

## **Prudential & Treasury Management Indicators 2023/24 to 2025/26**

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.

	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>Total £m</b>
Housing, Local Economy & Regeneration – Non HRA	42.9	13.3	8.3	64.5
Children Services and Schools	17.3	27.0	21.0	65.3
Roads and Transport	10.5	9.3	7.9	27.7
Adult Social Care	6.8	3.1	1.8	11.7
Internal Services	6.4	3.7	3.0	13.1
Climate Emergency	5.3	3.1	4.9	13.3
Environment	0.9	0.1	1.1	2.1
<b>Total General Fund Capital Programme</b>	<b>90.1</b>	<b>59.6</b>	<b>48.0</b>	<b>197.7</b>
Housing, Local Economy & Regeneration – Housing Revenue Account (HRA)	11.6	25.1	21.7	58.4
<b>Total Capital Programme 2023/24 to 2025/26</b>	<b>101.7</b>	<b>84.7</b>	<b>69.7</b>	<b>256.1</b>

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources.

### **General Fund**

	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>2025/26 £m</b>	<b>Total £m</b>
Supported borrowing	(39.0)	(17.5)	(9.3)	(65.8)
Developer contributions (S106 / CIL)	(8.6)	(3.0)	(0.9)	(12.5)
Capital grants	(23.0)	(29.1)	(21.8)	(73.9)
Other contributions	(0.6)	(0.4)	(0.1)	(1.1)
Capital receipts	(5.6)	(1.0)	(1.0)	(7.6)
General fund borrowing	(13.3)	(4.1)	(5.2)	(22.6)
<b>Total</b>	<b>(90.1)</b>	<b>(55.1)</b>	<b>(38.3)</b>	<b>(183.5)</b>

## Housing Revenue Account

	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Supported borrowing	(0.4)	(18.8)	(7.1)	(26.3)
Other contributions	(5.5)	(5.7)	(5.4)	(16.6)
Capital receipts	(5.7)	(0.6)	(9.2)	(15.5)
<b>Total</b>	<b>(11.6)</b>	<b>(25.1)</b>	<b>(21.7)</b>	<b>(58.4)</b>

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 schemes 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	25/26
	£m	£m	£m	£m
Opening balance	381.5	403.6	417.3	443.9
Expenditure in year	52.4	50.7	55.8	38.7
Repayments in year	(30.3)	(37.1)	(29.2)	(32.8)
<b>Closing balance</b>	<b>403.6</b>	<b>417.3</b>	<b>443.8</b>	<b>449.6</b>

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

	Supported Borrowing				General Fund Borrowing			
	22/23	23/24	24/25	25/26	22/23	23/24	24/25	25/26
	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance	280.9	300.4	309.6	329.2	100.6	103.2	107.7	114.7
Expenditure in year	46.1	42.8	44.8	31.0	6.3	7.9	11.0	7.7
Repayments in year	(26.6)	(33.6)	(25.2)	(28.6)	(3.7)	(3.5)	(4.0)	(4.2)
<b>Closing balance</b>	<b>300.4</b>	<b>309.6</b>	<b>329.2</b>	<b>331.5</b>	<b>103.2</b>	<b>107.7</b>	<b>114.7</b>	<b>118.1</b>

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.

	Supported Borrowing		
	23/24	24/25	25/26
	£m	£m	£m
Invest to save	72.9	94.1	102.1
Town centre regeneration	92.1	84.8	81.9
Wokingham housing companies	24.2	22.7	20.8
Developer contributions forward funded	40.3	48.3	47.8
Housing, economy & regeneration	80.0	79.5	78.9
<b>Closing balance</b>	<b>309.6</b>	<b>329.2</b>	<b>331.5</b>

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.

	Housing Revenue Account			
	22/23	23/24	24/25	25/26
	£m	£m	£m	£m
Opening balance	80.3	78.2	77.6	95.4
Expenditure in year	0	0.4	18.8	7.0
Repayments in year	(2.1)	(1.0)	(1.0)	(1.4)
<b>Closing balance</b>	<b>78.2</b>	<b>77.6</b>	<b>95.4</b>	<b>101.0</b>

## 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.

	2023/24	2024/25	2025/26
	£m	£m	£m
<b>Operational boundary for total debt</b>	<b>545</b>	<b>593</b>	<b>606</b>

**Note: calculation CFR (GF + HRA) \*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.

	2023/24	2024/25	2025/26
	£m	£m	£m
<b>Authorised limit for total debt</b>	<b>594</b>	<b>647</b>	<b>661</b>

**Note: calculation CFR (GF + HRA) \*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 income generated to repay capital costs), against the net revenue stream;

#### General Fund

	2023/24	2024/25	2025/26
net cost / (income) of financing costs (£m)	(£0.9m)	(£0.5m)	(£0.6m)
Net revenue stream	£153.9m	£148.8m	£154.2m
Percentage of Financing Costs to Net Revenue Stream	(0.57%)	(0.36%)	(0.39%)

The net cost / (income) of financing costs includes the interest costs, minimum revenue provision, treasury investment income and contributions from supported borrowing projects towards there funding costs.

