

Prudential & Treasury Management Indicators 2021/22 to 2023/24

These are primary indicators designed to ensure the key objectives of the Prudential Code are met and that local authorities' capital investment plans are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice.

Capital Expenditure

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.

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

<u>Capital Programme Expenditure</u>	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
Housing, Local Economy and Regeneration	72.6	64.6	18.8	156.0
Roads and Transport	94.0	54.3	11.3	159.6
Climate Emergency	22.2	27.2	21.6	71.0
Environment	12.1	5.2	6.0	23.3
Internal Services	3.9	4.6	4.1	12.6
Children Services and Schools	3.4	3.1	5.4	11.9
Adult Social Care	7.2	2.9	1.0	11.1
Total Capital Programme	215.4	161.9	68.2	445.5

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.

Capital Programme Funding

	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
Supported borrowing	(165.0)	(95.2)	(32.2)	(292.4)
Developer contributions (S106 / CIL)	(26.4)	(34.2)	(8.4)	(69.0)
Capital grants	(12.1)	(13.8)	(11.5)	(37.4)
Other contributions	(6.3)	(5.8)	(6.1)	(18.2)
General fund borrowing	(3.5)	(3.6)	(3.6)	(10.7)
Additional general fund borrowing*	0.0	(6.7)	(3.7)	(10.3)
Capital receipts	(2.2)	(2.6)	(2.7)	(7.5)
Total	(215.4)	(161.9)	(68.2)	(445.5)

* Additional general fund borrowing is currently the funding gap for years 2 and 3. Through the budget process, the aim will be to reduce to zero through seeking additional income and/or reducing expenditure.

A major source of funding for the Council's capital programme is borrowing. This is described in two forms, supported borrowing and general fund borrowing. A significant part of the Council's capital programme is either self financing or makes a surplus where the income generated is greater than the cost of financing and therefore is available to fund other council services. These are referred to as "supported borrowing". General fund borrowing is funded through existing base budget and supports general investment to maintain Council assets and continue to provide services to customers and residents.

Capital Financing Requirement

The Capital Financing Requirement (CFR) is any capital expenditure above, which has not been funded (resulting in a borrowing need). 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.

The following table shows the total CFR for the general fund and therefore excludes the HRA which is shown separately further below.

CFR : General fund Total	Total		
	21/22	22/23	23/24
	£m	£m	£m
Opening balance	420	529	633
Expenditure in year	167	128	69
Repayments in year	(58)	(24)	(24)
Closing balance	529	633	678

This can be broken down further into supported and general fund borrowing.

CFR : General fund	Supported Borrowing			General Fund Borrowing		
	21/22	22/23	23/24	21/22	22/23	23/24
	£m	£m	£m	£m	£m	£m
Opening balance	310	415	513	110	114	120
Expenditure in year	159	118	61	8	10	8
Repayments in year	(54)	(20)	(20)	(4)	(4)	(4)
Closing balance	415	513	554	114	120	124

Supported borrowing consists of different types of supported borrowing which are broken down further below. As described earlier, these are either self-financing or makes a surplus where the income generated is greater than the cost of financing and therefore is available to fund other council services.

CFR : General fund	Total		
	21/22	22/23	23/24
	£m	£m	£m
Invest to Save	209	274	310
Town Centre Regeneration	86	90	84
Wokingham Housing Ltd	35	44	51
Developer contribution forward funded	85	105	109
Closing balance	415	513	554

The following table shows the CFR balance for the HRA. Due to the ringfenced nature of the HRA, the CFR is considered separately to the general fund.

CFR : HRA	Total		
	21/22	22/23	23/24
	£m	£m	£m
Opening balance	85	84	83
Expenditure in year	2	2	2
Repayments in year	(3)	(3)	(3)
Closing balance	84	83	82

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.

	2021/22	2022/23	2023/24
	£m	£m	£m
Operational boundary for total debt	677	789	838

Note: calculation CFR *110%

A 10% adjustment is added to the CFR balance in order to calculate the operational boundary. This is deemed prudent enough to cover any fluctuations in borrowing levels throughout the year.

Authorised limit

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

	2021/22	2022/23	2023/24
	£m	£m	£m
Authorised limit for total debt	729	852	905

Note: calculation CFR *120%

A 20% adjustment is added to the CFR balance in order to calculate the authorised limit. This is deemed prudent enough to cover any fluctuations in borrowing levels throughout the year.

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

2021/22 2022/23 2023/24

	2021/22	2022/23	2023/24
Percentage of Financing Costs to Net Revenue Stream	1.0%	0.7%	0.6%

The decrease is due to the following reasons:

- Repayment of forward funded borrowing on receipt of developers' contributions.
- Repayment of invest to save schemes as savings/income is received.
- Investments returns from Council companies.

Housing Revenue Account (HRA)

2021/22 2022/23 2023/24

Percentage of Financing Costs to Net Revenue Stream	16.5%	16.1%	15.1%
---	-------	-------	-------

The decrease is due to reduction in financing costs as loan repayments are made.

Maturity structure of borrowing

The table below shows the current maturity structure of borrowing forecast as at 31 March 2021. The Council will aim to match the maturity structure of borrowing with the expected profile of when income will come in to repay borrowing.

Long Term Borrowing	31st March 2021 £m
Less than 1 year	253
Between 1 and 2 years	63
Between 2 and 5 years	13
Between 5 and 10 years	25
Between 10 and 15 years	42
Between 15 and 20 years	0
Between 20 and 25 years	4
Between 25 and 30 years	1
More than 30 years	43
Total	444

Note: Less than a year borrowing will be replaced with a mixture of new external debt and internal borrowing. The treasury service through the use of its cashflow constantly review its debt and will endeavour to get the best rates available while looking at the long and short term picture of anticipated receipts and payments.

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.

	2021/22	2022/23	2023/24
Upper limit for principal sums invested for longer than 365 days	£m	£m	£m
Principal sums invested for longer than 365 days	60	60	60