

Prudential Indicators 2021-22 – 2023-24

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. Further detail is provided in Month 8 Capital Monitoring for 2021-22 as reported at Cabinet on 2 February 2022.

2020-21 Actual £m	Capital Expenditure and Financing	2021-22 Forecast £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m
118	General Fund	107	168	75	34
215	HRA	247	571	389	248
333	Total Expenditure	354	739	464	282
13	Capital Receipts	70	85	61	56
101	Capital Grants	56	98	84	15
74	Revenue and Reserves	72	72	72	72
10	External Contributions	12	16	16	11
135	Funded by Borrowing	144	468	231	128
333	Total Financing	354	739	464	282

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 introduction of International Financial Reporting Standard 16 'Leases' (IFRS 16) on 1 April 2022, is likely to necessitate a change in the accounting treatment for certain council leases. Existing leases may need to be reclassified leading to an increase in the council's reported CFR.
5. The CFR is forecast to rise over the next three years as capital expenditure financed by debt is outweighed by resources set aside for debt repayment. See table below.

2020-21 Actual £m	Capital Financing Requirement	2021-22 Forecast £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m
699	General Fund	728	835	872	875
521	HRA	621	964	1,138	1,242
1,349	Total CFR	1,349	1,799	2,010	2,117

Gross Debt and the Capital Financing Requirement

6. 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.

31-03-21 Actual £m	Debt	31-03-22 Forecast £m	31-03-23 Estimate £m	31-03-24 Estimate £m	31-03-25 Estimate £m
886	External Borrowing	985	1,408	1,780	1,997
91	Other Long Term Liabilities	86	101	96	91
977	Total Debt	1,072	1,510	1,876	2,088

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

Operational Boundary for External Debt

8. 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.

2020-21 £m	Operational Boundary	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
1,336	Borrowing	1,033	1,458	1,824	2,038
90	Other Long-Term Liabilities	86	101	96	91
1,426	Total Debt	1,120	1,560	1,920	2,130

Authorised Limit for External Debt:

9. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003 / Local Government Finance Act. 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.

2020-21 £m	Authorised Limit	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
1,637	Borrowing	1,274	1,823	2,303	2,589
126	Other Long-Term Liabilities	86	101	96	91
1,763	Total Debt	1,360	1,925	2,400	2,680

Ratio of Financing Costs to Net Revenue Stream

10. 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.

2020-21 Actual	Ratio of Financing Costs to Net Revenue Stream	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
4%	General Fund	5%	6%	7%	7%
8%	HRA	10%	12%	13%	13%

Debt Limits

11. 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 month	0%	35%
24 months and within 5 years	0%	50%
5 years and within 10 years	0%	75%
10 years and above	25%	100%

Adoption of the CIPFA Treasury Management Code

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