

Prudential & Treasury Management Indicators 2022/23 to 2024/25

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.

	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Housing, Local Economy & Regeneration	39.9	43.6	15.3	98.8
Roads and Transport	46.0	9.7	6.9	62.6
Children Services and Schools	4.2	11.1	15.9	31.2
Climate Emergency	16.7	7.8	5.8	30.3
Internal Services	10.1	6.1	3.6	19.8
Environment	5.2	1.3	6.1	12.6
Adult Social Care	2.0	6.3	0.8	9.1
Total Capital Programme 2022/23 to 2024/25	124.1	85.9	54.4	264.4

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.

	2022/23 £m	2023/24 £m	2024/25 £m	Total £m
Supported borrowing	(64.0)	(40.2)	(17.1)	(121.3)
Developer contributions (S106 / CIL)	(27.6)	(4.9)	(12.3)	(44.8)
Capital grants	(18.7)	(10.7)	(7.5)	(36.9)
Other contributions	(6.4)	(6.9)	(5.5)	(18.8)
Capital receipts	(0.1)	(6.8)	(7.5)	(14.4)
General fund borrowing	(7.3)	(2.2)	(4.6)	(14.1)
Total	(124.1)	(71.7)	(54.5)	(250.3)

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		
	22/23	23/24	24/25
	£m	£m	£m
Opening balance	432	554	574
Expenditure in year	161	44	23
Repayments in year	(39)	(24)	(20)
Closing balance	554	574	577

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

CFR : General fund	Supported Borrowing			General Fund Borrowing		
	22/23	23/24	24/25	22/23	23/24	24/25
	£m	£m	£m	£m	£m	£m
Opening balance	307	428	450	125	126	124
Expenditure in year	156	42	18	5	2	2
Repayments in year	(35)	(20)	(16)	(4)	(4)	(4)
Closing balance	428	450	452	126	124	125

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		
	22/23	23/24	24/25
	£m	£m	£m
Invest to Save	183	215	219
Town Centre Regeneration	85	83	79
Wokingham Housing Ltd	49	55	61
Developer contribution forward funded	111	97	93
Closing balance	428	450	452

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		
	22/23	23/24	24/25
	£m	£m	£m
Opening balance	80	79	78
Expenditure in year	1	1	1
Repayments in year	(2)	(2)	(2)
Closing balance	79	78	77

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.

	2022/23 £m	2023/24 £m	2024/25 £m
Operational boundary for total debt	696	718	719

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.

	2022/23 £m	2023/24 £m	2024/25 £m
Authorised limit for total debt	760	783	785

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

2022/23 2023/24 2024/25

Percentage of Financing Costs to Net Revenue Stream	-0.6%	-0.6%	-0.6%
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This indicator is estimated to remain stable in line with the CFR for general fund borrowing highlighted in the earlier table. Increases in the CFR are related to supported borrowing which have an identified repayment stream to offset the financing costs and therefore has no impact on the ratio percentage above.

Housing Revenue Account (HRA)

2022/23 2023/24 2024/25

Percentage of Financing Costs to Net Revenue Stream	29.9%	29.2%	28.5%
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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 2022. 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 2022 £m
Less than 1 year		96.5
Between 1 and 2 years		19.2
Between 2 and 5 years		13.1
Between 5 and 10 years		26.4
Between 10 and 15 years		39.2
Between 15 and 20 years		0.0
Between 20 and 25 years		1.5
Between 25 and 30 years		3.0
More than 30 years		39.7
Total		238.6

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.

	2022/23	2023/24	2024/25
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