

Prudential Indicators (PI) required by The Prudential Code

PI for Prudence - Ensuring that external debt is sustainable and compliance with good professional practice are essential features of prudence.

PI 1 - Estimates and actual capital expenditure.				
Full details of capital expenditure plans and funding can be found in the quarter three capital budget monitoring 2022-2023 report.				
	As at 22 February 2023			
	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2025-2026 Forecast £000
General Fund *	97,474	168,372	69,053	9,810
HRA	72,240	131,111	142,117	106,290
	169,714	299,483	211,170	116,100
* Service investments included in General Fund figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc. for service and regeneration delivery purposes.	67	13,000	11,900	3,000

PI 2 - Estimates and actual capital financing requirement General and HRA.				
The capital financing requirement measures the authority's underlying need to borrow for a capital purpose.				
	As at 22 February 2023			
	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2025-2026 Forecast £000
General Fund *	685,052	719,461	719,195	685,234
HRA	303,596	391,937	493,346	561,714
Total capital financing requirement	988,648	1,111,398	1,212,541	1,246,948
* Service investments included in General Fund figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc. for service and regeneration delivery purposes.	32,474	44,792	42,692	32,776
Movement in capital financing requirement represented by:				
New borrowing for capital expenditure	67,862	156,049	138,600	71,882
Less minimum revenue provision/voluntary minimum revenue provision	(33,684)	(33,299)	(37,457)	(37,475)
Movement in capital financing requirement	34,178	122,750	101,143	34,407

PI 3 - Authorised limit for external debt.				
These limits apply to the total external debt gross of investments and separately identify borrowing from other long term liabilities such as finance leases including Private Finance Initiatives (PFI). This is a self determined level reviewed and set each budget setting cycle.				
	As at 22 February 2023			
	2022-2023 Limit £000	2023-2024 Limit £000	2024-2025 Limit £000	2025-2026 Limit £000
Borrowing	1,080,693	1,137,035	1,284,348	1,336,593
Other Long Term Liabilities	82,628	75,960	76,416	72,939
Total Authorised Limit	1,163,321	1,212,995	1,360,764	1,409,532
Forecast External Debt as at 22 February 2023:				
Borrowing	802,323	954,041	1,063,728	1,103,611
Other Long Term Liabilities	76,928	73,960	74,416	70,939
	879,251	1,028,001	1,138,144	1,174,550
Variance (Under) / Over Authorised limit	(284,070)	(184,994)	(222,620)	(234,982)
Authorised limit for service investments included in the above figures				
Authorised Limit	66,049	57,928	72,778	71,762
Forecast External Debt as at 22 February 2023:				
	42,361	54,678	53,678	52,662
Variance (Under) / Over Authorised limit	(23,688)	(3,250)	(19,100)	(19,100)

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PI 4 - Operational boundary for external debt.

This is based on the same estimates as the authorised limit but directly reflects the Director of Finance's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included. This is a self determined level reviewed and set each budget setting cycle.

	As at 22 February 2023			
	2022-2023 Limit £000	2023-2024 Limit £000	2024-2025 Limit £000	2025-2026 Limit £000
Borrowing	1,054,388	1,098,093	1,251,917	1,318,658
Other Long Term Liabilities	80,628	73,960	74,416	70,939
Total Operational Boundary Limit	1,135,016	1,172,053	1,326,333	1,389,597
Forecast External Debt as at 22 February 2023:				
Borrowing	802,323	954,041	1,063,728	1,103,611
Other Long Term Liabilities	76,928	73,960	74,416	70,939
	879,251	1,028,001	1,138,144	1,174,550
Variance (Under) / Over Operational Boundary Limit	(255,765)	(144,052)	(188,189)	(215,047)
Operational boundary for service investments included in the above figures				
Operational Boundary Limit	65,035	54,678	72,778	71,762
Forecast External Debt as at 22 February 2023:	42,361	54,678	53,678	52,662
Variance (Under) / Over Operational Boundary Limit	(22,674)	0	(19,100)	(19,100)

PI 5 - Gross debt and the capital financing requirement.

"In order to ensure that over the medium term debt will only be for a capital purpose, the local 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".

	As at 22 February 2023			
	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2025-2026 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	1,212,541	1,212,541	1,257,210	1,257,915
Gross Debt	879,251	1,028,001	1,138,144	1,174,550
Capital Financing Requirement Greater than Gross Debt	Yes	Yes	Yes	Yes

PI for Affordability - These indicators are used to ensure the total capital investment of the Council is within a sustainable limit and the

PI 6 - Estimates and actual ratio of financing costs to net revenue stream.

This represents the cost of financing capital expenditure as a % of net revenue for both the General and HRA.

