LANCASHIRE COMBINED FIRE AUTHORITY
Meeting to be held on 18 February 2019

CAPITAL STRATEGY & BUDGET 2019/20-2023/24
(Appendix 1 refers)

Contact for further information:
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Executive Summary

The report sets out the capital programme for 2019/20-2023/24, together with the funding of this.

The programme allows for items included within various asset management plans. Slippage of £13.3m has been moved from the 2018/19 capital programme into the 2019/20 & 2020/21 capital programmes, in line with anticipated spending forecasts.

The programme as set out is affordable as it does not require any additional borrowing, but does use a large proportion of our existing capital reserves, which ties in to a planned use of reserves over the medium term.

Recommendation

The Combined Fire Authority is asked to approve:-

- The Capital Strategy;
- The proposed Capital Budget;
- Ordering 4 pumping appliances and 1 ALP, scheduled for replacement in 2020/21, in the new financial year in order to meet delivery timeframes;
- The Prudential Indicators as set out at Appendix 1.

Capital Strategy

The Authority's capital strategy is designed to ensure that the Authority's capital investment:

- assists in delivering the corporate objectives;
- provides the framework for capital funding and expenditure decisions, ensuring that capital investment is in line with priorities identified in asset management plans;
- ensures statutory requirements are met, i.e. Health and Safety issues;
- supports the Medium Term Financial Strategy by ensuring all capital investment decisions consider the future impact on revenue budgets;
- demonstrates value for money in ensuring the Authority's assets are enhanced/preserved;
- describes the sources of capital funding available for the medium term and how these might be used to achieve a prudent and sustainable capital programme.

Managing capital expenditure

The Capital Programme is prepared annually through the budget setting process, and is reported to the Authority for approval each February. The programme sets out the capital projects taking place in the financial years 2019/20 to 2023/24, and is updated in June to reflect the effects of any slippage from the current financial year (2018/19).

The majority of projects originate from approved asset management plans, subject to assessments of ongoing requirements. Bids for new capital projects are evaluated and prioritised by Executive Board prior to seeking Authority approval.

A budget manager is responsible for the effective financial control and monitoring of their elements of the capital programme. Quarterly returns are submitted to the Director of Corporate Services on progress to date and estimated final costs. Any variations are dealt with in accordance with the Financial Regulations (Section 4.71). Where expenditure is required or anticipated which has not been included in the capital programme, a revision to the Capital Programme must be approved by Resources Committee before that spending can proceed.

Proposed Capital Budget

Capital expenditure is expenditure on major assets such as new buildings, significant building modifications and major pieces of equipment/vehicles.

The Service has developed asset management plans which assist in identifying the long-term capital requirements. These plans, together with the operational equipment register have been used to assist in identifying total requirements and the relevant priorities.

The 2019/20 & 2020/21 programmes include various items of slippage that have been removed from the 2018/19 programme as they are not expected to be incurred within the year – £12.6m of these have already been approved by Resources Committee, and following a further review anticipated slippage has increased to £13.3m, these are as follows:-

Preston Fire Station	£7.000m
Fleet Garage	£2.400m
Pumping appliances	£1.076m
Command Units (Mobile Fire Stations)	£0.580m
CCTV on pumping appliances	£0.100m
Future fire-fighting innovations	£0.050m
IRS/MIS	£0.050m
GIS Risk Info	£0.050m
Performance Management	£0.100m
Wide Area Network	£0.200m
Dynamic Mobilising Tool	£0.150m
Storage area network	£0.120m
Station end mobilising system	£0.400m
ESMCP (Airwave replacement)	£1.000m
Total	£13.276m

A summary of all capital requirements is set out in the table below:

	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
	£m	£m	£m	£m	£m	£m
Vehicles	2.672	1.861	1.066	1.037	1.147	**7.783**
Operational Equipment	0.150	1.000	0.195	0.800	0.250	**2.395**
Buildings (timing)	6.145	6.190	0.930	0.200	-	**13.465**
IT Equipment	2.470	0.425	0.500	0.100	-	**3.495**
Total	**11.437**	**9.476**	**2.691**	**2.137**	**1.397**	**27.138**

