

PRUDENTIAL INDICATORS - 2018/19 OUTTURN

The tables below detail the four prudential indicators applicable to 2018/19 which have been derived from the 2018/19 City Fund published accounts. These 'actual' indicators have been compared to the appropriate 'estimate' indicators. The **original** estimate indicators were prepared in February 2017 at the time of setting the 2017/18 budget and the **revised** estimate indicators were prepared to inform the setting of the 2019/20 budget in February 2019.

1. Actual capital expenditure 2018/19

	HRA	Non-HRA	Total
Estimate of capital expenditure (Original)	£35.957 m	£116.594 m	£152.551 m
Estimate of capital expenditure (Revised)	£24.161 m	£92.961 m	£117.122 m
Actual Capital Expenditure	£10.854 m	£67.199 m	£78.053 m

The variation between the revised and actual indicators is mainly due to capital projects deferred to later years.

2. Actual capital financing requirement 2018/19

	HRA	Non-HRA	Total
Estimate of Capital Financing Requirement (Original)	£9.500 m	£68.104 m	£77.604 m
Estimate of Capital Financing Requirement (Revised)	£3.141 m	£43.804 m	£46.945 m
Actual Capital Financing Requirement	£0.000 m	£43.592 m	£43.592 m

The capital financing requirement (CFR) is an indicator of the underlying need to borrow, including 'internal borrowing'. The majority of the £43.592m CFR relates to internal borrowing, reflecting the use of cash received from the sale of long leases (treated as deferred income in accordance with accounting standards) to finance capital expenditure, including most notably an element of the 2016/17 Crossrail payment. No additional internal borrowing was required in 2018/19 due to slippage in the capital programme.

The zero balance for the HRA reflects its current debt-free status, pending further planned borrowing to fund the decent homes improvement programme. The borrowing assumed in the original and revised estimates was not required due to slippage in the HRA capital programme.

The method of calculating the HRA and non-HRA elements is prescribed under statute, with the overall figures derived directly from the balance sheet.

3. Actual External Debt as at 31.03.2019

	Borrowing	Other Long Term Liabilities	Total
Actual External Debt	£0	£0	£0

The City Fund currently remains free of external debt.

4. Actual Ratio of Financing Costs to Net Revenue Stream 2018/19

	HRA	Non-HRA	Total
Ratio of Financing Costs to Net Revenue Stream (Original)	0.84	-0.23	-0.14
Ratio of Financing Costs to Net Revenue Stream (Revised)	0.61	-0.09	-0.04
Actual Ratio of Financing Costs to Net Revenue Stream	0.29	-0.49	-0.41

This ratio aims to demonstrate the extent to which the net revenue consequences of borrowing impact on the net revenue stream.

The actual HRA ratio of 0.29 means that financing costs, which include depreciation charges and contributions towards funding of capital expenditure, account for some 29% of the HRA's net revenue stream.

The City Fund is a net lender in its treasury operations and is in receipt of significant rental income from investment properties and therefore the Non-HRA and Total ratios are negative. The increase over the estimate has arisen mainly as a result of funding of the major projects from earmarked reserves instead of being charged