

APPENDIX 1
DERRY CITY AND STRABANE DISTRICT COUNCIL
PRUDENTIAL INDICATORS 2016/2017

The Local Government Finance Act (Northern Ireland) 2011 requires Council to adopt the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities. In doing so, the Council is required to set and monitor a series of Prudential Indicators, the key objective of which is to ensure that, within a clear framework, the capital investment plans of the Council are affordable, prudent and sustainable.

The Council is required to set and monitor a range of indicators under the following headings: -

- Capital Expenditure
- Affordability
- Financial Prudence
- External Debt
- Treasury Management

1. Capital Expenditure Indicators

1.1. Capital Expenditure

This indicator is required to inform the Council of capital spending plans for the next three years. It is the duty of a local authority to determine and keep under review the amount that it can afford to allocate to capital expenditure.

The estimates of gross capital expenditure to be incurred for the current and future years based on the Rates Estimates and the Draft Capital Programme are summarised below:

Indicator	2015/16	2016/17	2017/18	2018/19
Estimated Gross Capital Expenditure	£9,399,000	£36,870,000	£12,000,000	£12,000,000

1.2. Capital Financing Requirement

The Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes. It shows the total estimated capital expenditure that has not been resourced from capital or revenue sources. This requirement will eventually be met by revenue resources through the Minimum Revenue Provision mechanism as part of the Rates Estimates process each year.

The Council can finance capital schemes in a variety of ways including:

- the application of capital receipts;
- the application of a capital grant;

- the application of Council Reserves such as the Capital Fund or the Repairs and Renewal Fund;
- a direct charge to revenue;
- borrowings;

It is only the latter method that increases the Capital Financing Requirement of the Council.

Estimates of the end of year Capital Financing Requirement for the Council for the current and future years is summarised below:

Indicator	2015/16	2016/17	2017/18	2018/19
Estimated Capital Financing Requirement	£59,786,378	£83,921,378	£88,957,186	£93,969,317

2. Affordability Indicators

2.1. Ratio of Financing Costs to Net Revenue Stream

This indicator measures the proportion of the Council's revenue budget that is being allocated to finance capital expenditure.

Estimates of the ratio of financing costs to net revenue stream for the current and future years are:

Indicator	2015/16	2016/17	2017/18	2018/19
Estimated Ratio	14.58%	14.48%	14.98%	15.47%

2.2. Estimates of Incremental Impact of New Capital Investment decisions on the Rate

This is a key affordability indicator that demonstrates the incremental effect of new capital expenditure on the Domestic Rate.

Indicator	2016/17	2017/18	2018/19
Estimated impact of capital investment on Domestic Rate	0.58%	0.92%	0.90%

3. Financial Prudence Indicator

3.1. Net External Borrowing and the Capital Financing Requirement

This indicator records the extent that net external borrowings (gross external borrowings less investments) is less than the capital financing requirement. This is a key indicator of the Council's prudence in managing its capital expenditure and is designed to ensure that, over the medium term, external borrowing is only for a capital purpose. Estimates of the end of year indicators are as follows:

Indicator	2016/17	2017/18	2018/19
Estimated Capital Financing Requirement	£83,921,378	£88,957,186	£93,969,317
Estimated Net Borrowings	£79,921,378	£84,957,186	£89,969,317
Under Limit By	£4,000,000	£4,000,000	£4,000,000

4. Treasury and External Debt Indicators

4.1. Authorised Limit for External Debt

The authorised limit for external debt is required to separately identify external borrowing (gross of investments) and other long term liabilities. The limit provides a maximum figure that the Council could borrow at any given point during a financial year.

The authorised limits are consistent with approved capital investment plans and the Council's Treasury Management Policy and Practice documents, but allow sufficient headroom for unanticipated cash movements.

The limit will be reviewed on an on-going basis during the year. If the authorised limit is liable to be breached at any time, the Chief Finance Officer will either take measures to ensure the limit is not breached, or report to the Council to raise the authorised limit. The limits are proposed as follows:

Indicator	2016/17	2017/18	2018/19
Authorised Limit for External Debt	£86,000,000	£91,000,000	£96,000,000

4.2. Operational Boundary for External Debt

This is a key management tool for in-year monitoring and is lower than the Authorised Limit as it is based on an estimate of the most likely level of external borrowing at any point in the year. In comparison, the authorised limit is the maximum allowable level of borrowing that the Council foresees it may need at any stage. The limits are proposed as follows:

Indicator	2016/17	2017/18	2018/19
Operational Boundary for External Debt	£84,000,000	£89,000,000	£94,000,000

4.3. Actual External Debt

This is a factual indicator showing the Council's actual external debt for the previous financial year. The actual external debt reported in the financial statements for the year ended 31st March 2016 was £52.7m.

It is anticipated that this will reduce to £52.3m at 31st March 2016.

5. Treasury Management Indicators

5.1. Has the Council adopted the CIPFA Code of Practice on Treasury Management

The application of this code came into effect for the Council on 1 April 2012. Council is confident that its current Treasury Management Policy and Investment Strategy complies with the Code.

5.2. Upper Limit of Fixed Rate Borrowing

Derry City and Strabane District Council's policy is that all Borrowing is made at Fixed Interest Rates. This ensures stability in the Rates Estimates and removes any risk from changes in Interest Rates.

Indicator	2016/17	2017/18	2018/19
Upper Limits on Fixed Interest Rates based on Net Debt	100%	100%	100%

5.3. Upper Limit of Rate Borrowing

Derry City Council and Strabane District Council's policy is that all Borrowing is made at Fixed Interest Rates. This ensures stability in the Rates Estimates and removes any risk from changes in Interest Rates.

Indicator	2016/17	2017/18	2018/19
Upper Limits on Variable Interest Rates based on Net Debt	0%	0%	0%

5.4. Maturity Structure of Fixed Rate Borrowing

These are parameters which can be set to control the extent to which the Council will have large concentrations of fixed rate debt which will need to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Debt	2015/16		2016/17		2017/18	
	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit
<i>Period</i>						
Under 12 months	15%	0%	15%	0%	15%	0%
12 months to 24 months	15%	0%	15%	0%	15%	0%
24 months to 5 years	40%	0%	40%	0%	40%	0%
5 years to 10 years	50%	0%	50%	0%	50%	0%
10 years and above	100%	30%	100%	30%	100%	30%

5.5. Total Principal sums invested for periods longer than 364 days

The purpose of this indicator is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of sums invested.

Derry City and Strabane District Council does not make any investments that extend beyond 12 months. /