

Appendix B Prudential Indicators

1. Estimate of capital expenditure (including PFI)

Actual	2016-17	£241.263m
Estimate	2017-18	£240.421m
	2018-19	£295.449m
	2019-20	£264.981m
	2020-21	£234.277m

2. Gross Debt and the Capital Financing Requirement (CFR):

The Corporate Director of Finance and Procurement reports that, in light of current commitments and plans reflected in the budget forecast, gross debt is not envisaged to exceed the CFR in 2017-18, nor are there any difficulties envisaged in meeting this requirement for future years.

3. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)

	2016-17 Actual £000	2017-18 Forecast £000	2018-19 Estimate £000	2019-20 Estimate £000	2020-21 Estimate £000
Capital Financing Requirement	1,362.394	1,328.287	1,373.692	1,361.799	1,344.566
Annual increase (decrease) in underlying need to borrow	14.135	-34.107	45.406	-11.894	-17.233

4. Estimates of ratio of financing costs to net revenue stream

Actual	2016-17	13.41%
Estimate	2017-18	13.04%
	2018-19	11.99%
	2019-20	12.40%

5. Adoption of the CIPFA Treasury Management Code:

Kent County Council has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes

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6. Actual External Debt:

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2017	£m
Borrowing	966
Other Long Term Liabilities	271
Total	1,237

7. Authorised Limit and Operational Boundary for External Debt:

The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet. It has been set on the estimate of the most likely, prudent scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt relating to KCC assets and activities

	2017-18 Approved £m	2017-18 Revised £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m
Borrowing	1,020	1,020	1,043	1,026	1,000
Other Long Term Liabilities	245	271	271	271	271
Total	1,265	1,291	1,314	1,297	1,271

Authorised Limit for External Debt managed by KCC including that relating to Medway Council (pre Local government reorganisation)

	2017-18 Approved £m	2017-18 Revised £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m
Borrowing	1,058	1,058	1,078	1,060	1,033
Other Long Term Liabilities	245	271	271	271	271
Total	1,303	1,329	1,349	1,331	1,304

The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent scenario but without the additional headroom included within the Authorised Limit.

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Operational Boundary for External Debt relating to KCC assets and activities

	2017-18 Approved £m	2017-18 Revised £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m
Borrowing	980	980	1,003	986	960
Other Long Term Liabilities	245	271	271	271	271
Total	1,225	1,251	1,274	1,257	1,231

Operational Boundary for total debt managed by KCC including that relating to Medway Council etc

	2017-18 Approved £m	2017-18 Revised £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m
Borrowing	1,018	1,018	1,038	1,020	993
Other Long Term Liabilities	245	271	271	271	271
Total	1,263	1,289	1,309	1,291	1,264

8. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding amounts.

The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the Revenue Budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

The limits provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

	2017-18 Approved %	2017-18 Revised %	2018-19 Estimate %	2019-20 Estimate %	2020-21 Estimate %
Upper limit for Fixed interest rate exposure	100	100	100	100	100
Upper limit for Variable rate exposure	50	50	50	50	50

9. Maturity Structure of Fixed Rate borrowing:

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %
under 12 months	0	10
12 months and within 24 months	0	10
24 months and within 5 years	0	15
5 years and within 10 years	0	15
10 years and within 20 years	5	20
20 years and within 30 years	5	25
30 years and within 40 years	10	25
40 years and within 50 years	10	35
50 years and within 60 years	10	15

10. Upper limit for total principal invested over 364 days:

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. The increased limits from 2016-17 onwards reflect the Council's proposed investment in bonds and establishment of an investment portfolio.

Upper limit for total principal invested over 364 days	2017-18 Approved £m	2017-18 Revised £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m
	260	260	250	250	250