Vehicles

The Fleet Asset Management plan has been used as a basis to identify the following vehicle replacement programme, which is based on current approved lives:-

	No of Vehicles				
Type of Vehicle	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Pumping Appliance	10	4	3	3	3
Command Unit	2	-	-	-	-
Water Tower	-	-	-	-	-
Aerial Ladder Platform (ALP)	-	1	-	-	-
All-Terrain Vehicle	-	1	-	1	-
Prime mover	-	-	2	-	-
Pod	1	1	-	-	-
Operational Support Vehicles	18	12	10	17	18
	22	19	15	21	21

	Budget £m				
Type of Vehicle	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Pumping Appliance*	1.706	0.861	0.662	0.678	0.695
Command Unit	0.580	-	-	-	-
Water Tower	-	-	-	-	-
Aerial Ladder Platform (ALP)	-	0.605	-	-	-
All-Terrain Vehicle	-	0.085	-	0.015	-
Prime mover	-	-	0.210	-	-
Pod	0.028	0.028	-	-	-
Operational Support Vehicles	0.358	0.282	0.194	0.344	0.452
	2.672	**1.861**	**1.066**	**1.037**	**1.147**

* The pumping appliance budget includes the majority of the stage payments for the 7 appliances slipped forwards from the 2018/19 programme, in addition to the full cost of the 3 to be purchased in 2019/20.

LFRS currently has several vehicles provided and maintained by CLG under New Dimensions (5 Prime Movers and 1 Incident Response Unit), which under LFRS replacement schedules would be due for replacement during the period of the programme. However our understanding is that CLG will issue replacement vehicles if they are beyond economic repair, or if the national provision requirement changes. Should LFRS be required to purchase replacement vehicles, grant from CLG may be available to fund them. Based on the current position, we have not included these vehicles (or any potential grant) in our replacement plan.

In addition, Fleet Services continue to review future requirements for the replacement of all vehicles in the portfolio, hence there may be some scope to modify requirements as these reviews are completed, and future replacement programmes will be adjusted accordingly.

A number of vehicles have protracted lead times in excess of 12 months. Therefore in order to deliver vehicles in line with their replacement timeframes it is necessary to order pumping appliances, water towers and ALP's at least 12 months prior to their planned replacement. As such orders in respect of 4 pumping appliances and 1 ALP scheduled for replacement in 2020/21 will need to be ordered in the new financial year.

Operational Equipment

The following plan allows for the replacement of items at the end of their current asset lives, based on current replacement cost:

	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£m	**£m**	**£m**	**£m**	**£m**
Breathing Apparatus (BA) and Telemetry equipment	-	-	-	0.800	-
Cutting and extrication equipment	-	1.000	-	-	-
Light Portable Pumps	-	-	0.130	-	-
Defibrillators	-	-	0.065	-	-
Thermal Imaging Cameras	-	-	-	-	0.250
CCTV on Pumping appliances	0.100	-	-	-	-
Future Fire-fighting – innovations	0.050	-	-	-	-
	0.150	**1.000**	**0.195**	**0.800**	**0.250**

Each of these groups of assets is subject to review prior to replacement, which may result in a change of requirements or the asset life.

Buildings

In terms of all the building proposals it must be noted that we are still developing requirements/designs hence costings are to provide some context for decision making.

The two most significant building projects are both carried forward from last year:-

- Preston Fire Station where plans are being refined, following NWAS' decision not to pursue a joint facility.
- Fleet workshop facility, where plans have been refined and a revised total budget cost of £3.9m was presented and agreed at Novembers Resources Committee.

The plan also incorporates amendments to the PFI facility at Morecambe to provide an enhanced training facility for use by stations within the Northern Area and station modifications to enable site sharing with NWAS. Designs for this are still being refined, whilst discussions are on-going with the PFI provider to agree on how best to facilitate these changes. NWAS have proposed that the Authority funds the capital investment but that they would enter into a long term lease covering both running and the recovery of capital costs over the life of the lease, with suitable break causes included to allow for a recovery of outstanding capital in the event of early termination of the lease.

Details relating to other STC works were considered at November's Resources Committee.

Based on the latest stock condition survey, several stations have had identified upgrades to dormitory, drill tower, community room and shower facilities, as listed below – the actual timing of which may be varied to match the capacity to deliver the works.

