Appendix 8

Treasury Management Prudential Indicators

	Summary Prudential Indicators					
			Forecast	**Forecast**	**Forecast**	**Forecast**
			23/24	**24/25**	**25/26**	**26/27**
			£000's	**£000's**	**£000's**	**£000's**
1	**Ratio of financing costs to net revenue stream:**					
	(a) General Fund financing costs		38,190	41,431	41,677	40,785
	(b) General Fund net revenue stream		260,455	277,400	282,474	288,852
	General Fund Percentage		14.66%	14.94%	14.75%	14.12%
2	**Gross Debt & Capital Financing Requirement**					
	Gross debt including PFI liabilities		318,307	327,103	299,813	285,514
	Capital Financing Requirement		507,144	525,940	540,904	529,355
	Gross Investments		-40,000	-50,000	-50,000	-50,000
3	**Capital Expenditure (Note this excludes leasing)**					
	General Fund		127,601	157,492	126,580	67,469
4	**Capital Financing Requirement (CFR)**					
	Capital Financing Requirement		507,144	525,940	540,904	529,355
5	**Authorised limit for external debt**					
	Authorised limit for borrowing		480,919	495,898	514,494	506,368
	+ authorised limit for other long term liabilities		53,877	50,042	46,410	42,987
	= authorised limit for debt		534,796	545,940	560,904	549,355
6	**Operational boundary for external debt**					
	Operational boundary for borrowing		460,919	475,898	494,494	486,368
	+ Operational boundary for other long term liabilities		53,877	50,042	46,410	42,987
	= Operational boundary for external debt		514,796	525,940	540,904	529,355
7	**Actual external debt**					
	actual borrowing at 31 March 2023	264,776				
	+ PFI & Finance Leasing liabilities at 31 March 2023	56,986				
	+ transferred debt liabilities at 31 March 2023	6,666				
	= actual external debt at 31 March 2023	328,428				
8	**CIPFA Treasury Management Code** ~ has the authority adopted the code?					Yes
9	**Interest rate exposures for borrowing**					
	Upper Limit for Fixed Rate Exposures		480,919	495,898	514,494	506,368
	Upper Limit for Variable Rate Exposures		96,184	99,180	102,899	101,274
10	**Maturity structure of borrowing - limits**		**forecast**	**lower**	**upper**	
	under 12 months		5%	0%	50%	
	12 months to within 24 months		17%	0%	20%	
	24 months to within 5 years		5%	0%	30%	
	5 years to within 10 years		16%	0%	30%	
	10 years & above		57%	40%	100%	
11	**Investments longer than 364 days: upper limit**		30,000	30,000	30,000	30,000

Prudential Indicators

The Cipfa Code imposes on the Council clear governance procedures for setting and revising of prudential indicators and describes the matters to which a Council will 'have regard' when doing so. This is designed to deliver accountability in taking capital financing, borrowing and treasury management decisions. The Prudential Indicators required by the Cipfa Code are designed to support and record local decision making and not used as comparative performance indicators. There are eleven indicators shown on the previous page, and these are outlined below:

Revenue Related Prudential Indicators

Ratio of Financing Costs to Net Revenue Stream (indicator 1) – Definition Revised:

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.

Capital and Treasury Management Related Prudential Indicators

Gross Debt and Capital Financing Requirement (Indicator 2):

The Council needs to be certain that gross external borrowing does not, except in the short
term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional capital financing requirement for the next three financial years. The CFR is defined as the Council's underlying need to borrow for capital purpose, i.e. its borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.

Capital Expenditure (Indicator 3):

This indicator is an estimation of the Council's future capital expenditure levels and these underpin the calculation of the other prudential indicators. Estimates of capital expenditure are a significant source of risk and uncertainty and it is important that these estimates are continually monitored and the impact on other prudential indicators (particularly those relating to affordability) assessed regularly.

Capital Financing Requirement (Indicator 4):

As outlined in Indicator 2 above, the CFR represents the Council's underlying need to borrow for capital purposes.

Authorised Limit for External Debt (Indicator 5):

This statutory limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. Borrowing at this level could be afforded in the short term but is not sustainable. The Authorised limit has been set on the estimated debt with sufficient headroom over and above this to allow for unexpected cash movements.

Operational Boundary for External Debt (Indicator 6):

This indicator refers to the means by which the Council manages its external debt to ensure it remains within the statutory Authorised Limit. It differs from the authorised limit as it is based on the most likely scenario in terms of capital spend and financing during the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year.

Actual External Debt (Indicator 7):

This indicator identifies the actual debt at the end of the previous financial year as recognised with the Statement of Accounts.

Adoption of the Cipfa Treasury Management Code (indicator 8):

This indicator is acknowledgement that the Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice.*

Interest Rate Exposures for Borrowing (Indicator 9):

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Upper Limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could impact negatively on the overall financial position.

Maturity Structure of Borrowing – Limits (Indicator 10):

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, thereby managing the effects of refinancing risks. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Investments Longer than 364 days: Upper Limit (Indicator 11):

This indicator sets an upper limit for the level of investment that may be fixed for a period greater than 364 days. This limit is set to contain exposure to credit and liquidity risk.

All these prudential limits need to be approved by full Council but can be revised during the financial year. Should it prove necessary to amend these limits, a further report will be brought to Cabinet, requesting the approval of full Council for the changes required.