This indicator is estimated to remain 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)

	2023/24	2024/25	2025/26
net cost of financing costs (£m)	£3.6m	£3.6m	£4.0m
Net revenue stream	£17.6m	£18.1m	£18.6m
Percentage of Financing Costs to Net Revenue Stream	20.26%	20.06%	21.61%

The percentage remains consistent over the three years which a small increase reflecting the additional borrowing for the HRA capital programme. The net cost of financing for the HRA is funded from the rental income generated through the HRA.

## Net income from commercial & service investments to net revenue stream - GF

This indicator comprises interest and investment income (other than from investments held for treasury management purposes), together with net income from other assets held primarily for financial return, such as commercial property. The intention of this indicator is to show the net financial impact on the authority of its entire non treasury investment income.

	2023/24	2024/25	2025/26
net income from commercial & service investments (£m)	£14.5m	£14.5m	£15m
Net revenue stream	£153.9m	£148.8m	£154.2m
Percentage of net income from commercial & service investments to net revenue stream	9.44%	9.77%	9.75%

## Maturity structure of borrowing

The table below shows the current maturity structure of borrowing forecast as of 31 March 2023. The Council will aim to match the maturity structure of borrowing with the expected profile of when income will come in to repay borrowing.

	31st March 2023 £m
<b>Long Term Borrowing</b>	
Less than 1 year	£54.2m
Between 1 and 2 years	£14.7m
Between 2 and 5 years	£15.4m
Between 5 and 10 years	£38.2m
Between 10 and 15 years	£21.4m
Between 15 and 20 years	£0.0m
Between 20 and 25 years	£1.5m
Between 25 and 30 years	£8.7m
More than 30 years	£34.0m
<b>Total</b>	<b>£188.1m</b>

Note: Less than a year borrowing will be replaced with a mixture of new external debt and internal borrowing if possible. Due to current high interest rates and expectations rates will reduce towards the end of 2023, any new borrowing will be taken on a short-term basis (i.e. less than 2 years). 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.

The following table sets out the current loans the Council have in place, including maturity dates and interest rates.

Loan Number	Counterparty	Start Date	Maturity Date	Loan Principal	Interest Rate
L1089	Local Authority	25/03/2020	24/04/2023	15,000,000	1.60%
L1167	Local Authority	23/03/2023	21/03/2024	10,000,000	2.50%
L1168	Local Authority	28/03/2023	26/03/2024	10,000,000	2.50%
L1169	Local Authority	31/10/2022	05/10/2023	15,000,000	4.10%
488876	Public Works Loan Board	16/07/2004	01/02/2034	2,400,000	4.95%
491320	Public Works Loan Board	15/02/2006	01/08/2051	3,000,000	3.85%
491456	Public Works Loan Board	26/04/2006	30/09/2046	1,465,490	4.35%
491474	Public Works Loan Board	28/04/2006	01/08/2052	5,722,574	4.40%
493309	Public Works Loan Board	24/05/2007	31/03/2054	10,000,000	4.60%
501035	Public Works Loan Board	28/03/2012	28/03/2032	8,516,000	3.30%
501037	Public Works Loan Board	28/03/2012	28/03/2031	7,231,000	3.26%
501039	Public Works Loan Board	28/03/2012	28/03/2029	6,378,000	3.15%
501040	Public Works Loan Board	28/03/2012	28/03/2027	5,415,000	3.01%
501043	Public Works Loan Board	28/03/2012	28/03/2033	9,276,247	3.34%
501044	Public Works Loan Board	28/03/2012	28/03/2034	1,000,000	3.37%
501045	Public Works Loan Board	28/03/2012	28/03/2025	3,744,000	2.82%
501046	Public Works Loan Board	28/03/2012	28/03/2028	5,981,000	3.08%
501047	Public Works Loan Board	28/03/2012	28/03/2030	6,789,000	3.21%
501048	Public Works Loan Board	28/03/2012	28/03/2026	3,971,000	2.92%
501049	Public Works Loan Board	28/03/2012	28/03/2024	4,116,000	2.70%
505948	Public Works Loan Board	31/03/2017	31/03/2034	6,000,000	2.30%
505949	Public Works Loan Board	31/03/2017	31/03/2035	8,000,000	2.34%
505950	Public Works Loan Board	31/03/2017	31/03/2036	4,000,000	2.37%
3b	Barclays	24/02/2007	24/02/2077	5,000,000	4.35%
2c	Barclays	11/01/2007	11/01/2077	5,000,000	4.60%
1c	Just retirement	06/02/2006	06/02/2066	5,000,000	4.88%
4	Barclays	16/02/2006	16/02/2066	2,000,000	3.68%
5	Barclays	19/10/2006	19/10/2076	5,000,000	3.73%
6	Barclays	19/10/2006	19/10/2076	2,000,000	3.77%