

PRUDENTIAL AND TREASURY INDICATORS

PRUDENTIAL INDICATORS - A Brief Description

Capital Expenditure

This shows the capital programme as it currently stands. Members will note that the amount estimated to be included within the programme for 2020/21 is £18.940 million.

This is an increase in value to the previous year, and is due to significant projects being undertaken by the council including Pioneer Place and Sandygate developments.

It is not known exactly at this stage what the effects on revenue of sustaining a high level of capital programme investment will be in future years. It is however envisaged that there will continue to be a significant contribution from grants. This will minimise borrowing to within prudential levels and thus keep the resultant financing charge to the revenue budget within prudent limits.

Ratio of Financing Costs to Net Revenue

The net revenue stream is the estimated amount of spending to be met from Government Grants and local taxpayers. It is used in projections and for estimating the need for budget savings. It is based upon the system of Government revenue support and assumes a 1.99% increase in Council Tax for 2020/21 and for the following two years.

Financing costs include interest on borrowing and the amount included in the budget for repayment of debt.(Minimum Revenue Provision)

Net Borrowing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the previous year plus the estimates of any additional capital financing requirement in the current year and the next two financial years. At all times the level of borrowing will be monitored to ensure that it does not exceed the estimated capital financing requirement in two years time.

Capital Financing Requirement as at 31 March

The capital financing requirement is an indication of how much the Council needs to borrow for capital purposes. This is as a result of not financing capital expenditure "up front" by means of capital receipts, grants etc. and relying on borrowing, which is ultimately repaid and then replaced if required.

PRUDENTIAL AND TREASURY INDICATORS 2020/21 - 2022/23

| TABLE 1 - PRUDENTIAL INDICATORS | 2018/19 Actual £' 000 | 2019/20 Revised Estimate £' 000 | 2020/21 Estimate £' 000 | 2021/22 Estimate £' 000 | 2022/23 Estimate £' 000 |
|---|-----------------------------|--|-------------------------------|-------------------------------|-------------------------------|
| Capital Expenditure | 6,422 | 15,347 | 18,940 | 13,527 | 18,541 |
| Ratio of financing costs to net revenue stream | 11.6% | 13.1% | 15.3% | 16.9% | 21.8% |
| Net borrowing requirement brought forward 1 April | | | 47,665 | 54,645 | 63,297 |
| Capital Financing Requirement as at 31 March | 30,470 | 38,130 | 43,332 | 49,677 | 57,543 |

| TABLE 2 - TREASURY MANAGEMENT INDICATORS | 2018/19 Actual £' 000 | 2019/20 Revised Estimate £' 000 | 2020/21 Estimate £' 000 | 2021/22 Estimate £' 000 | 2022/23 Estimate £' 000 |
|--|-----------------------------|--|-------------------------------|-------------------------------|-------------------------------|
| Authorised Limit for external debt - | | | 52,432 | 60,110 | 69,627 |
| <i>For 2020/21, this is the Council's statutory limit for debt as determined under section 3(1) of the Local Government Act 2003. Limits have also been provisionally set for the following two financial years. These limits include provision for "unusual cash movements" as referred to in the Code.</i> | | | | | |
| Operational Boundary for external debt - | | | 47,665 | 54,645 | 63,297 |
| <i>This is lower than the authorised limit by the additional headroom provided for "unusual cash movements". It equates to the maximum level of external debt projected in estimates.</i> | | | | | |
| Actual/Estimated external debt at year end | 23,531 | 36,084 | | | |
| Upper limit for fixed interest rate exposure expressed as :- Net interest re fixed rate borrowing / investments | | | 100% | 100% | 100% |
| Upper limit for variable rate exposure expressed as :- Net interest re variable rate borrowing / investments | | | 25% | 25% | 25% |
| Upper limit for total principal sums invested over 364 days | 0 | 4,000 | 4,000 | 4,000 | 4,000 |

| TABLE 3 - Maturity Structure of fixed rate borrowing during 2020/21 | | lower limit | upper limit |
|---|------------------------------|-------------|-------------|
| This indicator limits the period to repayment of overall expected debt outstanding and shows five bands. There are minimum and maximum proportions of overall debt within each band. This means that the amount of debt in each band will fall within this range as a proportion of overall debt. | under 12 months | 0% | 20% |
| | 12 months - within 24 months | 0% | 20% |
| | 24 months - within 5 years | 0% | 25% |
| | 5 years - within 10 years | 0% | 30% |
| | 10 years and above | 0% | 80% |