	As at 22 February 2023			
	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast	2025-2026 Forecast
General Fund *	16.7%	15.8%	16.3%	16.4%
HRA	32.2%	34.8%	37.0%	40.4%
* Service investments included in General Fund figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc. for service and regeneration delivery purposes.	0.8%	0.8%	0.9%	0.8%

PI 7 - Estimates and actual ratio of net income from commercial and service investments to net revenue stream.

This represents the financial exposure of the Council to the loss of income from commercial and service investments. Only costs directly attributable to the investments are netted off, so unlike PI 6, the costs of borrowing (interest and MRP) cannot be deducted as they are not directly attributable to managing the investments and will continue regardless of the existence or performance of the investments.

	As at 22 February 2023			
	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast	2025-2026 Forecast
Commercial	-	-	-	-
Service	0.6%	0.5%	0.5%	0.5%

Treasury Management Indicators (TMI) required by The Treasury Management Code

TMI 1 - Upper limits for long-term treasury management investments (previously called 'upper limits to the total of principal sums invested over 365 days').

This details the maximum amount which can be invested for up to 5 years (as per paragraph 1.5 of the Annual Investment Strategy). It has been determined that a maximum of 50% of total investments with a cap of £35.0 million could be prudently committed to long term investments should the Director of Finance decide it is appropriate to.

	As at 22 February 2023			
	2022-2023	2023-2024	2024-2025	2025-2026
	Limit	Limit	Limit	Limit
	£000	£000	£000	£000
Upper limit for long-term treasury management investments	35,000	35,000	35,000	35,000
Actual and Forecast Invested at 22 February 2023	-	-	-	-
Variance (Under) / Over Limit	(35,000)	(35,000)	(35,000)	(35,000)

TMI 2 - Upper and lower limits to the maturity structure of its borrowing.

These limits relate to the % of fixed and variable rate debt maturing.

	As at 22 February 2023			March 2023 Forecast
	Upper Limit	Lower Limit		
Under 12 months	25%	0%		0.88%
12 months and within 24 months	25%	0%		-
24 months and within 5 years	40%	0%		3.49%
5 years and within 10 years	50%	0%		10.63%
10 years and within 20 years	50%	0%		16.32%
20 years and within 30 years	50%	0%		29.69%
30 years and within 40 years	50%	0%		20.06%
40 years and within 50 years	50%	0%		18.93%
50 years and within 60 years	50%	0%		-

Non-treasury management investment indicators

The statutory guidance on local government investments encourages local authorities to develop qualitative indicators that allow the reader to assess the Council's total risk exposure as a result of commercial investment decisions.

NTM 1 - Estimates and actual non-treasury management investment expenditure.

This identifies the level of any non-treasury management investments (e.g. service and commercial investments).

	As at 22 February 2023			
	2022-2023	2023-2024	2024-2025	2025-2026
	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000
Service investments	67	13,000	11,900	3,000
Commercial investments	-	-	-	-
	67	13,000	11,900	3,000

NTM 2 - Estimates and actual net debt for service and commercial investment to net service expenditure ratio.

This indicator measures the level of net debt for service and commercial investments in comparison to the Council's forecast net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.

	As at 22 February 2023			
	2022-2023	2023-2024	2024-2025	2025-2026
	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000
Net debt for service and commercial investments	32,474	44,792	42,692	32,776
Net service expenditure	267,159	306,414	316,409	315,580
Debt to net service expenditure ratio	12.2%	14.6%	13.5%	10.4%

NTM 3 - Estimates and actual service and commercial income to net service expenditure ratio.

This indicator measures the level of service and commercial investment generated income in comparison to the Council's net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority. The % indicates the Council's financial resilience and how reliant on the service/commercial investment income it is. A low % indicates the Council is not heavily reliant on service/commercial investment income.

	As at 22 February 2023			
	2022-2023	2022-2023	2023-2024	2024-2025
	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000
Service and commercial investment income	1,647	1,573	1,666	1,666
Net service expenditure	267,159	306,414	316,409	315,580
Service and commercial income to net service expenditure ratio	0.6%	0.5%	0.5%	0.5%

NTM 4 - Estimates and actual loan to value ratio

This indicator measures the net debt for service and commercial investments compared to the forecast total asset value. A decrease in the ratio over the medium term indicates a reducing level of borrowing due to repayments, whereas an increase indicates an increase in the level of borrowing due to new loans being issued.

	As at 22 February 2023			
	2022-2023	2022-2023	2023-2024	2024-2025
	Forecast	Forecast	Forecast	Forecast
Loan to value ratio	67.0%	72.9%	70.7%	63.7%