

Capital and Treasury Management Prudential Indicators 2024-25 to 2027-28

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 2022-23 £000	Estimate 2023-24 £000	Estimate 2024-25 £000	Estimate 2025-26 £000	Estimate 2026-27 £000	Estimate 2027-28 £000
Capital Expenditure						
- Property/Estates	594	1,437	7,996	2,875	1,437	1,473
- Vehicles	1,629	4,450	3,284	2,744	2,521	6,444
- Equipment	469	238	358	1,836	1,485	1,322
- Information Comms Technology	481	970	2,390	2,170	1,228	445
Total Capital Programme	3,173	7,094	14,028	9,624	6,671	9,684

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 2022-23 £m	Estimate 2023-24 £m	Estimate 2024-25 £m	Estimate 2025-26 £m	Estimate 2026-27 £m	Estimate 2027-28 £m
CFR at 1 April (start of year)	42.374	40.790	43.810	51.889	54.662	54.656
Planned capital expenditure	3.173	7.094	14.028	9.624	6.671	9.684
Total financing	-1.977	-1.458	-4.189	-3.557	-3.303	-0.600
Statutory Charge to Revenue	-2.779	-2.616	-3.190	-3.295	-3.374	-3.485
CFR at 31 March (end of year)	40.790	43.810	51.889	54.662	54.656	60.255

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 2022-23	Estimate 2023-24	Estimate 2024-25	Estimate 2025-26	Estimate 2026-27	Estimate 2027-28
Ratio of financing costs to net revenue stream (incl. PFI)	6.09%	5.71%	6.46%	6.68%	6.73%	6.84%
Ratio of financing costs to net revenue stream (excl. PFI)	3.84%	3.55%	4.54%	4.82%	4.95%	5.13%

TREASURY MANAGEMENT PRUDENTIAL INDICATORS 2024-25 to 2027-28

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.

	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
Authorised Limit is:-					
- for borrowing	23.261	31.225	35.187	40.148	45.107
- for other long term liabilities	9.321	10.141	9.176	8.178	7.243
	32.582	41.366	44.363	48.326	52.350
Operational Boundary is:-					
- for borrowing	21.261	29.225	33.187	38.148	43.107
- for other long term liabilities	8.821	9.641	8.676	7.678	6.743
	30.082	38.866	41.863	45.826	49.850

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.

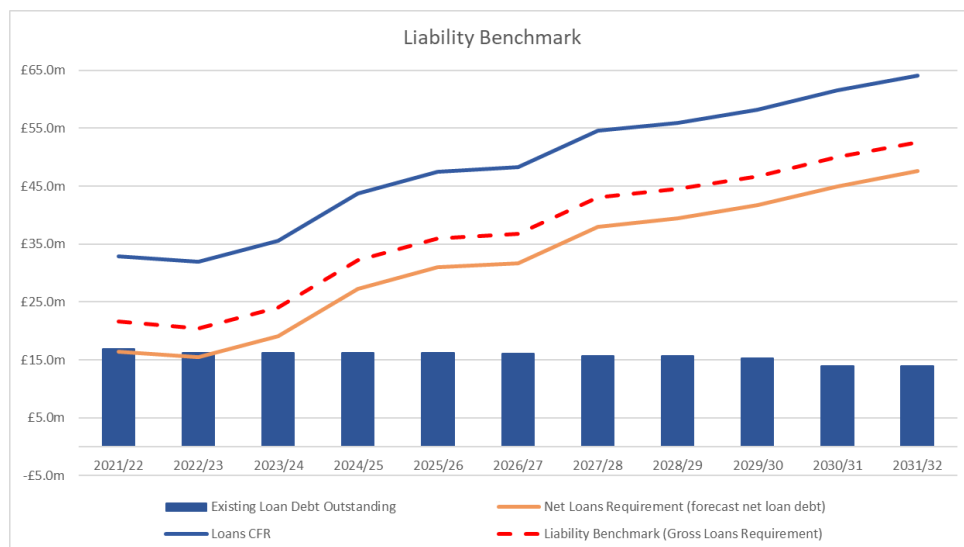
There are no difficulties envisaged in the current or future years in meeting this requirement. This view takes account of the current commitments, and existing capital plans.

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

	Estimate 2023-24 £m	Estimate 2024-25 £m	Estimate 2025-26 £m	Estimate 2026-27 £m	Estimate 2027-28 £m
Debt outstanding at 1st April	16.261	21.225	29.187	33.148	38.107
New Debt	5.000	8.000	4.000	5.000	5.000
Debt Repayment	-0.036	-0.037	-0.039	-0.041	-0.500
Debt outstanding	21.225	29.187	33.148	38.107	42.607
PFI/Lease Liabilities	8.821	9.641	8.676	7.678	6.743
PFI/Leases written down	-0.611	-0.966	-0.998	-0.934	-0.739
PFI/Lease Liability outstanding	8.210	8.676	7.678	6.743	6.004
Gross Debt outstanding	29.435	37.863	40.826	44.850	48.611

Liability benchmark

The Authority is required to provide a comparison of its existing loan portfolio against committed borrowing needs in the capital programme. This is to provide evidence that it has a good understanding of both its existing debt maturity profile and how it may be exposed to future risk. The chart currently reflects that the Authority is under-borrowed and the treasury management strategy shows planned future borrowing to address this.



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

	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £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	40	0
12 mths and within 24 mths	40	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 current strategy is to not to invest any funds for a period greater than one year.