

CAPITAL PRUDENTIAL INDICATORS 2022-23 to 2025-26

The Capital Prudential Indicators are driven by the Authority's Capital Programme plans. The Capital Programme influences all borrowing decisions made by the Authority and the subsequent Treasury Management activity associated with this.

Capital Expenditure

This indicator is a summary of the Authority's capital programme requirement as indicated in the Budget Report and Medium-Term Finance Plan (MTFP).

	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	£000	£000	£000	£000	£000	£000
Capital Expenditure						
- Property/Estates	505	1,476	998	715	705	1,125
- Vehicles	1,958	7,136	2,276	4,747	4,778	2,567
- Equipment	267	1,690	122	112	169	287
- Information Communication Technology	650	355	1,232	943	498	783
Total Capital Programme	3,380	10,657	4,629	6,516	6,149	4,761

Capital Financing Requirement

The capital financing requirement (CFR) measures the Authority's underlying need to borrow for capital purposes. It is simply the total historic capital expenditure, including financing that is implicit in Private Finance Initiative schemes and finance leases, which has not yet been paid for from either revenue or capital resources.

	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	£m	£m	£m	£m	£m	£m
CFR at 1 April (start of year)	35.823	35.268	43.196	44.694	48.016	50.706
Planned capital expenditure	3.380	3.380	10.657	4.629	6.516	6.149
Total financing	-0.542	-0.542	-0.408	-0.300	-0.225	-0.100
Statutory Charge to Revenue	-3.393	-3.393	-2.320	-2.831	-2.968	-3.360
CFR at 31 March (end of year)	35.268	43.196	44.694	48.016	50.706	51.495

Ratio of Financing Cost to the Net Revenue Stream

This indicator shows the net cost of financing the capital programme as a percentage of the funding receivable from the Government and council tax payers, expressed as a ratio. The net cost of financing includes interest and principal repayments, netted off by interest receivable in respect of any cash investments held.

	Actual 2020-21	Estimate 2021-22	Estimate 2022-23	Estimate 2023-24	Estimate 2024-25	Estimate 2025-26
Ratio of financing costs to net revenue stream (incl. PFI)	6.15%	6.10%	6.75%	7.11%	7.61%	8.13%
Ratio of financing costs to net revenue stream (excl. PFI)	3.58%	3.65%	4.41%	4.77%	5.35%	5.96%

TREASURY MANAGEMENT PRUDENTIAL INDICATORS 2022-23 to 2025-26

The Prudential Code places a number of limits on the debt management of the Authority. These are to restrain the activity of the treasury function with certain limits to manage risk and reduce the impact of any adverse or sudden movements in interest rates. However, the limits have to include sufficient flexibility to allow costs to be minimised and performance maximised.

Authorised Limit and Operational Boundary

The Prudential Code requires that the total external debt does not exceed the Authorised Limit for external debt and only exceeds the Operational Boundary for external debt temporarily, on occasions, due to variation in cash flow and the possibility of extra borrowing becoming available during the year as a result of Government supporting further schemes. The Authorised Limit is set at £2.5m above the Operational Boundary to provide some flexibility.

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Authorised Limit is:-					
- for borrowing	21.022	23.869	27.261	31.225	34.187
- for other long term liabilities	10.639	9.970	9.321	8.710	8.097
	31.661	33.839	36.582	39.935	42.284
Operational Boundary is:-					
- for borrowing	19.022	21.869	25.261	29.225	32.187
- for other long term liabilities	10.139	9.470	8.821	8.210	7.597
	29.161	31.339	34.082	37.435	39.784

Performance will be measured against these limits periodically, and where necessary be reported to members should the limits be breached or require amendment.

External Debt

The Authority needs to ensure that its long term gross debt does not exceed, except in the short term, the projected Capital Financing Requirement (CFR) for the forthcoming year and the following two financial years. This prevents the Authority from over borrowing in the long term and thereby taking on excessive levels of debt.

There are no difficulties envisaged in the current or future years in meeting this requirement. This view takes account of the current commitments, and existing capital plans.

The current estimates for gross debt are shown in the table below:

	Estimate 2021-22 £m	Estimate 2022-23 £m	Estimate 2023-24 £m	Estimate 2024-25 £m	Estimate 2025-26 £m
Debt outstanding at 1st April	14.022	16.869	21.261	25.225	29.187
New Debt	5.000	5.000	4.000	4.000	3.000
Debt Repayment	-2.153	-0.608	-0.036	-0.037	-0.039
Debt outstanding	16.869	21.261	25.225	29.187	32.148
PFI/Lease Liabilities	10.139	9.470	8.821	8.210	7.597
PFI/Leases written down	-0.668	-0.649	-0.611	-0.613	-0.644
PFI/Lease Liability outstanding	9.470	8.821	8.210	7.597	6.953
Gross Debt outstanding	26.339	30.081	33.435	36.784	39.101

Interest Rate Exposure and Maturity of Debt

The code identifies three indicators that minimise exposure to fluctuations in interest rates and refinancing risks, and also cap the interest costs of borrowing to provide stability to this area of the Authority's finances, namely:

- Upper Limits for Variable Interest Rate Exposure - this identifies a maximum revenue cost of interest paid on variable debts;
- Upper Limits for Fixed Rate Interest Rate Exposure - this identifies a maximum revenue cost of interest paid on fixed rate debts and is intended to prevent the Authority from being locked into rates of interest that it cannot easily exit; and
- Maturity Structure of Borrowing - this is an indicator on longer term interest rate exposure, the amount of projected borrowing that is fixed rate maturing in each period as a % of the total projected borrowing that is fixed rate.

The following treasury indicators and limits are adopted:

Interest Rate Exposure

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Upper Limit – Fixed Rate Exposure	100%	100%	100%	100%	100%
Upper Limit – Variable Rate Exposure	10%	10%	10%	10%	10%

Maturity Structure of Borrowing

	Upper Limit %	Lower Limit %
Under 12 months	20	0
12 mths and within 24 mths	30	0
24 mths and within 5 years	40	0
5 years and within 10 years	50	0
10 years and above	100	0

Principal Sums invested greater than one year

In addition to the restrictions that the Authority places upon itself to maximise security, ensure liquidity and maximise yield, the prudential code sets limits on the maximum period of time monies can be invested for.

The Authority's strategy is to not to invest any funds for a period greater than one year.