

REVISED PRUDENTIAL INDICATORS 2016/17

The premium arising from the granting of a new head lease for land in White Hart Road occupied by Wightlink Ltd in 2016/17 was originally accounted for as a capital receipt and the treasury management outturn position was reported on this basis prior to the audit of the Council's accounts being completed. The Council granted a new head lease to Canada Life for a premium subject to a lease back to the Council for an ongoing rent. Both transactions take the legal form of leases, however when taken together they are in substance a £72m variable rate loan from Canada Life. Following discussion with the auditors it was agreed that these transactions should be accounted for as borrowing rather than a capital receipt. Following this decision some of the outturn prudential and treasury management indicators for 2016/17 have been revised.

This has had the following effect on the Council's external debt:

	£m
Recognition of £72m borrowed from Canada Life under revised accounting treatment	72
Derecognition of new finance lease recognised for Wightlink Terminal building under original accounting treatment	(10)
Net increase in external debt	<u>62</u>

Following this decision some of the outturn prudential and treasury management indicators for 2016/17 have been revised.

	Indicators Stated in Treasury Management Outturn Report Based on Unaudited Accounts	Revised Indicators Based on Audited Accounts	Variance	
Ratio of non-Housing Revenue Account (HRA) financing costs to non HRA net revenue stream	9.9%	10.7%	0.8%	Expenditure that was previously classified as rent on an operating lease for the land that the Wightlink Terminal occupies is now accounted for interest on borrowing
Non HRA capital expenditure	£193,853,000	£183,834,581	-£10,018,419	The acquisition of a finance lease of the Wightlink Terminal building is no longer recognised as capital expenditure
Non HRA capital financing requirement at 31 March	£340,948,000	£375,158,000	£34,210,000	The Councils underlying need to borrow has increased because £45m of capital expenditure that was financed from capital receipts is now being financed from unsupported borrowing. This is partly offset by the £10m finance lease for the Wightlink Terminal building being derecognised and £1m being set aside to repay the newly recognised loan from Canada Life.
External debt at 31 March	£579,343,337	£641,396,454	£62,053,117	The increase in external debt arises from the recognition of a £72m loan partly off set by the derecognition of a £10m finance lease on the Wightlink Terminal building.

TREASURY MANAGEMENT INDICATORS

Interest Rate Exposures (paragraphs 4.7 and 4.8 of Treasury Management Policy Statement)						
	Original Outturn 2016/17 £m	Revised Outturn 2016/17 £m	Revised Estimate 2017/18 £m	Original Estimate 2018/19 £m	Original Estimate 2019/20 £m	Original Estimate 2020/21 £m
Upper limit for fixed interest rate exposure (paragraph 4.7 of Treasury Management Policy Statement)	315	315	364	454	472	466
Upper limit for variable interest rate exposure (para 4.8 of Treasury Management Policy Statement)*	(257)	(185)	(237)	(289)	(166)	(134)

* The 2016/17 outturn for variable interest rate exposure has been revised downwards following the recognition of a £72m loan from Canada Life which nets off the variable interest rate exposure arising from short term investments.

TREASURY MANAGEMENT INDICATORS (Continued)

Total Sums Invested for Periods Longer than 365 Days (paragraph 4.9 of Treasury Management Policy Statement)				
	31/03/2018	31/03/2019	31/03/2020	31/03/2021
	£m	£m	£m	£m
Actual sums invested for periods longer than 365 days at 31 March 2017	103	10	10	10
Estimated sums invested for periods longer than 365 days at 31 March 2018	139	35	10	2
Limits on total sums invested for periods longer than 365 days at 31 March	192	158	133	110

Limits on the Maturity Structure of Fixed Rate Borrowing (paragraph 4.10 of Treasury Management Policy Statement)				
	Actual at 31 March 2017	Estimated at 31 March 2018	Lower Limit	Upper Limit
Under 12 months	1%	4%	0%	10%
12 months and within 24 months	4%	1%	0%	10%
24 months and within 5 years	4%	4%	0%	10%
5 years and within 10 years	6%	7%	0%	20%
10 years and within 20 years	22%	24%	0%	30%
20 years and within 30 years	11%	8%	0%	30%
30 years and within 40 years	21%	25%	0%	30%
40 years and within 50 years	31%	27%	0%	40%

Limits on the Maturity Structure of Variable Rate Borrowing (paragraph 4.10 of Treasury Management Policy Statement)				
	Actual at 31 March 2017	Estimated at 31 March 2018	Lower Limit	Upper Limit
Under 12 months	2%	2%	0%	10%
12 months and within 24 months	2%	2%	0%	10%
24 months and within 5 years	7%	7%	0%	10%
5 years and within 10 years	11%	12%	0%	20%
10 years and within 20 years	24%	24%	0%	30%
20 years and within 30 years	25%	26%	0%	30%
30 years and within 40 years	27%	27%	0%	30%
40 years and within 50 years	2%	0%	0%	10%