

Prudential Indicators 2022-23 – 2025-26

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 the month 8 Capital Monitoring report taken to Cabinet in November 2022.

2021-22 Actual £m	Capital Expenditure and Financing	2022-23 Forecast £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
101	General Fund	101	149	78	39
211	HRA	338	444	296	183
312	Total Expenditure	439	593	374	222
14	Capital Receipts	36	73	39	10
68	Capital Grants	105	70	18	13
71	Revenue and Reserves	71	70	70	71
-	External Contributions	79	28	15	12
159	Funded by Borrowing	148	352	232	116
312	Total Financing	439	593	374	222

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 implementation of International Financial Reporting Standard 16 'Leases' (IFRS 16) has been deferred to 1 April 2024. 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 expected to increase in line with council's planned capital programme.

2021-22 Actual £m	Capital Financing Requirement	2022-23 Forecast £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
754	General Fund	742	956	1,018	1,038
609	HRA	693	933	1,127	1,226
1,363	Total CFR	1,435	1,889	2,145	2,264

Gross Debt and the Capital Financing Requirement

6. In order to ensure that over the medium term debt will only be drawn 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.

31-03-22 Actual £m	Debt	31-03-23 Forecast £m	31-03-24 Estimate £m	31-03-25 Estimate £m	31-03-26 Estimate £m
896	External Borrowing	1,044	1,468	1,766	1,943
81	Other Long Term Liabilities	76	71	66	61
977	Total Debt	1,120	1,539	1,832	2,004

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.

2021-22 £m	Operational Boundary	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
1,550	Borrowing	1,094	1,519	1,814	1,989
81	Other Long-Term Liabilities	76	71	66	61
1,631	Total Debt	1,170	1,590	1,880	2,050

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.

2021-22 £m	Authorised Limit	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
2,000	Borrowing	1,360	1,910	2,300	2,530
120	Other Long-Term Liabilities	120	120	120	120
2,120	Total Debt	1,480	2,030	2,420	2,650

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.

2021-22 Actual	Ratio of Financing Costs to Net Revenue Stream	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate
7%	General Fund	6%	8%	8%	9%
9%	HRA	14%	16%	19%	20%

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 limit on fixed interest rates	100%	
Upper limit 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.