

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 two capital budget monitoring 2022-2023 report.

| | Approved by Council 2 March 2022 | | | As at 30 September 2022 | | |
|---|----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2022-2023 Forecast £000 | 2023-2024 Forecast £000 | 2024-2025 Forecast £000 | 2022-2023 Forecast £000 | 2023-2024 Forecast £000 | 2024-2025 Forecast £000 |
| General Fund * | 139,412 | 59,970 | 36,048 | 114,501 | 157,872 | 49,814 |
| HRA | 84,663 | 88,488 | 84,560 | 80,261 | 97,039 | 87,385 |
| | 224,075 | 148,458 | 120,608 | 194,762 | 254,911 | 137,199 |
| * 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. | 13,057 | 10,000 | 4,900 | 5,067 | 8,000 | 11,900 |

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.

| | Approved by Council 2 March 2022 | | | As at 30 September 2022 | | |
|---|----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2022-2023 Forecast £000 | 2023-2024 Forecast £000 | 2024-2025 Forecast £000 | 2022-2023 Forecast £000 | 2023-2024 Forecast £000 | 2024-2025 Forecast £000 |
| General Fund * | 723,620 | 707,006 | 691,987 | 694,029 | 720,194 | 719,661 |
| HRA | 316,145 | 359,879 | 396,978 | 310,908 | 367,536 | 412,029 |
| | 1,039,765 | 1,066,885 | 1,088,965 | 1,004,937 | 1,087,730 | 1,131,690 |
| * 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. | 45,165 | 40,730 | 34,206 | 37,474 | 39,680 | 42,821 |
| Movement in capital financing requirement represented by: | | | | | | |
| New borrowing for capital expenditure | 109,302 | 68,029 | 70,016 | 85,322 | 119,243 | 86,682 |
| Less minimum revenue provision/voluntary minimum revenue provision | (37,391) | (40,909) | (47,936) | (34,855) | (36,450) | (42,722) |
| Movement in capital financing requirement | 71,911 | 27,120 | 22,080 | 50,467 | 82,793 | 43,960 |

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 30 September 2022 | | |
|---|----------------------------|----------------------------|----------------------------|
| | 2022-2023 Limit £000 | 2023-2024 Limit £000 | 2024-2025 Limit £000 |
| Borrowing | 1,080,693 | 1,139,076 | 1,208,188 |
| Other Long Term Liabilities | 82,628 | 79,660 | 76,416 |
| Total Authorised Limit | 1,163,321 | 1,218,736 | 1,284,604 |
| Forecast External Debt as at 30 September 2022: | | | |
| Borrowing | 804,484 | 928,245 | 1,001,749 |
| Other Long Term Liabilities | 76,928 | 73,960 | 74,416 |
| | 881,412 | 1,002,205 | 1,076,165 |
| Variance (Under) / Over Authorised limit | (281,909) | (216,531) | (208,439) |
| Authorised limit for service investments included in the above figures | | | |
| Authorised Limit | 66,049 | 63,600 | 62,176 |
| Forecast External Debt as at 30 September 2022: | | | |
| | 42,428 | 44,633 | 47,774 |
| Variance (Under) / Over Authorised limit | (23,621) | (18,967) | (14,402) |

Prudential Indicators (PI) required by The Prudential Code

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 30 September 2022 | | |
|---|----------------------------|----------------------------|----------------------------|
| | 2022-2023 Limit £000 | 2023-2024 Limit £000 | 2024-2025 Limit £000 |
| Borrowing | 1,054,388 | 1,122,138 | 1,191,978 |
| Other Long Term Liabilities | 80,628 | 77,660 | 74,416 |
| Total Operational Boundary Limit | 1,135,016 | 1,199,798 | 1,266,394 |
| Forecast External Debt as at 30 September 2022: | | | |
| Borrowing | 804,484 | 928,245 | 1,001,749 |
| Other Long Term Liabilities | 76,928 | 73,960 | 74,416 |
| | 881,412 | 1,002,205 | 1,076,165 |
| Variance (Under) / Over Operational Boundary Limit | (253,604) | (197,593) | (190,229) |
| Operational boundary for service investments included in the above figures | | | |
| Operational Boundary Limit | 65,035 | 63,600 | 62,176 |
| Forecast External Debt as at 30 September 2022: | 42,428 | 44,633 | 47,774 |
| Variance (Under) / Over Operational Boundary Limit | (22,607) | (18,967) | (14,402) |

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 September 2022 | | |
|--|----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2022-2023 Forecast £000 | 2023-2024 Forecast £000 | 2024-2025 Forecast £000 | 2022-2023 Forecast £000 | 2023-2024 Forecast £000 | 2024-2025 Forecast £000 |
| Forecast Capital Financing Requirement at end of Second Year | 1,088,964 | 1,088,964 | 1,094,833 | 1,131,690 | 1,131,690 | 1,131,690 |
| Gross Debt | 953,239 | 1,018,359 | 1,070,439 | 881,412 | 1,002,205 | 1,076,165 |
| Capital Financing Requirement Greater than Gross Debt | 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 to acceptable council tax and housing rent levels.

