

## Prudential & Treasury Management Indicators 2024/25 to 2026/27

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.

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Housing, Local Economy & Regeneration – Non HRA	10.1	7.2	7.1	24.4
Children Services and Schools	28.3	26.6	7.7	62.6
Roads and Transport	11.0	12.0	9.2	32.2
Adult Social Care	3.8	2.0	1.0	6.8
Internal Services	6.2	8.3	8.8	23.3
Environment	3.6	13.3	10.5	27.4
<b>Total General Fund Capital Programme</b>	<b>63.0</b>	<b>69.4</b>	<b>44.3</b>	<b>176.7</b>
Housing, Local Economy & Regeneration – Housing Revenue Account (HRA)	10.6	20.5	19.0	50.1
<b>Total Capital Programme 2024/25 to 2026/27</b>	<b>73.6</b>	<b>89.9</b>	<b>63.2</b>	<b>226.8</b>

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

#### General Fund

	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m
Supported borrowing	(17.4)	(22.4)	(17.0)	(56.8)
Developer contributions (S106)	(2.5)	(4.0)	(0.6)	(7.1)
Capital grants	(29.0)	(29.1)	(15.0)	(73.1)
Other contributions	(0.5)	(2.0)	0.0	(2.5)
Capital receipts	(5.6)	(2.5)	(5.2)	(13.2)
General fund borrowing	(8.0)	(5.2)	(2.1)	(15.4)
<b>Total</b>	<b>(63.0)</b>	<b>(65.2)</b>	<b>(39.9)</b>	<b>(168.1)</b>

#### Housing Revenue Account

	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m
Supported borrowing	(2.1)	(6.6)	(4.8)	(13.5)
Developer contributions (S106)	(0.0)	(4.6)	(0.0)	(4.6)
Other contributions	(5.7)	(5.7)	(5.9)	(17.3)
Capital receipts	(2.8)	(3.6)	(8.3)	(14.7)
<b>Total</b>	<b>(10.6)</b>	<b>(20.5)</b>	<b>(19.0)</b>	<b>(50.1)</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. The table below shows estimated capital financing requirement over the MTFP period. Expenditure is driven from the delivery of the capital programme and repayments are expected through capital receipts, minimum revenue provision repayment and developer contributions. There are a number of capital budgets which are considered as 'approval to spend' however are still subject to approval of detailed business cases. If these capital budgets were excluded, the revised CFR is also shown in the table below.

	Capital Financing Requirement (General Fund)			
	23/24	24/25	25/26	26/27
	£m	£m	£m	£m
Opening balance	368	382	449	493
Expenditure in year	42	80	79	113
Repayments in year;				
- Capital Receipts / Developer Contributions	(21)	(2)	(23)	(6)
- MRP	(7)	(9)	(13)	(15)
<b>Closing Balance - CFR</b>	<b>382</b>	<b>449</b>	<b>493</b>	<b>584</b>
Excluding capital budget approvals without planned expenditure (cumulative effect)		(16)	(26)	(111)
<b>Closing Balance</b>	<b>382</b>	<b>434</b>	<b>467</b>	<b>473</b>

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

	Supported Borrowing				General Fund Borrowing			
	23/24	24/25	25/26	26/27	23/24	24/25	25/26	26/27
	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance	270	276	311	334	98	106	123	133
Expenditure in year	25	43	54	23	17	21	14	4
Repayments in year (MRP + Fund Swaps)	(19)	(8)	(31)	(17)	(9)	(4)	(4)	(4)
<b>Closing balance</b>	<b>276</b>	<b>311</b>	<b>334</b>	<b>340</b>	<b>106</b>	<b>123</b>	<b>133</b>	<b>133</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		
	24/25	25/26	26/27
	£m	£m	£m
Invest to save	71	123	136
Town centre regeneration	102	85	82
Wokingham housing companies	18	18	17
Developer contributions forward funded	21	12	11
Housing, economy & regeneration	99	96	94
<b>Closing balance</b>	<b>311</b>	<b>334</b>	<b>340</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			
	23/24	24/25	25/26	26/27
	£m	£m	£m	£m
Opening balance	82	97	104	108
Expenditure in year	16	8	7	5
Repayments in year				
VRP	(1)	(2)	(2)	(2)
Capital Receipts	0	0	0	0
<b>Closing balance</b>	<b>97</b>	<b>104</b>	<b>108</b>	<b>111</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.

	2024/25	2025/26	2026/27
	£m	£m	£m
<b>Operational boundary for total debt</b>	<b>592</b>	<b>632</b>	<b>642</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.

