Appendix A - Prudential Indicators 2021/22

1. Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. Some of the Prudential Indicators relate directly to the Council's Capital Programme. These Indicators are also included below for completeness of reporting.

2. Net Borrowing and the Capital Financing Requirement

2.1 This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing 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.

2.2 The Chief Finance Officer reports that the Council has had no difficulty meeting this requirement in 2021/22, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans, and the proposals in the budget for 2022/23.

3. Estimates of Capital Expenditure (direct link to Capital Programme)

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

No.	Capital Expenditure	2021/22 Original £m	2021/22 Revised £m	2021/22 Actual £m
1a	General Fund	27.086	11.062	8.576
1b	HRA	23.381	16.157	5.653
	Total	**50.917**	**27.219**	**14.229**

4. Ratio of Financing Costs to Net Revenue Stream (direct link to Capital Programme)

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

4.2 The ratio is based on costs net of investment income. Where investment income exceeds interest payments, the indicator is negative.

No.	Ratio of Financing Costs to Net Revenue Stream	2021/22 Original %	2021/22 Revised %	2021/22 Actual %
2a	General Fund	5.90	1.97	0.12
2b	HRA	10.80	11.09	12.39

5. Capital Financing Requirement

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and it's financing. The amounts shown are as at 31 March.

No	Capital Financing Requirement	2021/22 Original £m	2021/22 Revised £m	2021/22 Actual £m
3a	Non-HRA	52.393	23.699	20.096
3b	HRA	67.347	71.550	75.909
	Total CFR	**119.740**	**95.249**	**96.005**

5.2 The year-on-year change in the CFR is set out below.

Capital Financing Requirement	2021/22 Original £m	2021/22 Revised £m	2021/22 Actual £m
Balance B/F	88.387	89.268	89.268
Capital expenditure financed from borrowing	31.729	6.137	7.071
Revenue provision for Debt Redemption.	(0.376)	(0.336)	(0.334)
Balance C/F	**119.740**	**95.429**	**96.005**

6. Actual External Debt

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. The Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit (see 8 below).

No.	Actual External Debt as at 31/03/22	Revised £m	Actual £m
4a	Borrowing	62.793	51.673
4b	Other Long-term Liabilities	0.000	0.000
4c	**Total**	**62.793**	**51.673**

7. Authorised Limit and Operational Boundary for External Debt

7.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

7.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long- and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases.

7.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst-case scenario with sufficient headroom over and above this to allow for unusual cash movements.

7.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The 2021/22 Actual values shown below are the maximum levels of borrowing, including temporary borrowing, experienced at any time during the year.

No.	Authorised Limit for External Debt	2021/22 Original £m	2021/22 Actual £m
5a	Borrowing	143.204	126.774
5b	Other Long-term Liabilities	0.600	0.300
5c	**Total**	**143.804**	**127.104**

7.5 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit.

7.6 The Chief Finance Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Cabinet. The 2021/22 Actual values shown below are the maximum levels of borrowing, including temporary borrowing, experienced at any time during the year.

No.	Operational Boundary for External Debt	2021/22 Original £m	2021/22 Actual £m
6a	Borrowing	130.190	115.249
6b	Other Long-term Liabilities	0.500	0.300
6c	**Total**	**130.690**	**115.549**

8. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council has adopted best practice.

No.	Adoption of the CIPFA Code of Practice in Treasury Management
7	The Council approved the adoption of the CIPFA Treasury Management Code in 2002. Following revisions to the Code published in December 2009, reconfirmed its adoption of the Code in February 2010. Further revisions to the code were made in 2017 and 2021, which have been adopted by the Council.

9. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

9.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums i.e. fixed rate debt net of fixed rate investments.

9.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget.

No.		2021/22 Original %	2021/22 Revised %	2021/22 Actual %
8	**Upper Limit for Fixed Interest Rate Exposure**	100	100	100
9	**Upper Limit for Variable Interest Rate Exposure**	20	20	20

9.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's Treasury Management Strategy.

9.4 Because the Council's investments are substantially in excess of its variable rate borrowing, the Upper Limit for Variable Interest Rate exposure is shown as a negative figure.

10. Maturity Structure of Fixed Rate borrowing

10.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

10.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

No.	Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %	Actual %
10a	under 12 months	0	25	0

10b	12 months and within 2 years	0	40	16
10c	2 years and within 5 years	0	50	19
10d	5 years and within 10 years	0	75	23
10e	10 years and above	0	100	42

11. Upper Limit for total principal sums invested over 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. No investments of more than 364 days were made during 2021/22.

No.	Upper Limit for total principal sums invested over 364 days	2021/22 Original £m	2021/22 Revised £m	2021/22 Actual £m
11	Upper limit	2	2	2