Liability Benchmark

This indicator sets out a long term comparison of the underlying need to borrow vs the level of existing borrowing, and therefore gives a projection of the level of borrowing required. The indicator is presented as a forecast over 25 years:

Year End	Loans Capital Financing Requirement	Net Loans Requirement	Liability Benchmark	Actual Borrowing	Forecast Borrowing Required
	£m	£m	£m	£m	£m
2024	448.6	217.4	257.4	257.4	0.0
2025	473.5	257.5	297.5	254.6	42.8
2026	494.5	293.7	333.7	253.3	80.4
2027	486.4	300.8	340.8	240.0	100.8
2028	469.2	293.7	333.7	238.7	95.1
2029	452.9	287.6	327.6	237.3	90.3
2030	433.5	278.3	318.3	236.0	82.4
2031	414.2	269.2	309.2	234.6	74.6
2032	396.1	261.1	301.1	233.1	68.0
2033	378.3	253.3	293.3	213.7	79.6
2034	360.9	246.0	286.0	194.2	91.8
2035	344.0	239.1	279.1	187.7	91.3
2036	327.5	222.6	262.6	171.7	90.9
2037	311.0	206.1	246.1	171.7	74.4
2038	294.4	189.5	229.5	171.7	57.8
2039	277.9	173.0	213.0	171.7	41.3
2040	261.9	157.0	197.0	171.7	25.2
2041	246.5	141.6	181.6	171.7	9.9
2042	232.1	127.2	167.2	166.7	0.5
2043	217.6	112.8	152.8	166.7	-14.0
2044	203.2	98.3	138.3	165.4	-27.1
2045	189.0	84.1	124.1	165.4	-41.3
2046	174.7	69.8	109.8	165.4	-55.6
2047	160.4	55.5	95.5	159.4	-63.9
2048	146.0	41.1	81.1	153.3	-72.3

Loans Capital Financing Requirement (LCFR) – the underlying requirement to borrow for capital financing purposes, excluding PFI. This increases as new capital spend to be resourced from borrowing is incurred and falls as MRP is made as a provision to repay borrowing. The LCFR is based on the capital programme set out in this report.

Net Loans Requirement (NLR) - the LCFR less resources available to temporarily fund borrowing requirements from available cash (e.g. cash backing up reserves, net current assets). The NLR assumes that the authority holds no investment balances.

Liability Benchmark (LB) - the NLR plus a liquidity allowance of £40m, representing the gross forecast level of borrowing required at each year end assuming that the authority holds a cash/investment balance of £40m as a liquidity buffer.

Actual Borrowing - the total level of existing borrowing reducing over time as borrowing matures for repayment. This figure assumes no new borrowing and that

LOBO loans of £38m mature at their contractual date, and excludes PFI and transferred debt liabilities.

Forecast Borrowing Required - the Liability Benchmark less Actual Borrowing, representing the net forecast total level of borrowing required at each year end. Factors that impact on this 25 year forecast include the future level of: reserves; net current assets (e.g. debtors and creditors); capital expenditure; capital resourcing; Minimum Revenue Provision; debt repaid early (e.g. LOBOs in advance of the contractual maturity date).

Prudential & Investment Indicators

Commercial Investment Indicators

1 Investment Category Value : Total Gross Asset Value - Current Value (i)

	2023/24 £000	2023/24 Ratio	2024/25 £000	2024/25 Ratio
Service Loans	53,460	2.8%	52,321	2.7%
Service Shares	124,784	6.4%	124,784	6.4%
Investment Property	302,348	15.6%	290,863	15.0%
Total Commercial Assets	**480,591**	**24.7%**	**467,968**	**24.1%**
Total Council Assets *	**1,942,105**		**1,942,105**	

*** assumes asset value is constant over the period**

2 Debt Funding per Investment Category

The Council's underlying borrowing requirement, in the form of the Capital Financing Requirement as at 31/3/2023, was 26% (29% as at 31/03/2022) of total council assets by current value.

3 Rate of Return (on Gross Asset Value)

	2023/24 Income £000	2023/24 Return %	2024/25 Income £000	2024/25 Return %
Service Loans **(ii)**	1,826	3.4%	1,786	3.4%
Service Shares	7,575	6.1%	9,790	7.8%
Investment Property	12,131	4.0%	13,915	4.8%
Total Commercial Assets	**21,532**	**4.5%**	**25,491**	**5.4%**

4 Service Loans: 2023/24 Upper Limit - Capital Invested (ii)

Service Loans	**2022/23 £000**	**2023/24 £000** forecast	**2024/25 £000** forecast
Group Entities		25,502	25,502
Local Organisations		29,193	29,193
Service Users		1,692	1,692
Total Existing Loans		**56,387**	**56,387**
Future Loans		0	13,613
Total Loans Limit	**68,000**	**91,000**	**70,000**

5 Shares: 2023/24 Upper Limit - Capital Invested (ii)

Shares	**2022/23 £000**	**2023/24 £000** forecast	**2024/25 £000** forecast
Group Entities		39,488	39,488
Local Organisations		12,019	12,019
Total Existing Shares (iv)		**51,508**	**51,508**
Future Investment		0	3,492
Total Shares	**55,000**	**55,000**	**55,000**

6 Debt: Net Revenue Stream

Debt: NSE	**2023/24 £000**	**2024/25 £000**
Net Service Expenditure	260,502	277,400
Gross Debt	318,307	327,103
Ratio	**122.2%**	**117.9%**

7 Commercial Income: Net Revenue Stream

Commercial Income: NSE	**2023/24 £000**	**2024/25 £000**
Net Service Expenditure	260,502	277,400
Gross Investment Income	21,532	25,491
Ratio	**8.3%**	**9.2%**

Notes:

(i) Current value includes revaluation changes and impairment adjustments, in addition to capital invested

(ii) Capital invested excludes revaluation changes and impairment adjustments.