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Appendix 1

Prudential Indicators (PI) required by The Prudential Code

PI for Prudence - Ensuring that external debt is sustainable and compliance with good professional practice are essential features of prudence.

PI 1 - Estimates and actual capital expenditure.

Full details of capital expenditure plans and funding can be found in the quarter three capital budget monitoring 2018-2019 report.

	Approved by Council 7 March 2018			For approval by Council 6 March 2019		
	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000
General *	147,670	85,025	41,747	100,525	170,756	59,398
HRA	64,390	69,390	67,650	49,772	99,350	90,770
	212,060	154,415	109,397	150,297	270,106	150,168
* Commercial activities / non-financial investments included in General figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc.	-	-	-	15,515	17,000	17,350

PI 2 - Estimates and actual capital financing requirement General and HRA.

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose.

	Approved by Council 7 March 2018			For approval by Council 6 March 2019		
	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000
General *	736,387	765,583	779,265	651,714	729,726	745,447
HRA	279,027	307,117	335,603	257,200	308,896	356,087
	1,015,414	1,072,700	1,114,868	908,914	1,038,622	1,101,534
* Commercial activities / non-financial investments included in General figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc.	-	-	-	25,325	36,286	25,763
Movement in capital financing requirement represented by:						
New borrowing for capital expenditure	-	-	-	65,336	166,189	100,479
Less minimum revenue provision/voluntary minimum revenue provision	-	-	-	(32,944)	(36,481)	(37,567)
Movement in capital financing requirement	-	-	-	32,392	129,708	62,912

PI 3 - Authorised limit for external debt.

These limits apply to the total external debt gross of investments and separately identify borrowing from other long term liabilities such as finance leases including Private Finance Initiatives (PFI).

	For approval by Council 6 March 2019		
	2018-2019 Limit £000	2019-2020 Limit £000	2020-2021 Limit £000
Borrowing	996,745	1,054,931	1,138,865
Other Long Term Liabilities	90,754	86,553	82,275
Total Authorised Limit *	1,087,499	1,141,484	1,221,140
Actual and Forecast External Debt as at 31 December 2018	881,513	1,038,222	1,101,133
Variance (Under) / Over Authorised limit	(205,986)	(103,262)	(120,007)
* Commercial activities / non-financial investments included within this figure.	28,934	40,042	37,155

Prudential Indicators (PI) required by The Prudential Code

PI 4 - Operational boundary for external debt.

This is based on the same estimates as the authorised limit but directly reflects the Director of Finance's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included.

For approval by Council 6 March 2019			
	2018-2019 Limit £000	2019-2020 Limit £000	2020-2021 Limit £000
Borrowing	964,873	1,013,398	1,113,771
Other Long Term Liabilities	90,731	86,545	82,268
Total Operational Boundary Limit *	1,055,604	1,099,943	1,196,039
Actual and Forecast External Debt as at 31 December 2018	881,513	1,038,222	1,101,133
Variance (Under) / Over Operational Boundary Limit	(174,091)	(61,721)	(94,906)
* Commercial activities / non-financial investments included within this figure.	25,605	37,155	37,155

PI 5 - Gross debt and the capital financing requirement.

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

	Approved by Council 7 March 2018			For approval by Council 6 March 2019		
	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	1,114,868	1,114,868	1,114,868	1,101,535	1,122,670	1,123,546
Gross Debt	945,480	1,023,937	1,089,641	881,513	1,038,222	1,101,133
Capital Financing Requirement Greater than Gross Debt	Yes	Yes	Yes	Yes	Yes	Yes

PI for Affordability - These indicators are used to ensure the total capital investment of the Council is within a sustainable limit and the impact of these decisions are considered with regard to acceptable council tax and housing rent levels.

PI 6 - Estimates and actual ratio of financing costs to net revenue stream.

This represents the cost of financing capital expenditure as a % of net revenue for both General and HRA.