	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£m	**£m**	**£m**	**£m**	**£m**
Fleet workshop/trainer facilities/etc	3.900	-	-	-	-
Preston fire station rebuild	1.100	5.900	-	-	-
NWAS co-location – Morecambe*	0.120	-	-	-	-
Area training hub – Morecambe	0.400	-	-	-	-
STC works:					
Fire House	0.350	-	-	-	-
Lancaster House/conference facilities	-	-	0.360	-	-
Astley House	-	-	0.370	-	-
Enhanced station facilities:					
Blackpool	0.135	-	-	-	-
South Shore	0.090	-	-	-	-
Hyndburn	0.050	-	-	-	-
Bacup	-	0.090	-	-	-
Drill tower replacements, assumed 2 per year	-	0.200	0.200	0.200	-
	6.145	**6.190**	**0.930**	**0.200**	**-**

ICT

The sums identified for the replacement of various ICT systems are in line with the software replacement lifecycle schedule incorporated into the ICT Asset Management Plan. All replacements identified in the programme will be subject to review, with both the requirement for the potential upgrade/replacement and the cost of such being revisited prior to any expenditure being incurred.

	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Replace Existing Systems	**£m**	**£m**	**£m**	**£m**	**£m**
IRS/MIS	0.050	-	-	-	-
GIS	0.050	-	-	-	-
Performance management	0.100	-	-	-	-
Wide Area Network	0.200	-	-	-	-
Dynamic mobilising tool	0.150	-	-	-	-
Storage area network	0.120				
Hydrant Management system	-	0.020	-	-	-
Vehicle specification crash recovery software	-	0.020	-	-	-
Pooled PPE system	-	0.080	-	-	-
Finance system	-	-	0.250	-	-
Incident Command system	-	0.060	-	-	-
Asset Management system	-	-	0.100	-	-
HR & Payroll system	-	-	0.150	-	-
Community Fire Risk Management Information System (CFRMIS)	-	-	-	0.100	-
	0.670	**0.180**	**0.500**	**0.100**	**-**

	2019/20	2020/21	2021/22	2022/23	2023/24
Operational Communications	**£m**	**£m**	**£m**	**£m**	**£m**
ESMCP (Airwave replacement – assumed fully funded by government grant)	1.000	-	-	-	-
Station end mobilising system	0.400				
Vehicle Mounted Data Systems (VMDS) hardware replacement	0.400	-	-	-	-
Alerters for RDS/DCP staff	-	0.065	-	-	-
Incident Ground Radios	-	0.180	-	-	-
	1.800	**0.245**	**-**	**-**	**-**
Total ICT Programme	**2.470**	**0.425**	**0.500**	**0.100**	**-**

Capital Funding

Capital expenditure can be funded from the following sources:

Prudential Borrowing
The Prudential Code gives the Authority increased flexibility over its level of capital investment and much greater freedom to borrow, should this be necessary, to finance planned expenditure. However any future borrowing will incur a financing charge against the revenue budget for the period of the borrowing.

Given the financial position of the Authority we have not needed to borrow since 2007, and repaid a large proportion of our borrowing in October 2017. Based on the draft capital programme presented this position will not change.

As presented previously no allowance has been made of the potential relocation of Service Headquarters, as this project is due to be reviewed. The programme as presented will clearly need updating if the Authority decides to pursue the relocation in the future.

Capital Grant
Capital grants are received from other bodies, typically the Government, in order to facilitate the purchase/replacement of capital items.

The ESMCP project carried forwards from 2018/19 is anticipated to receive £1.0m grant funding which is included in the programme. To date no other capital grant funding has been made available for 2019/20, nor has any indication been given that capital grant will be available in future years, and hence no allowance has been included in the budget.

Capital Receipts
Capital receipts are generated from the sale of surplus land and buildings, with any monies generated being utilised to fund additional capital expenditure either in-year or carried forward to fund the programme in future years. We do not hold any surplus property assets, therefore no further capital receipts are planned during the capital programme.

As at 31 December 2018 the Authority holds £1.6m of capital receipts. At the end of the 5 year programme we anticipate holding £1.4m of capital receipts, which will be available to meet future costs.

