a	n/a	n/a	n/a

The incremental impact of capital investment on the Council Tax reflects planned unsupported (prudential) borrowing charges. During 2012/13 no new external borrowing was undertaken, explaining why the impact on the Council Tax was nil in 2012/13.

- 3.09 The actual (cumulative) capital financing requirement for 2012/13 is £181.839m, being the measure of the Council's underlying need to finance capital expenditure by borrowing or other long term liabilities as at 31st March 2013; the reducing HRA debt outstanding total as referred in section 3.07 above is evidenced in the table below:

CAPITAL FINANCING REQUIREMENT				
	2011/12	2012/13	2012/13	2013/14
	Actual	Estimate	Actual	Estimate
	£m	£m	£m	£m
Council Fund	151.047	154.570	155.527	158.454
Housing Revenue Account	27.204	26.555	26.312	25.449
Total	178.251	181.125	181.839	183.903

- 3.10 Actual external debt for 2012/13 was £180.245m, with separately identified limits for borrowing and other long term liabilities such as finance leases:

AUTHORISED LIMIT FOR EXTERNAL DEBT				
	2011/12	2012/13	2012/13	2013/14
	Actual	Estimate	Actual	Estimate
	£m	£m	£m	£m
All Borrowing (Capital/Revenue)	191.400	198.020	172.113	202.600
Other Long Term Liabilities	6.000	9.600	8.132	15.600
Total	197.400	207.620	180.245	218.200

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 2012/13
Various Welsh Government and CIPFA papers

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