

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 outturn 2021-2022 quarter one capital budget monitoring 2022-2023 report.								
	Approved by Council 2 March 2022				As at 30 June 2022			
	2021-2022	2022-2023	2023-2024	2024-2025	2021-2022	2022-2023	2023-2024	2024-2025
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Actual £000	Forecast £000	Forecast £000	Forecast £000
General Fund *	99,995	139,412	59,970	36,048	82,526	136,093	83,096	49,508
HRA	54,900	84,663	88,488	84,560	55,851	86,984	95,958	85,256
	154,895	224,075	148,458	120,608	138,377	223,077	179,054	134,764
* 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 delivery purposes.	21,030	13,057	10,000	4,900	18,904	5,124	8,000	11,900

PI 2 - Estimates and actual capital financing requirement General Fund and HRA.								
The capital financing requirement measures the authority's underlying need to borrow for a capital purpose.								
	Approved by Council 2 March 2022				As at 30 June 2022			
	2021-2022	2022-2023	2023-2024	2024-2025	2021-2022	2022-2023	2023-2024	2024-2025
	Forecast £000	Forecast £000	Forecast £000	Forecast £000	Actual £000	Forecast £000	Forecast £000	Forecast £000
General Fund *	691,887	723,620	707,006	691,987	680,621	709,275	705,093	703,977
HRA	275,967	316,145	359,879	396,978	273,849	316,609	368,490	406,125
Total capital financing requirement	967,854	1,039,765	1,066,885	1,088,965	954,470	1,025,884	1,073,583	1,110,102
* 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 delivery purposes.	42,350	45,165	40,730	34,206	38,167	37,531	39,742	42,890
<b>Movement in capital financing requirement represented by:</b>								
New borrowing for capital expenditure	58,536	109,302	68,029	70,016	46,806	107,702	88,762	84,603
Less minimum revenue provision/voluntary minimum revenue provision	(32,765)	(37,391)	(40,909)	(47,936)	(34,419)	(36,288)	(41,063)	(48,084)
Movement in capital financing requirement	25,771	71,911	27,120	22,080	12,387	71,414	47,699	36,519

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.				
	Approved by Council 2 March 2022			
	2021-2022 Limit £000	2022-2023 Limit £000	2023-2024 Limit £000	2024-2025 Limit £000
Borrowing	1,086,578	1,080,693	1,139,076	1,208,188
Other Long Term Liabilities	79,626	82,628	79,660	76,416
Total Authorised Limit	1,166,204	1,163,321	1,218,736	1,284,604
Actual and Forecast External Debt as at 30 June 2022:				
Borrowing	720,447	825,431	914,098	980,161
Other Long Term Liabilities	79,626	76,928	73,960	74,416
	800,073	902,359	988,058	1,054,577
Variance (Under) / Over Authorised limit	(366,131)	(260,962)	(230,678)	(230,027)
<b>Authorised limit for service investments included in the above figures</b>				
Authorised Limit	47,014	66,049	63,600	62,176
Actual and Forecast External Debt as at 30 June 2022:	43,120	42,485	44,696	47,843
Variance (Under) / Over Authorised limit	(3,894)	(23,564)	(18,904)	(14,333)

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.				
	Approved by Council 2 March 2022			
	2021-2022 Limit £000	2022-2023 Limit £000	2023-2024 Limit £000	2024-2025 Limit £000
Borrowing	1,050,255	1,054,388	1,122,138	1,191,978
Other Long Term Liabilities	79,626	80,628	77,660	74,416
Total Operational Boundary Limit	1,129,881	1,135,016	1,199,798	1,266,394
Actual and Forecast External Debt as at 30 June 2022:				
Borrowing	720,447	825,431	914,098	980,161
Other Long Term Liabilities	79,626	76,928	73,960	74,416
	800,073	902,359	988,058	1,054,577
Variance (Under) / Over Operational Boundary Limit	(329,808)	(232,657)	(211,740)	(211,817)
<b>Operational boundary for service investments included in the above figures</b>				
Operational Boundary Limit	45,874	65,035	63,600	62,176
Actual and Forecast External Debt as at 30 June 2022:	43,120	42,485	44,696	47,843
Variance (Under) / Over Operational Boundary Limit	(2,754)	(22,550)	(18,904)	(14,333)