Capital Reserves
Capital Reserves have been created from under spends on the revenue budget in order to provide additional funding to support the capital programme in future years. Following completion of the 2018/19 capital programme, and allowing for the transfer of the year end underspends the Authority expects to hold £16.5m of capital reserves. Over the life of the programme we anticipate utilising £15.9m, leaving a balance of £0.6m by the end of 2023/24.

Revenue Contribution to Capital Outlay (RCCO)
Any revenue surpluses may be transferred to a Capital Reserve in order to fund additional capital expenditure either in-year or carried forward to fund the programme in future years.

The revenue contribution remains the same over the life of the programme, at £2.0m

Drawdown of Earmarked Reserves
The programme does not require the drawdown of any earmarked reserves.

Drawdown of General Reserves
The programme does not require the drawdown of any of the general reserve.

Total Capital Funding
The following table details available capital funding over the five year period:

	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**TOTAL**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Capital Grant	1.000	-	-	-	-	**1.000**
Capital Receipts	-	-	0.088	0.137	-	**0.225**
Capital Reserves	8.437	7.476	0.603	-	(0.603)	**15.914**
Revenue Contributions	2.000	2.000	2.000	2.000	2.000	**10.000**
	11.437	**9.476**	**2.691**	**2.137**	**1.397**	**27.138**

As highlighted earlier no allowance has been made for the potential relocation of SHQ. If this or any other major capital project is identified subsequently the above position will change significantly. Dependent upon the extent of any new project we will utilise all of the above reserves and may have to take out additional borrowing to deliver a balanced programme, with any such borrowing impacting directly on the revenue budget.

Summary Programme

Therefore the summary of the programme, in terms of requirements and available funding, is set out below:

	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**TOTAL**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Capital Requirements	11.437	9.476	2.691	2.137	1.397	**27.138**
Capital Funding	11.437	9.476	2.691	2.137	1.397	**27.138**
Surplus/(Shortfall)	**-**	**-**	**-**	**-**	**-**	**-**

Over the next five years the capital programme is currently balanced, however it should be noted that the following assumptions could change:-

- No allowance has been made for the potential relocation of SHQ, clearly we would need to take out significant additional borrowing if that project was pursued in the 5 year timeframe
- Operational Communications replacements (ESMCP) are subject to a great deal of uncertainty in terms of both timing and costs as they are related to a national replacement project, in addition there may be grant funding available for this which is also unknown at this time;
- Capital grant may be made available in future years, in order to assist service transformation and greater collaboration;
- New Dimensions vehicle replacements are expected to be carried out by CLG, however this position may change;
- All operational equipment item replacements are at estimated costs, and would be subject to proper costings nearer the time;
- ICT software replacements are based largely on the ICT asset management plan, and are subject to review prior to replacement, which has led in the past to significant slippage;
- Property project timings are estimated and as such are expected to vary between years;

The programme is balanced, and as such can be considered prudent, sustainable and affordable. Although it must be recognised that future funding levels, both in terms of revenue and capital, will inevitably impact upon the achievability of the programme as identified.

However as noted above, should any of the funding assumptions or expenditure items within the programme change, this will have an impact on the overall affordability of the programme.

A further report will be presented to the Resources Committee in June, confirming the final year end capital outturn for 2018/19 and the impact of slippage from this on the programme outlined above.

Impact on the Revenue budget

It is worth noting that the capital programme and its funding directly impacts on the revenue budget in terms of capital financing charges and in terms of the revenue contribution to capital outlay. Dependent upon future funding position the revenue contribution to capital (RCCO) could come under increasing pressure, which may mean that the Authority needs to borrow to meet future capital requirements which will impact the revenue budget as capital financing (interest payable and Minimum Revenue Provision (MRP)) charges, the scale of which will depend upon the type of asset the borrowing is charged against, as it is linked to the life of assets.

It is also worth noting that the capital programme shows the Authority utilising the majority of its capital reserves and receipts by the end of the 5 year period, meaning that any longer term capital requirements would need to be met from either capital grant, revenue contributions or from new borrowing. Potentially this could leave a problem in some future years where the on-going revenue contribution of £2.0m is insufficient to meet the current vehicle replacement programme and operational equipment capital replacements.

