

### 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 5 Capital Monitoring for 2020-21 as reported at Cabinet on 20 October 2020.

Capital Expenditure and Financing	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m
General Fund	179	149	134	40
HRA	223	547	382	917
<b>Total Expenditure</b>	<b>402</b>	<b>696</b>	<b>516</b>	<b>957</b>
Capital Receipts	49	90	68	65
Capital Grants	47	56	30	28
Revenue and Reserves	66	82	72	49
External Contributions	61	27	19	37
Funded by Borrowing	179	441	327	778
<b>Total Financing</b>	<b>402</b>	<b>696</b>	<b>516</b>	<b>957</b>

### 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	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m
General Fund	773	883	956	976
HRA	521	842	1,056	1,804
<b>Total CFR</b>	<b>1,294</b>	<b>1,725</b>	<b>2,012</b>	<b>2,780</b>

### 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	31-03-21 Estimate £m	31-03-22 Estimate £m	31-03-23 Estimate £m	31-03-24 Estimate £m
External Borrowing	1,110	1,550	1,800	2,600
Other Long Term Liabilities	86	81	76	71
<b>Total Debt</b>	<b>1,196</b>	<b>1,631</b>	<b>1,876</b>	<b>2,671</b>

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	1,050	1,550	1,950	2,600
Other Long-Term Liabilities	86	81	76	71
<b>Total Debt</b>	<b>1,136</b>	<b>1,631</b>	<b>2,026</b>	<b>2,671</b>

### 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.

<b>Authorised Limit</b>	<b>2020-21 £m</b>	<b>2021-22 £m</b>	<b>2022-23 £m</b>	<b>2023-24 £m</b>
Borrowing	1,500	2,000	2,500	3,100
Other Long-Term Liabilities	120	120	120	120
<b>Total Debt</b>	<b>1,620</b>	<b>2,120</b>	<b>2,620</b>	<b>3,220</b>

### 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.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>2020-21 Estimate</b>	<b>2021-22 Estimate</b>	<b>2022-23 Estimate</b>	<b>2023-24 Estimate</b>
General Fund	3%	5%	6%	7%
HRA	11%	11%	13%	15%

### 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:

<b>Debt limits</b>	
Upper limits on fixed interest rates	100%
Upper limits on variable interest rates	20%

<b>Debt maturity profile limits</b>	<b>Lower Limit</b>	<b>Upper Limit</b>
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%

### 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.