	Approved by Council 7 March 2018			For approval by Council 6 March 2019		
	2018-2019 Forecast	2019-2020 Forecast	2020-2021 Forecast	2018-2019 Forecast	2019-2020 Forecast	2020-2021 Forecast
General *	11.5%	15.6%	17.1%	12.5%	14.3%	17.2%
HRA	34.0%	33.6%	34.7%	33.8%	34.5%	35.5%
* Commercial activities / non-financial investments included in General figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc.	-	-	-	0.4%	0.7%	0.7%

Local Prudential Indicators (LPI) set by City of Wolverhampton Council

LPI 1 - Estimates of the incremental impact of capital investment decisions on the council tax and housing rents.

The Council could consider different options for its capital investment programme in relation to their different impact on the council tax and housing rents. Negatives reflect a reduction in total capital expenditure.

	Approved by Council 7 March 2018			As at 31 December 2018		
	2018-2019 Forecast £	2019-2020 Forecast £	2020-2021 Forecast £	2018-2019 Forecast £	2019-2020 Forecast £	2020-2021 Forecast £
Financial year impact						
Implications of the capital programme for year:						
For Band D council tax	215.17	277.34	326.34	64.30	200.48	254.26
For average weekly housing rents	3.44	6.79	10.04	1.64	7.19	12.22
Marginal impact to previous quarter						
Implications of the capital programme for year:						
For Band D council tax	(45.46)	2.78	21.68	(29.88)	(3.33)	0.34
For average weekly housing rents	0.33	0.78	1.17	(0.94)	0.60	2.87

LPI 2 - HRA limit on indebtedness.

This maximum debt limit has been set by Government as part of the self-financing regime and is compared to the HRA capital financing requirement.

	Approved by Council 7 March 2018			For approval by Council 6 March 2019		
	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000	2018-2019 Forecast £000	2019-2020 Forecast £000	2020-2021 Forecast £000
HRA Debt Limit *	356,770	356,770	356,770	-	-	-
HRA Capital Financing Requirement	279,027	307,117	335,603	-	-	-
Headroom	77,743	49,653	21,167	-	-	-

* With effect 30 October 2018 the HRA Debt Limit was revoked.

Treasury Management Indicators (TMI) required by The Treasury Management Code

TMI 1 - Upper limits to the total of principal sums invested over 365 days.

This details the maximum amount which can be invested for up to 5 years (as per paragraph 1.5 of the Annual Investment Strategy). It has been determined that a maximum of 50% of total investments with a cap of £35.0 million could be prudently committed to long term investments should the Director of Finance decide it is appropriate to.

	Approved by Council 7 March 2018		
	2018-2019 Limit £000	2019-2020 Limit £000	2020-2021 Limit £000
Upper limit for more than 365 days	35,000	35,000	35,000
Actual and Forecast Invested at 31 December 2018	-	-	-
Variance (Under) / Over Limit	(35,000)	(35,000)	(35,000)

TMI 2 - Upper and lower limits to the maturity structure of its borrowing.

These limits relate to the % of fixed and variable rate debt maturing. Upto 2018-2019 this indicator only included fixed rate debt, the new Code of Practice issued December 2017 changed this requirement to include variable debt from 2018-2019.

	Approved by Council 7 March 2018		For approval by Council 6 March 2019		
	Upper Limit	Lower Limit	Upper Limit	Lower Limit	2018-2019 Forecast Borrowing
Under 12 months	25%	0%	25%	0%	5.82%
12 months and within 24 months	25%	0%	25%	0%	1.58%
24 months and within 5 years	40%	0%	40%	0%	2.19%
5 years and within 10 years	50%	0%	50%	0%	6.63%
10 years and within 20 years			50%	0%	16.68%
20 years and within 30 years			50%	0%	19.57%
30 years and within 40 years	90%	50%	50%	0%	21.39%
40 years and within 50 years			50%	0%	26.14%
50 years and within 60 years			50%	0%	-