

Prudential Indicators 2023-24 – 2026-27

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 is as summarised below. Further detail is provided in the month 4 capital monitoring for 2023-24 as reported at cabinet on 17 October 2023.

2022-23 Actual £m	Capital Expenditure and Financing	2023-24 Forecast £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
88	General Fund	147	113	22	20
318	HRA	427	276	166	123
406	Total Expenditure	574	389	188	143
37	Capital Receipts	704	25	10	12
145	Capital Grants	81	50	21	3
89	Revenue and Reserves	61	66	34	31
0*	External Contributions	41	17	12	12
135	Funded by Borrowing	353	231	111	85
406	Total Financing	574	389	188	143

* included in Capital Grants

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 01 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 outweighed by resources set aside for debt repayment. See table below.

2022-23 Actual £m	Capital Financing Requirement	2023-24 Forecast £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
704	General Fund	876	944	933	926
788	HRA	955	1,103	1,209	1,282
1,492	Total CFR	1,832	2,047	2,141	2,208

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 under this value.

31-03-23 Actual £m	Gross Debt and Capital Financing Requirement	31-03-24 Forecast £m	31-03-25 Estimate £m	31-03-26 Estimate £m	31-03-27 Estimate £m
1,067	Gross Projected Debt	1,320	1,617	1,694	1,810
1,492	Capital Financing Requirement	1,832	2,047	2,141	2,208
425	Under / (Over) Borrowing	512	494	447	397

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.

2022-23 £m	Operational Boundary	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
991	Borrowing	1,249	1,487	1,633	1,755
76	Other Long-Term Liabilities	71	66	61	55
1,067	Total Debt	1,320	1,553	1,694	1,810

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.

2022-23 £m	Authorised Limit	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
1,824	Borrowing	1,910	1,590	1,730	1,855
120	Other Long-Term Liabilities	120	120	120	120
1,944	Total Debt	2,030	1,710	1,850	1,975

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.

2022-23 Actual	Ratio of Financing Costs to Net Revenue Stream	2023-24 Estimate	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
4%	General Fund	7%	8%	8%	8%
7%	HRA	12%	13%	11%	10%

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

11. 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.