

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **CABINET**

DATE: **TUESDAY, 15 JULY 2014**

REPORT BY: **CORPORATE FINANCE MANAGER**

SUBJECT: **PRUDENTIAL INDICATORS - ACTUAL 2013/14**

1.00 **PURPOSE OF REPORT**

1.01 To provide Members with 2013/14 (actual) Prudential Indicator (PI) 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 18th February 2014 (subject: Prudential Indicators 2014/15 to 2016/17). 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 2013/14 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 General

3.01.1 Actual (2013/14) PI's 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 Capital expenditure

3.02.1 The PI's 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 PI's and essentially provide the base financial data from which all other indicators follow.

3.02.2 Prior year (2012/13) actuals and 2013/14 estimate totals are included for information purposes, together with forward totals for 2014/15 (as previously reported in the report of 18th February 2014).

3.02.3 Actual 2013/14 capital expenditure for the Council Fund and the Housing Revenue Account (HRA) is £37.975m as shown in the table below.

CAPITAL EXPENDITURE				
	2012/13	2013/14	2013/14	2014/15
	Actual	Estimate	Actual	Estimate
	£m	£m	£m	£m
Council Fund	29.080	29.908	25.101	20.970
Housing Revenue Account	10.742	10.992	12.874	12.381
Total	39.822	40.900	37.975	33.351

3.02.4 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 2013/14 actual expenditure is provided in the capital outturn report which is also on this agenda.

3.03 Ratio of financing costs to net revenue stream

3.03.1 The actual ratio of financing costs to net revenue stream for 2013/14 is as follows:

RATIO OF FINANCING COSTS TO NET REVENUE STREAM				
	2012/13	2013/14	2013/14	2014/15
	Actual	Estimate	Actual	Estimate
	%	%	%	%
Council Fund	5.660%	5.489%	5.694%	6.004%
Housing Revenue Account	8.238%	7.535%	6.354%	6.755%

3.03.2 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.

3.04 Incremental impact of capital investment

3.04.1 The incremental impact of capital investment on the Council Tax reflects planned unsupported (prudential) borrowing charges. During 2013/14 £0.732m of charges were incurred. The table below indicates that the impact of this would be a £12.14p increase in Council Tax levels, however these charges are funded from savings elsewhere within the Council Fund and so the actual effect on Council Tax levels is nil in 2013/14.

ESTIMATED INCREMENTAL IMPACT OF CAPITAL INVESTMENT				
	2012/13	2013/14	2013/14	2014/15
	Actual	Estimate	Actual	Estimate
	£	£	£	£
Council Fund	Nil	23.38	12.14	11.86
Housing Revenue Account	n/a	n/a	n/a	n/a

3.05 Capital Financing Requirement

3.05.1 The actual (average) capital financing requirement for 2013/14 is £185.677m, being the measure of the Council's underlying need to finance capital expenditure by borrowing or other long term liabilities during the year; the reducing HRA debt outstanding total as referred in section 3.03.2 above is evidenced in the table below:

CAPITAL FINANCING REQUIREMENT				
	2012/13	2013/14	2013/14	2014/15
	Actual	Estimate	Actual	Estimate
	£m	£m	£m	£m
Council Fund	155.527	158.454	160.305	166.707
Housing Revenue Account	26.312	25.449	25.373	24.701
Total	181.839	183.903	185.677	191.407

3.06 Authorised Limit for External Debt

3.06.1 Actual external debt for 2013/14 was £179.665m, with separately identified limits for borrowing and other long term liabilities such as finance leases:-

AUTHORISED LIMIT FOR EXTERNAL DEBT				
	2012/13	2013/14	2013/14	2014/15
	Actual	Estimate	Actual	Estimate
	£m	£m	£m	£m
All Borrowing (Cap/Rev)	172.113	202.600	172.113	257.300
Other Long Term Liabilities	8.132	15.600	7.552	22.100
Total	180.245	218.200	179.665	279.400

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 2013/14
Various Welsh Government and CIPFA papers

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