Appendix 1

Prudential Indicators as at 30 September 2018

Indicator 1 - Capital Expenditure

The actual capital expenditure for the current year compared to the original estimate and revised budget, together with estimates of expenditure to be incurred in future years are shown below:

	2017/18 Actual £k	2018/19 Original £k	2018/19 Revised £k	2019/20 Estimate £k	2020/21 Estimate £k	2021/22 Estimate £k
Total Capital expenditure	3,322	4,875	4,573	3,368	1,717	3,735

The revised 2018/19 figure reflects the latest estimate of spend, as reported to members in the monthly 'Management Accounts' report in September 2018

Indicator 2 - Capital Financing Requirement

The capital financing requirement for 2018/19 and estimates for future years are as follows:-

	Actual 31/03/18 £k	Estimate 31/03/19 £k	Estimate 31/03/20 £k	Estimate 31/03/21 £k	Estimate 31/03/22 £k
Capital Financing Requirement	14,661	16,912	17,076	15,617	16,571
Lease - Integrated Care Centre	-	3,000	2,875	2,750	2,625
Total CFR	14,661	19,912	19,951	18,367	19,196

The capital financing requirement measures the Authority's need to borrow for capital purposes. In accordance with best professional practice, the Humberside Fire Authority does not associate borrowing with particular items or types of expenditure. The Authority has, at any point in time, a number of cash flows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved Strategy. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the Authority's underlying need to borrow for a capital purpose.

A key indicator of prudence under the Prudential Code is: -

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years".

The S151 Officer reports that the Authority has had no difficulty meeting this requirement during the course of this financial year and no difficulties are envisaged in future years. This takes into account current commitments, existing plans and the proposals contained in the Medium Term-Financial Plan.

Indicator 3 – Core Funds and Expected Investment Balances

The table below shows the estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

	2018/19 Original £k	2018/19 Revised £k	2019/20 Estimate £k	2020/21 Estimate £k	2021/22 Estimate £k
Fund Balances / Reserves	9,287	9,420	8,833	8,656	8,783
Capital Receipts	202	60	232	262	292
Provisions	-	-	-	-	-
Other (Long Term Lease)	3,000	3,000	2,875	2,750	2,625
Total Core Funds	**12,489**	**12,480**	**11,940**	**11,668**	**11,700**
Working Capital*	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
(Under)/Over Borrowing**	(3,239)	(3,338)	(3,546)	(2,721)	(3,502)
Expected Investments	**5,250**	**5,142**	**4,934**	**4,947**	**4,198**

The actual total investments held as at 30th September 2018 is £13.0m. This is higher than the expected investments due to the Pensions grant of which 80% was received in July 2018 which is drawn upon each month.

Indicator 4 - Authorised Limit for External Debt

The table below shows the Authorised limit for External Debt for 2018/19 and subsequent three year period as approved by Members, compared to the actual level of borrowing as at 30 September 2017.

	2018/19 Estimate £k	Actual as at 30/09/18 £k	2019/20 Estimate £k	2020/21 Estimate £k	2021/22 Estimate £k
Borrowing	27,600	13,904	27,600	27,600	27,600
Other Long Term Liabilities	3,500	3,132	3,500	3,500	3,500
	31,100	17,036	31,100	31,100	31,100

The Authorised Limit reflects the Authority's projected long and short term borrowing requirements, together with any other long-term liabilities it may have. The figures are based on the estimate of most likely, prudent but not worst case scenario, with sufficient headroom over and above this to allow for operational management of, for example unusual cash movements.

The S151 Officer confirms that the Authorised Limit has not been approached at any point during the first half of the year, nor is it likely to during the remaining six months of 2018/19.

Indicator 5 - Operational Boundary for External Debt

The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the S151 Officer's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring by the S151 Officer.

	2018/19 Estimate £k	Actual As at 30/09/18 £k	2019/20 Estimate £k	2020/21 Estimate £k	2021/22 Estimate £k
Borrowing	21,600	13,904	21,600	21,600	21,600
Other Long Term Liabilities	3,500	3,132	3,500	3,500	3,500
	25,100	17,036	25,100	25,100	25,100

The S151.Officer confirms that borrowing in the year has not exceeded the operational boundary at any point within the year to date and is not expected to do so over the course of the next period based on information currently available.

Indicator 6 - Ratio of Capital Financing Costs to Net Revenue Stream

The ratio of financing costs to net revenue stream for the current year and estimates for future years are as follows: -

	2017/18 Actual %	2018/19 Original %	2018/19 Revised %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
Ratio of Financial Costs to Net Revenue Stream	8.47	7.32	6.83	7.60	7.51	7.44

These ratios indicate the proportion of the net budget of the Authority that is required to finance the costs of capital expenditure in any year. Estimates of financing costs include current commitments and the proposals contained in the capital programme of the Authority.

In calculating the ratio, Net Revenue Streams in any year have been taken to exclude any element of the net budget requirement that is intended to provide reserves for the Authority.

The projected increase in the ratio over the period reflects the increase in capital financing costs resulting from the capital allocations approved as part of the medium-term financial plan.

Indicator 7 – Upper and Lower Limits for the maturity structure of borrowings

This indicator seeks to ensure the Authority controls its exposure to the risk of interest rate changes by limiting the proportion of debt maturing in any single period. Ordinarily debt is replaced on maturity and therefore it is important that the Authority is not forced to replace a large proportion of loans at a time of relatively high interest rates.

"The Authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowings. The prudential indicators will be referred to as the upper and lower limits respectively for the maturity structure of borrowing and shall be calculated as follows:

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

Where the periods in question are:

- Under 12 months
- 12 months and within 24 months
- 24 months and within 5 years
- 5 years and within 10 years
- 10 years and above"

	Actual as at 30/09/18	Upper Limit	Lower Limit
	%	%	%
Under 12 Months	2.37	15	0
12 months and within 24 months	7.51	15	0
24 months and within 5 years	24.17	30	0
5 years and within 10 years	37.18	60	0
10 years and above	28.77	80	0

The S151. Officer confirms that the maturity structure of external debt as at 30/09/18 is within the upper and lower limits approved by the Authority.