

Prudential Indicators 2022-23 – 2024-25

1. The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure

2. The Authority's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	£m	£m	£m	£m
General Fund	139	147	64	26
HRA	302	612	495	303
Total Expenditure	441	759	559	329
Capital Receipts	52	94	57	26
Capital Grants	30	103	76	11
Revenue and Reserves	72	72	72	72
External Contributions	11	16	16	10
Funded by Borrowing	276	474	338	210
Total Financing	441	759	559	329

Estimates of Capital Financing Requirement

3. The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.
4. The CFR is forecast to rise over the next three years as capital expenditure financed by debt is outweighed by resources put aside for debt repayment.

Capital Financing Requirement	2021-22 Estimate £m	2022-23 Estimate £m	2022-23 Estimate £m	2022-23 Estimate £m
General Fund	820	941	970	971
HRA	670	1017	1,315	1,514
Total CFR	1,490	1,958	2,285	2,485

Gross Debt and the Capital Financing Requirement

5. In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. Actual external borrowing is expected to remain well under this value.

Debt	31-03-22 Estimate £m	31-03-23 Estimate £m	31-03-24 Estimate £m	31-03-25 Estimate £m
External Borrowing	1,158	1,627	1,951	2,153
Other Long Term Liabilities	81	76	71	65
Total Debt	1,239	1,703	2,022	2,218

6. Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt

7. The operational boundary is based on the Authority's estimate of the most likely (i.e. significantly prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m
Borrowing	1,200	1,700	2,000	2,200
Other Long-Term Liabilities	81	76	71	65
Total Debt	1,281	1,776	2,071	2,265

Authorised Limit for External Debt:

8. The authorised limit is the affordable borrowing limit determined in compliance with the [Local Government Act 2003 / Local Government Finance Act (Northern Ireland) 2011]. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
Borrowing	1,400	1,900	2,200	2,400
Other Long-Term Liabilities	120	120	120	120
Total Debt	1,520	2,020	2,320	2,520

Ratio of Financing Costs to Net Revenue Stream

9. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
General Fund	4%	5%	6%	7%
HRA	11%	14%	16%	17%

Debt Limits

10. There are three debt related treasury activity limits. The purpose of these is to manage the overall risk for the authority and limit the exposure to any adverse movement in interest rates. Debt shall be subject to the following limits:

Debt limits	
Upper limits on fixed interest rates	100%
Upper limits on variable interest rates	20%

Debt maturity profile limits	Lower Limit	Upper Limit
Under 12 months	0%	35%
12 months and within 24 months	0%	35%
24 months and within 5 years	0%	50%
5 years and within 10 years	0%	75%

10 years and above	25%	100%
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Adoption of the CIPFA Treasury Management Code

11. The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition*. It fully complies with the Code's recommendations.