If a potential relocation of SHQ were to go ahead, it would have a long term impact on the revenue budget, for each £1m borrowed, the annual MRP charges would be £20k (based on an allocated 50 year asset life in accordance with current accounting policy), and the annual interest payable would be in the region of £28k (based on the same 50 year asset life at a current 50 year borrowing rate of 2.8%). For example, borrowing £5m would result in an additional £240k per year charge to the revenue budget.

Prudential Indicators

The Prudential Code gives the Authority increased flexibility over its level of capital investment and much greater freedom to borrow, should this be necessary, to finance planned expenditure. However, in determining the level of borrowing, the Authority must prepare and take account of a number of Prudential Indicators aimed at demonstrating that the level and method of financing capital expenditure is affordable, prudent and sustainable. These Indicators are set out at Appendix 1, along with a brief commentary on each. The Prudential Indicators are based on the programme set out above. These indicators will be updated to reflect the final capital outturn position, and reported to the Resources Committee at the June meeting.

The main emphasis of these Indicators is to enable the Authority to assess whether its proposed spending and its financing is affordable, prudent and sustainable and in this context, the Treasurer's assessment is that, based on the Indicators, this is the case for the following reasons: -

- In terms of prudence, the level of capital expenditure, in absolute terms, is considered to be prudent and sustainable at an annual average of £7.6m over the 3-year period. The trend in the capital financing requirement and the level of external debt are both considered to be within prudent and sustainable levels. No new borrowing is currently planned during the three years.
- In terms of affordability, the negative ratio of financing costs arising from borrowing reflects interest receivable exceeding interest payable and Minimum Revenue Provision payments in each of the three years. This reflects the effect of the previous decision to set aside monies to repay debt.

Financial Implications

The financial implications are set out on the report.

Human Resources Implications

None

Equality and Diversity Implications

The capital programme in respect of replacement/refurbishment of existing property will include some element of adaptations to ensure compliance with the Disability Discrimination Act.

Environmental Impact

The environmental impact of decisions relating to the capital programme will be considered as part of the project planning process, and where possible we will look to minimise the environmental impact of this where it is considered practical and cost effective to do so.

Business Risk Implications

The capital programme is designed to ensure that the Service has the appropriate assets in order to deliver its services; as such it forms a key element in controlling the risk to which the Authority is exposed.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact
CFA Revenue Budget and Treasury Management Strategy	February 2019	Keith Mattinson Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		

APPENDIX 1

PRUDENTIAL CODE FOR CAPITAL FINANCE

Information

The Prudential Code for capital finance, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), is in the form of a professional code of practice to support local authorities in taking decisions on capital expenditure, borrowing and investments. In reaching these decisions the Authority must follow good professional practice and must assess the implications of capital expenditure in terms of affordability, prudence and sustainability. To enable authorities to demonstrate that its decisions reflect these principles, the code sets out indicators that must be used and factors which must be taken into account.

Capital Expenditure and Financing

The objective in consideration of the affordability of the Authority's capital plans is to ensure that total capital expenditure remains within sustainable limits.

Capital expenditure 2017/18 to 2021/22

The actual and forecast expenditure for 2017/18 and 2018/19, and estimates of capital expenditure to be incurred in future years, as per the proposed capital programme and allowing for slippage from the 2019/20 programme, are:

	2017/18 Actual	**2018/19 Forecast**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
	£m	£m	£m	£m	£m
Capital Expenditure	4.638	3.274	11.437	9.476	2.691

This indicator for 2018/19 will also be applied at the year-end to reflect actual capital expenditure incurred.

