

## 1 Capital prudential indicators 2021-22 to 2024-25

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.

### 1.1 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 2019-20 £m	Estimate 2020-21 £m	Estimate 2021-22 £m	Estimate 2022-23 £m	Estimate 2023-24 £m	Estimate 2024-25 £m
<b>Capital Expenditure</b>						
- Property/Estates	1,197	1,019	1,136	750	750	750
- Vehicles	569	4,706	6,382	2,139	2,055	5,510
- Equipment	1,106	269	525	114	150	150
- Information Communication Technology	552	1,045	1,024	636	275	325
<b>Total Capital Programme</b>	<b>3,424</b>	<b>7,039</b>	<b>9,068</b>	<b>3,639</b>	<b>3,230</b>	<b>6,735</b>

### 1.2 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 2019-20 £m	Estimate 2020-21 £m	Estimate 2021-22 £m	Estimate 2022-23 £m	Estimate 2023-24 £m	Estimate 2024-25 £m
<b>CFR at 1 April (start of year)</b>	<b>35.758</b>	<b>35.823</b>	<b>40.522</b>	<b>46.816</b>	<b>47.316</b>	<b>47.356</b>
Planned capital expenditure	3.424	7.039	9.068	3.639	3.230	6.735
Total financing	-1.350	-0.155	-0.156	0.000	0.000	0.000
Statutory Charge to Revenue	-2.009	-2.185	-2.618	-3.138	-3.190	-3.354
<b>CFR at 31 March (end of year)</b>	<b>35.823</b>	<b>40.522</b>	<b>46.816</b>	<b>47.316</b>	<b>47.356</b>	<b>50.737</b>

### 1.3 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	Estimate	Estimate	Estimate	Estimate	Estimate
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Ratio of financing costs to net revenue stream</b>	<b>5.89%</b>	<b>6.19%</b>	<b>6.88%</b>	<b>7.78%</b>	<b>7.93%</b>	<b>8.13%</b>

## 2 Treasury management prudential indicators 2021-22 to 2024-25

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.

### 2.1 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.

	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
<b>Authorised Limit is:</b>					
- for borrowing	20.174	28.022	29.869	33.261	37.225
- for other long term liabilities	12.488	11.847	11.179	10.529	9.918
	<b>32.662</b>	<b>39.869</b>	<b>41.048</b>	<b>43.790</b>	<b>47.143</b>
<b>Operational Boundary is:</b>					
- for borrowing	18.174	26.022	27.869	31.261	35.225
- for other long term liabilities	11.988	11.347	10.679	10.029	9.418
	<b>30.162</b>	<b>37.369</b>	<b>38.548</b>	<b>41.290</b>	<b>44.643</b>

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

## 2.2 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	Estimate	Estimate	Estimate	Estimate
	2020-21	2021-22	2022-23	2023-24	2024-25
	£m	£m	£m	£m	£m
Debt outstanding at 1st April	14.174	18.022	23.869	27.261	31.225
New Debt	4.000	8.000	4.000	4.000	4.000
Debt Repayment	-0.152	-2.153	-0.608	-0.036	-0.037
<b>Debt outstanding</b>	<b>18.022</b>	<b>23.869</b>	<b>27.261</b>	<b>31.225</b>	<b>35.187</b>
PFI/Lease Liabilities	11.988	11.347	10.679	10.029	9.418
PFI/Leases written down	-0.641	-0.668	-0.649	-0.611	-0.613
<b>PFI/Lease Liability outstanding</b>	<b>11.347</b>	<b>10.679</b>	<b>10.029</b>	<b>9.418</b>	<b>8.805</b>
<b>Gross Debt outstanding</b>	<b>29.369</b>	<b>34.547</b>	<b>37.290</b>	<b>40.643</b>	<b>43.993</b>

## 2.3 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

	2020-21	2021-22	2022-23	2023-24	2024-25
	£m	£m	£m	£m	£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

	Old limit		New limit	
	Upper Limit %	Lower Limit %	Upper Limit %	Lower Limit %
Under 12 months	15	0	20	0
12 mths and within 24 mths	15	0	30	0
24 mths and within 5 years	30	0	40	0
5 years and within 10 years	50	0	50	0
10 years and above	80	0	100	0

**2.4 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.