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 General Fund and HRA.

| | Approved by Council 2 March 2022 | | | As at 30 September 2022 | | |
|---|----------------------------------|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|
| | 2022-2023 Forecast | 2023-2024 Forecast | 2024-2025 Forecast | 2022-2023 Forecast | 2023-2024 Forecast | 2024-2025 Forecast |
| General Fund * | 18.1% | 18.6% | 18.4% | 16.7% | 18.0% | 18.6% |
| HRA | 31.4% | 31.7% | 32.2% | 31.7% | 34.0% | 34.7% |
| * 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. | 1.1% | 1.2% | 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 September 2022 | | |
|------------|----------------------------------|-----------------------|-----------------------|-------------------------|-----------------------|-----------------------|
| | 2022-2023 Forecast | 2023-2024 Forecast | 2024-2025 Forecast | 2022-2023 Forecast | 2023-2024 Forecast | 2024-2025 Forecast |
| Commercial | - | - | - | - | - | - |
| Service | 0.6% | 0.8% | 0.7% | 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.

| | As at 30 September 2022 | | |
|---|-------------------------|---------------|---------------|
| | 2022-2023 | 2023-2024 | 2024-2025 |
| | Limit £000 | Limit £000 | Limit £000 |
| Upper limit for long-term treasury management investments | 35,000 | 35,000 | 35,000 |
| Actual and Forecast Invested at 30 September 2022 | - | - | - |
| Variance (Under) / Over Limit | (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 September 2022 |
|--------------------------------|----------------------------------|----------------|------------------------------------|
| | Upper Limit | Lower Limit | 2022-2023 Forecast Borrowing |
| Under 12 months | 25% | 0% | 2.12% |
| 12 months and within 24 months | 25% | 0% | - |
| 24 months and within 5 years | 40% | 0% | 3.44% |
| 5 years and within 10 years | 50% | 0% | 10.46% |
| 10 years and within 20 years | 50% | 0% | 11.70% |
| 20 years and within 30 years | 50% | 0% | 28.51% |
| 30 years and within 40 years | 50% | 0% | 23.33% |
| 40 years and within 50 years | 50% | 0% | 20.44% |
| 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 September 2022 | | |
|------------------------|----------------------------------|-----------|-----------|-------------------------|-----------|-----------|
| | 2022-2023 | 2023-2024 | 2024-2025 | 2022-2023 | 2023-2024 | 2024-2025 |
| | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Service investments | 13,057 | 10,000 | 4,900 | 5,067 | 8,000 | 11,900 |
| Commercial investments | - | - | - | - | - | - |
| | 13,057 | 10,000 | 4,900 | 5,067 | 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 September 2022 | | |
|---|----------------------------------|-----------|-----------|-------------------------|-----------|-----------|
| | 2022-2023 | 2023-2024 | 2024-2025 | 2022-2023 | 2023-2024 | 2024-2025 |
| | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Net debt for service and commercial investments | 45,165 | 40,730 | 34,206 | 37,474 | 39,680 | 42,821 |
| Net service expenditure | 267,150 | 268,326 | 277,311 | 267,159 | 268,326 | 277,311 |
| Debt to net service expenditure ratio | 16.9% | 15.2% | 12.3% | 14.0% | 14.8% | 15.4% |

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.

| | Approved by Council 2 March 2022 | | | As at 30 September 2022 | | |
|--|----------------------------------|-----------|-----------|-------------------------|-----------|-----------|
| | 2022-2023 | 2023-2024 | 2024-2025 | 2022-2023 | 2023-2024 | 2024-2025 |
| | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Service and commercial investment income | 1,819 | 2,115 | 2,033 | 1,643 | 1,756 | 2,013 |
| Net service expenditure | 267,150 | 268,326 | 277,311 | 267,159 | 268,326 | 277,311 |
| Service and commercial income to net service expenditure ratio | 0.7% | 0.8% | 0.7% | 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 September 2022 | | |
|---------------------|----------------------------------|-----------|-----------|-------------------------|-----------|-----------|
| | 2022-2023 | 2023-2024 | 2024-2025 | 2022-2023 | 2023-2024 | 2024-2025 |
| | Forecast | Forecast | Forecast | Forecast | Forecast | Forecast |
| Loan to value ratio | 72.1% | 68.3% | 62.7% | 70.1% | 70.3% | 70.9% |