

## Appendix 2

### Prudential Indicators

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

The Council's cumulative maximum external borrowing requirement for 2021/22 is shown in the table below.

<b>Capital Financing Requirement</b>	<b>31/03/2022 Estimate £m</b>	<b>31/03/2022 Actual £m</b>
General Fund	764.3	730.2
HRA	291.7	269.4
<b>Total CFR</b>	<b>1,056.0</b>	<b>999.6</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.

<b>Debt</b>	<b>31/03/2022 Estimate £m</b>	<b>31/03/2022 Actual £m</b>
Borrowing	456.5	684.6
PFI Liabilities	23.8	22.1
Other	3.5	3.5
<b>Total Debt</b>	<b>483.8</b>	<b>710.2</b>
<b>Capital Financing Requirement</b>	<b>1,056.0</b>	<b>999.6</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 leases, Private Finance Initiative contracts 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 31/03/2022</b>
Borrowing	1,100.0	1,300.0	684.6
Other Long Term Liabilities			25.6
<b>Total</b>	<b>1,100.0</b>	<b>1,300.0</b>	<b>710.2</b>

The Director of Finance confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2021/22.

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

This indicators 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>2021/22 Approved Limits £m</b>	<b>31/03/2022 Actual £m</b>
<b>Upper limit on one-year revenue impact of a 1% rise in interest rates</b> Compliance with limits:	<b>5.0</b>	<b>0.1</b> Yes
<b>Upper limit on one-year revenue impact of a 1% fall in interest rates</b> Compliance with limits:	<b>5.0</b>	<b>0.1</b> 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.

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual Fixed Rate Borrowing at 31/3/2022</b>	<b>% of Fixed Rate Borrowing at 31/3/2022</b>	<b>Compliance with set limits?</b>
	<b>%</b>	<b>%</b>	<b>£m</b>	<b>%</b>	<b>Yes / No</b>
Under 12 months	40%	0%	119	17%	Yes
12 months and within 24 months	40%	0%	7	1%	Yes
24 months and within 5 years	40%	0%	21	3%	Yes
5 years and within 10 years	60%	0%	35	5%	Yes
10 years and within 20 years	75%	0%	117	17%	Yes
20 years and within 30 years	75%	0%	102	15%	Yes
30 years and within 40 years	75%	0%	224	33%	Yes
40 years and within 50 years	75%	0%	61	9%	Yes
50 years and above	75%	0%	0	0%	Yes
			<b>684.6</b>	<b>100%</b>	

#### **(f) Capital Expenditure**

The 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.

<b>Capital Financing Requirement</b>	<b>31/03/2022 Estimate £m</b>	<b>31/03/2022 Actual £m</b>
General Fund	764.3	730.2
HRA	291.7	269.4
<b>Total CFR</b>	<b>1,056.0</b>	<b>999.6</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>31/03/2022 Estimate</b>	<b>31/03/2022 Actual</b>
Financing costs	33.3	23.9
Proportion of net revenue stream (%)	11.0%	7.8%

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

This indicator demonstrates that the Council adopted the principals 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>31/3/2022 Approved</b>	<b>31/3/2022 Actual</b>
	<b>£m</b>	<b>£m</b>
Limit on principal invested beyond a year	50	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>31/3/2022 Target</b>	<b>31/3/2022 Actual</b>
Portfolio average credit rating	A	A+

### **(k) Liquidity**

The Council 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>31/3/2022 Target £m</b>	<b>31/3/2022 Actual £m</b>
Total cash available within 3 months	20	98.6

**(l) Investment Limits**

	<b>2021/22 Maximum £m</b>	<b>31.3.22 Actual £m</b>	<b>2021/22 Time Limit</b>	<b>Complied?</b>
Any single organisation, except the UK Government	20	£20m	n/a	Yes
UK Government	Unlimited	-	50 years	Yes
Local Authorities & Other Government Entities	Any	-	25 years	Yes
Banks (unsecured)	£20m	-	13 months	Yes
Building societies (unsecured)	£20m	-	13 months	Yes
Registered providers and registered social landlords	£20m	-	5 years	Yes
Secured investments	£20m	-	5 years	Yes
Money market funds	Lower of 5% of total net assets of the fund or £20m	£20m or 5% of total net assets of the fund where appropriate	n/a	Yes
Strategic pooled funds	£20m	-	n/a	Yes
Real estate investment trusts	£20m	-	n/a	Yes
Other investments	£50m	-	n/a	Yes

**(m) Debt Limits**

	<b>2021/22 Maximum (£m)</b>	<b>31.3.22 Actual (£m)</b>	<b>2021/22 Operational Boundary (£m)</b>	<b>2021/22 Authorised Limit (£m)</b>	<b>Complied?</b>
Total debt	1,100	710.2	1,100	1,300	Yes