Prudential Indicators (PI) required by The Prudential Code

**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".

	Approved by Council 2 March 2022				As at 30 June 2022			
	2021-2022 Forecast £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2021-2022 Actual £000	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000
Forecast Capital Financing Requirement at end of Second Year	1,066,885	1,088,964	1,088,964	1,094,833	1,073,583	1,110,102	1,110,102	1,110,102
Gross Debt	850,456	953,239	1,018,359	1,070,439	800,073	902,359	988,058	1,054,577
Capital Financing Requirement Greater than Gross Debt	Yes	Yes	Yes	Yes	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 impact of these decisions are considered with regard

**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.

	Approved by Council 2 March 2022				As at 30 June 2022			
	2021-2022 Forecast	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast	2021-2022 Actual	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast
General Fund *	17.7%	18.1%	18.6%	18.4%	17.7%	17.0%	18.1%	18.1%
HRA	30.4%	31.4%	31.7%	32.2%	30.7%	32.5%	33.5%	34.4%
* 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 delivery purposes.	1.1%	1.1%	1.2%	1.0%	1.0%	0.8%	0.9%	0.9%

**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.

	Approved by Council 2 March 2022				As at 30 June 2022			
	2021-2022 Forecast	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast	2021-2022 Actual	2022-2023 Forecast	2023-2024 Forecast	2024-2025 Forecast
Commercial	-	-	-	-	-	-	-	-
Service	0.7%	0.6%	0.8%	0.7%	0.8%	0.6%	0.6%	0.7%

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.

	Approved by Council 2 March 2022			
	2021-2022 Limit £000	2022-2023 Limit £000	2023-2024 Limit £000	2024-2025 Limit £000
Upper limit for long-term treasury management investments	35,000	35,000	35,000	35,000
Actual and Forecast Invested at 30 June 2021	-	-	-	-
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.

	Approved by Council 2 March 2022		As at 30 June 2022	
	Upper Limit	Lower Limit	2021-2022 Actual Borrowing	2022-2023 Forecast Borrowing
Under 12 months	25%	0%	1.23%	2.07%
12 months and within 24 months	25%	0%	6.86%	5.98%
24 months and within 5 years	40%	0%	2.94%	2.93%
5 years and within 10 years	50%	0%	9.47%	10.63%
10 years and within 20 years	50%	0%	12.14%	10.89%
20 years and within 30 years	50%	0%	23.40%	23.70%
30 years and within 40 years	50%	0%	23.92%	23.83%
40 years and within 50 years	50%	0%	20.04%	19.97%
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).

	Approved by Council 2 March 2022				As at 30 June 2022			
	2021-2022	2022-2023	2023-2024	2024-2025	2021-2022	2022-2023	2023-2024	2024-2025
	Forecast	Forecast	Forecast	Forecast	Actual	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000
Service investments	21,030	13,057	10,000	4,900	18,904	5,124	8,000	11,900
Commercial investments	-	-	-	-	-	-	-	-
	21,030	13,057	10,000	4,900	18,904	5,124	8,000	11,900

**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.

	Approved by Council 2 March 2022				As at 30 June 2022			
	2021-2022	2022-2023	2023-2024	2024-2025	2021-2022	2022-2023	2023-2024	2024-2025
	Forecast	Forecast	Forecast	Forecast	Actual	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000	£000	£000	£000
Net debt for service and commercial investments	42,350	45,165	40,730	34,206	38,167	37,531	39,742	42,890
Net service expenditure	258,497	267,150	268,326	277,311	258,497	267,159	268,326	277,311
Debt to net service expenditure ratio	16.4%	16.9%	15.2%	12.3%	14.8%	14.1%	14.8%	15.5%

**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.

	Approved by Council 2 March 2022				As at 30 June 2022			
	2021-2022	2022-2023	2023-2024	2024-2025	2021-2022	2022-2023	2023-2024	2024-2025
	Forecast	Forecast	Forecast	Forecast	Actual	Actual	Actual	Actual
	£000	£000	£000	£000	£000	£000	£000	£000
Service and commercial investment income	2,061	1,819	2,115	2,033	2,235	1,704	1,760	2,016
Net service expenditure	258,497	267,150	268,326	277,311	258,497	267,159	268,326	277,311
Service and commercial income to net service expenditure ratio	0.8%	0.7%	0.8%	0.7%	0.9%	0.6%	0.7%	0.7%

**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.

	Approved by Council 2 March 2022				As at 30 June 2022			
	2021-2022	2022-2023	2023-2024	2024-2025	2021-2022	2022-2023	2023-2024	2024-2025
	Forecast	Forecast	Forecast	Forecast	Actual	Actual	Actual	Actual
Loan to value ratio	72.2%	72.1%	68.3%	62.7%	71.4%	70.2%	70.4%	71.1%