

PRUDENTIAL INDICATORS - 2016/17 OUTTURN

The tables below detail the four prudential indicators applicable to 2016/17 which have been derived from the 2016/17 City Fund draft accounts. These 'actual' indicators have been compared to the appropriate 'estimate' indicators. The **original** estimate indicators were prepared in February 2015 at the time of setting the 2015/16 budget and the **revised** estimate indicators were prepared to inform the setting of the 2016/17 budget in February 2016.

1. Actual capital expenditure 2016/17

	HRA	Non-HRA	Total
Estimate of capital expenditure (Original)	£33.628 m	£271.181 m	£304.809 m
Estimate of capital expenditure (Revised)	£9.903 m	£274.130 m	£284.033 m
Actual Capital Expenditure	£8.775 m	£250.705 m	£259.480 m

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

2. Actual capital financing requirement 2016/17

	HRA	Non-HRA	Total
Estimate of Capital Financing Requirement (Original)	£2.226 m	£97.341 m	£99.567 m
Estimate of Capital Financing Requirement (Revised)	£0.000 m	£45.892 m	£45.892 m
Actual Capital Financing Requirement	£0.000 m	£40.628 m	£40.628 m

The capital financing requirement is an indicator of the underlying need to borrow, including 'internal borrowing'. In 2016/17 the City Fund financed part of the Crossrail payment of £200m from cash received from the sale of long leases, which is treated as deferred income in accordance with accounting standards, and counts as 'internal borrowing' for the purposes of this indicator. Meanwhile, the zero balance for the HRA reflects the repayment of the debt outstanding to the City Fund from the proceeds of sale of the Barbican Hostel. 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 31.03.2017

	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 2016/17

	HRA	Non-HRA	Total
Ratio of Financing Costs to Net Revenue Stream (Original)	0.74	-0.43	-0.31
Ratio of Financing Costs to Net Revenue Stream (Revised)	0.50	-0.14	-0.09
Actual Ratio of Financing Costs to Net Revenue Stream	0.41	-0.17	-0.12

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 0.41 means that financing costs, which include depreciation charges and contributions towards funding of capital expenditure, account for some 41% of the HRA's net revenue stream. The decrease over the estimate reflects a lower contribution to capital than planned.

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 higher than anticipated income from rent and interest.