

## Appendix 2

### Prudential Indicators

#### (a) Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2020/21 is shown in the table below:

Capital Financing Requirement	31/03/2021 Estimate £m	31/03/2021 Actual £m
General Fund	686.7	683.0
HRA	283.2	245.1
<b>Total CFR</b>	<b>969.9</b>	<b>928.1</b>

#### (b) Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31/03/2021 Estimate £m	31/03/2021 Actual £m
Borrowing	673.4	659.1
PFI Liabilities	24.0	24.0
<b>Total Debt</b>	<b>697.4</b>	<b>683.1</b>
<b>Capital Financing Requirement</b>	<b>969.9</b>	<b>928.1</b>
<b>Borrowing in excess of CFR?</b>	<b>No</b>	<b>No</b>

#### (c) Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring.

Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

	<b>Operational Boundary £m</b>	<b>Authorised Limit £m</b>	<b>Actual External Debt £m 31/03/2021</b>
Borrowing	1,000.0	1,200.0	659.1
Other Long Term Liabilities			26.5
<b>Total</b>	<b>1,000.0</b>	<b>1,200.0</b>	<b>685.6</b>

The Director of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2020/21.

#### **(d) Upper Limits on one-year revenue impact of a 1% movement in interest rates**

This indicator is set to control the Council's exposure to interest rate risk. The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

	<b>2020/21 Approved Limits £m</b>	<b>31/03/2021 Actual £m</b>
<b>Upper limit on one-year revenue impact of a 1% rise in interest rates</b>	<b>5.0</b>	<b>0.2</b>
Compliance with limits:		Yes
<b>Upper limit on one-year revenue impact of a 1% fall in interest rates</b>	<b>5.0</b>	<b>0.2</b>
Compliance with limits:		Yes

#### **(e) Maturity Structure of Fixed Rate Borrowing**

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. The Council uses the option date as the maturity date for its LOBO loans.

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing at 31/03/2021	% of Fixed Rate Borrowing at 31/03/2021	Compliance with set limits?
	%	%	£m	%	Yes / No
Under 12 months	40%	0%	127	19%	Yes
12 months and within 24 months	40%	0%	11	2%	Yes
24 months and within 5 years	40%	0%	17	3%	Yes
5 years and within 10 years	60%	0%	24	4%	Yes
10 years and within 20 years	75%	0%	94	14%	Yes
20 years and within 30 years	75%	0%	102	15%	Yes
30 years and within 40 years	75%	0%	224	34%	Yes
40 years and within 50 years	75%	0%	56	8%	Yes
50 years and above	75%	0%	5	1%	Yes
			<b>659.1</b>	<b>100%</b>	

#### (f) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council tax and in the case of the HRA, housing rent levels.

Capital Expenditure	31/03/2021 Estimate £m	31/03/2021 Actual £m
General Fund	173.0	111.8
HRA	92.1	59.8
<b>Total</b>	<b>265.1</b>	<b>171.6</b>

#### (g) Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>31/03/2021 Estimate</b>	<b>31/03/2021 Actual</b>
Financing costs Proportion of net revenue stream (%)	14.9 5.6%	17.7 4.5%

#### **(h) Adoption of the CIPFA Treasury Management Code**

This indicator demonstrates that the Council adopted the principles of best practice.

Statement: The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 (2017 Edition).

#### **(i) Upper Limit for Total Principal Sums Invested Over 364 Days**

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

<b>Upper Limit for Total Principal Sums Invested Over 364 Days</b>	<b>31/03/2021 Approved</b>	<b>31/03/2021 Actual</b>
	<b>£m</b>	<b>£m</b>
Limit on principal invested beyond a year	500	0

#### **(j) Security**

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

<b>Credit Risk Indicator</b>	<b>31/03/2021 Target</b>	<b>31/03/2021 Actual</b>
Portfolio average credit rating	A	A+

### **(k) Liquidity**

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

<b>Liquidity Risk Indicator</b>	<b>31/03/2021 Target</b>	<b>31/03/2021 Actual</b>
	<b>£m</b>	<b>£m</b>
Total cash available within 3 months	20.0	102.7