	2024/25	2025/26	2026/27
	£m	£m	£m
<b>Authorised limit for total debt</b>	<b>646</b>	<b>690</b>	<b>701</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

	2024/25	2025/26	2026/27
net cost / (income) of financing costs (£m)	£1.2m	£3.9m	£4.6m
Net revenue stream	£170.8m	£179.2m	£188.5m
<b>Percentage of Financing Costs to Net Revenue Stream</b>	<b>0.71%</b>	<b>2.19%</b>	<b>2.44%</b>

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

The increase in net financing costs over the three years is driven by higher interest costs and additional MRP to support the capital programme. The impact of these additional costs are estimated to be within current capital financing base budgets and will be monitored on a regular basis.

Increases in the CFR which are related to supported borrowing which have an identified repayment stream to offset the financing costs will have no impact on the ratio percentage above.

#### Housing Revenue Account (HRA)

	2024/25	2025/26	2026/27
net cost of financing costs (£m)	£4.5m	£4.9m	£5.1m
Net revenue stream	£19.1m	£20.1m	£20.8m
<b>Percentage of Financing Costs to Net Revenue Stream</b>	<b>23.30%</b>	<b>24.33%</b>	<b>24.53%</b>

The percentage remains fairly consistent over the three years with a gradual increase reflecting the additional borrowing for the HRA capital programme, additional costs from higher interest rates and increases in repayment of debt. 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.

	2024/25	2025/26	2026/27
Net income from commercial & service investments (£m)	£16.8m	£17.0m	£17.3m
Net revenue stream	£164.9m	£178.1m	£187.3m
Percentage of net income from commercial & service investments to net revenue stream	10.17%	9.53%	9.25%

## Maturity structure of borrowing

The table below shows the current maturity structure of borrowing forecast as of 31 March 2024. The Council will aim to match the maturity structure of borrowing with the expected profile of when income will come in to repay borrowing.

The lower and upper limits are set at a range to aim to match actual loan maturities to the authority gross loans requirement (see liability benchmark graph in covering report). The aim of the limits are to ensure overall the Council do not borrow for longer than required.

As set out in the table below the majority of the Councils new borrowing for the year ahead should be keep short term. The limits are a guide to borrowing and the Council will always work with our external treasury management advisors when borrowing to ensure that all risks (interest rates and refinancing risks) are considered.

Long Term Borrowing	31st March 2024 £m	Current Limit	Lower Limit	Upper Limit
Less than 1 year	£90.7m	43%	0%	100%
Between 1 and 2 years	£4.0m	2%	0%	100%
Between 2 and 5 years	£17.8m	8%	0%	100%
Between 5 and 10 years	£35.2m	20%	0%	75%
Between 10 and 15 years	£18.0m	6%	0%	50%
Between 15 and 20 years	£0.0m	0%	0%	10%
Between 20 and 25 years	£1.5m	1%	0%	10%
Between 25 and 30 years	£8.7m	9%	0%	10%
More than 30 years	£34.0m	11%	0%	10%
<b>Total</b>	<b>£209.9m</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 uncertainty with interest rates and expectations rates will reduce towards the end of 2024, new borrowing may 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 will have in place at 31<sup>st</sup> March 2024, including maturity dates and interest rates.

Loan Number	Counterparty	Start Date	Maturity Date	Loan Principal	Interest Rate
L1172	Non Government Institution (Local Authorities, Police & Crime Commissioner, Pension Funds)	07/06/2023	05/06/2024	10,000,000	4.20%
L1189		19/06/2023	17/06/2024	2,000,000	5.00%
L1190		19/06/2023	17/06/2024	3,000,000	5.00%
L1191		26/03/2024	25/03/2025	10,000,000	5.60%
L1192		21/03/2024	20/03/2025	10,000,000	5.60%
L1193		03/07/2023	01/07/2024	10,000,000	5.45%
L1194		02/10/2023	30/09/2024	5,000,000	5.85%
L1199		05/10/2023	30/08/2024	15,000,000	5.55%
L1201		28/12/2023	28/06/2024	5,000,000	5.75%
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%
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%
Additional loans expected to be taken out before 31 <sup>st</sup> March 24		tbc	tbc	17,000,000	tbc

### Long-term treasury management investments

Where a local authority invests, or plans to invest, for treasury management purposes in fixed interest instruments for periods longer than a year, or in other instruments only appropriate for longer-term investment, the local authority will set an upper limit for each forward financial year period for the maturing of such investments. These prudential indicators will be referred to as prudential limits for long-term treasury management investments. The intention is for this indicator to capture all the investments of a longer-term nature that are being made for treasury management purposes.

It is important to note that any long term treasury management investment will be considered along with the overall requirement to borrow to ensure cashflow requirements are met and borrowing costs are minimised.

At present, the Council does not have any treasury management investments greater than 1 year.

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