Capital financing 2017/18 to 2021/22

All capital expenditure must be financed, either from external resources (government grants and other contributions), the Authority's own resources (revenue contributions, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

	2017/18 Actual	**2018/19 Forecast**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
	£m	£m	£m	£m	£m
Grants and Contributions	0.505	-	1.000	-	-
Own Resources	4.133	3.274	10.437	9.476	2.691
Debt	-	-	-	-	-
Total	**4.638**	**3.274**	**11.437**	**9.476**	**2.691**

Borrowing Strategy

Capital Financing Requirement (CFR) 2017/18 to 2021/22

	2017/18 Actual	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m	£m
Capital Financing Requirement (Debt only)	0.202	0.192	0.182	0.172	0.162

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose, and reflects the effects of previous investment decisions as well as future planned expenditure. In accordance with best professional practice, the Authority does not associate borrowing with particular items or types of expenditure. External borrowing arises as a consequence of all the financial transactions of the Authority and not simply those arising from capital spending, but in the medium term the Treasurer anticipates that borrowing is undertaken for capital purposes only. These capital financing requirements then feed through into the anticipated level of external debt as reported in the Treasury Management Strategy elsewhere on the agenda, but repeated here for completeness. As reported in the Treasury Management Strategy the Authority has made additional MRP provisions since 2010/11 in order to reduce capital financing requirements.

Authorised limit and operational boundary for its total external debt

In respect of its external debt the Authority is required to set two limits over the three-year period: an authorised limit and an operational boundary. Both are based on the planned capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes. It should be noted that these limits have then been uplifted to include potential borrowing associated with a future decision to go ahead with a replacement Headquarters.

The operational boundary is based on the most likely, but not worst case, scenario and represents the maximum level of external debt projected by these estimates. However, unexpected cashflow movements can occur during the year and some provision needs to be made in setting the authorised limit to deal with this.

The two indicators are as follows:

	2017/18 Actual	2018/19 Forecast	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£m	£m	£m	£m	£m
Authorised Limit for External Debt					
Borrowing	2.000	2.000	5.000	5.000	5.000
Other long term liabilities	14.316	14.326	14.600	14.200	13.700
Total	**16.316**	**16.326**	**19.600**	**19.200**	**18.700**
Operational Boundary for External Debt					
Borrowing	2.000	2.000	3.000	3.000	3.000
Other long term liabilities	14.316	14.326	14.000	13.600	13.100
Total	**16.316**	**16.326**	**17.000**	**16.600**	**16.100**

Gross debt and the Capital Financing Requirement

The Prudential Code requires that debt does not exceed the Capital Financing Requirement except in the short term, in order to ensure that over the medium term that debt will only be for capital purposes. This is a key indicator of prudence.

As reported in the Treasury Management Strategy, the Authority has made additional MRP provisions since 2010/11 in order to reduce Capital Financing Requirements and hence the charges associated with this, and in order to set monies aside to pay off debt as it matures. It used these monies to pay off £3.2m of debt in October 2017. As a result of this the level of debt now held, £2.0m, exceeds the capital financing requirement, £0.2m:-

	2017/18 Actual	**2018/19 Forecast**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
	£m	£m	£m	£m	£m
Debt	2.000	2.000	2.000	2.000	2.000
Capital Financing Requirement	0.202	0.192	0.182	0.172	0.162

Should the Authority decide to repay the remaining £2m of debt, it would need to make additional MRP payments to clear the balance of CFR at that time.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and Minimum Revenue Provision (MRP, or debt repayments) are charged to revenue, offset by interest receivable. The net annual charge is known as financing costs.

As shown within the Treasury Management Strategy report elsewhere on the agenda, the financing costs are as follows:

	2017/18 Actual	**2018/19 Forecast**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
	£m	£m	£m	£m	£m
Interest payable	0.176	0.090	0.090	0.090	0.090
MRP	0.058	0.010	0.010	0.010	0.010
Interest receivable	(0.266)	(0.412)	(0.354)	(0.321)	(0.288)
Net financing costs	**(0.032)**	**(0.312)**	**(0.254)**	**(0.221)**	**(0.188)**

Proportion of financing costs to net revenue stream

	2017/18 Actual	**2018/19 Forecast**	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**
Net financing costs	(£0.032m)	(£0.312m)	(£0.254m)	(£0.221m)	(£0.188m)
Ratio of Financing Costs to Net Revenue Stream	(0.06%)	(0.57%)	(0.46%)	(0.39%)	(0.32%)

The negative percentage of this indicator reflects the low level of underlying debt (following the repayment of the majority of our long term loans during 2017/18) for the Authority in comparison to the authority's level of investment income, i.e. interest receivable is greater than interest payable.