

Prudential & Treasury Management Indicators 2020/21 to 2022/23

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital programme.

Capital Expenditure

The Council's Capital programme is summarised below as the required prudential indicators for capital expenditure.

	2020/21 £'m	2021/22 £'m	2022/23 £'m	Total £'m
Investment and Regeneration	65.9	67.8	66.6	200.4
Roads and Transport	46.2	68.9	69.6	184.7
Climate Emergency	16.1	15.6	18.8	50.5
Children Services and Schools	8.9	7.7	11.1	27.7
Environment	7.4	12.1	5.2	24.8
Adult Social Care	7.4	7.2	2.9	17.5
Internal Services	5.4	3.0	2.9	11.3
Total Capital Programme 2020/21 to 2022/23	157.3	182.3	177.1	516.7

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of funding resources results in a borrowing need.

	2020/21 £'m Budget	2021/22 £'m Budget	2022/23 £'m Budget	Total £'m
Financing of capital expenditure £m				
Capital receipts	(8.0)	(2.0)	(3.0)	(13.0)
Capital grants	(26.0)	(10.0)	(6.0)	(42.0)
Capital Developer Contributions (S106 / CIL)	(29.0)	(31.0)	(18.0)	(78.0)
Reserves, contributions (revenue, school and other third party) and other	(2.3)	(2.3)	(5.1)	(9.7)
Net financing need for the year	(92.0)	(137.0)	(145.0)	(374.0)
Total funding 2020/21 to 2022/23	(157.3)	(182.3)	(177.1)	(516.7)

The net financing need for commercial activities / non-financial investments included in the above table against expenditure is shown below:

	2018/19 Actual £'m	2019/20 Estimate £'m	2020/21 Budget £'m	2021/22 Budget £'m	2022/23 Budget £'m
Commercial activities / non-financial investments					
Capital Expenditure	27	35	33	33	33
Financing of capital expenditure	0	0	0	0	0
Net borrowing need for the year	(27)	(35)	(33)	(33)	(33)
Percentage of total net financing need %	37%	36%	36%	24%	23%

CFR is any capital expenditure above, which has not funded (borrowing need), will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which reduces the borrowing need in line with our MRP policy. The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include the financing of the asset and so the Council is not required to separately borrow for these schemes.

	2018/19	2019/20	2020/21	2021/22	2022/23
The Council's borrowing need (the Capital Financing Requirement)	Actual £'m	Estimate £'m	Budget £'m	Budget £'m	Budget £'m
CFR – non housing	161	190	224	286	364
CFR – housing	86	85	83	79	76
CFR - Commercial activities/ non-financial investments	89	147	162	208	239
Total CFR	335	422	470	573	678
Movement in CFR	63	86	48	103	105

External Debt

The Operational Boundary

This is the limit beyond which external borrowing and long-term liabilities are not normally expected to exceed. In most cases, this would be linked to the CFR, but may be lower or higher depending on the levels of actual borrowing and the ability to fund under-borrowing by other cash resources.

	2019/20 Estimate £'m	2020/21 Budget £'m	2021/22 Budget £'m	2022/23 Budget £'m
Operational boundary for external debt	421.6	494.4	599.2	713.1

Authorised limit

This is the maximum level of borrowing. It represents a limit beyond which external borrowing is prohibited.

	2019/20 Estimate £'m	2020/21 Budget £'m	2021/22 Budget £'m	2022/23 Budget £'m
Authorised limit	421.6	533.0	646.5	763.7

Gross Debt / Capital Financing Requirement

This indicator is to ensure that debt does not, exceed the total of the capital financing requirement in the preceding year plus estimates of any additional capital financing requirement for the current and next two financial years.

	2019/20 Estimate £'m	2020/21 Budget £'m	2021/22 Budget £'m	2022/23 Budget £'m
External debt	(227.6)	(276.2)	(326.7)	(401.7)
Other long-term liabilities (OTL)	(8.6)	(1.5)	(1.5)	(1.5)
Gross debt	(236.2)	(277.6)	(328.1)	(403.1)
Capital Financing Requirement (CFR)	335.2	421.6	469.7	573.0
Under / (Over) Borrowing - sum (gross debt, CFR)	99.0	143.9	141.6	169.8

Affordability

To assess the affordability of a council's capital programme, the following indicators provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream;

General Fund

	2019/20 Estimate	2020/21 Budget	2021/22 Budget	2022/23 Budget
Percentage of Financing Costs to Net Revenue Stream	2.48%	2.47%	2.44%	2.30%

The decrease is due to the following reasons:

- Repayment of forward funded borrowing on receipt developers contributions
- Repayment of invest to save schemes as savings/income is received
- Investments returns from internal subsidiaries

Housing Revenue Account (HRA)

	2019/20 Estimate	2020/21 Budget	2021/22 Budget	2022/23 Budget
Percentage of Financing Costs to Net Revenue Stream	18.26%	18.23%	19.11%	19.12%

The increase is due to new loans taken out as per the business model

Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

31st March 2020

Long Term Borrowing	£,m
Between 1 and 2 years	65.0
Between 2 and 5 years	17.3
Between 5 and 10 years	21.7
Between 10 and 15 years	41.2
Between 15 and 20 years	12.0
Between 20 and 25 years	0.0
Between 25 and 30 years	1.5
More than 30 years	42.7
Total Long Term	201.5
Short Term Borrowing	20
less than 1 year (previously between 1 and 2 years)	47.7
Total Borrowing	269.2

Investment treasury indicator and limit

Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Upper limit for principal sums invested for longer than 365 days	2019/20 Estimate £'000	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000
Principal sums invested for longer than 365 days	50,000	60,000	60,000	60,000
Current investments (as at 24/01/19) in excess of 1 year	35,000			

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