

**Council 1 March 2024**  
**Council Tax Resolution for 2024/25**  
**Appendix 5: Prudential and Treasury Indicators 2024/25 to 2026/27**

**Prudential and Treasury Indicators 2024/25 to 2026/27**

Please note last year's approved figures are shown in brackets.

|          | <b>Treasury Management Indicators</b>   | <b>2024-25</b>    | <b>2025-26</b>    | <b>2026-27</b> |
|----------|---|-------------------|-------------------|----------------|
|          |   | %                 | %                 | %              |
| <b>1</b> | <b>Estimated Financing Costs to Net Revenue Stream<sup>5</sup></b>                        | 5.42              | 5.45              | 5.33           |
| <b>2</b> | <b>Estimated Net Income from Commercial and Service Investments to Net Revenue Stream</b> | 9.9               | 8.1               | 7.7            |
|          |   | £m                | £m                | £m             |
| <b>3</b> | <b>Authorised Limit - external debt</b>   |                   |                   |                |
|          | Borrowing   | 2,180.6 (1,811.9) | 2,185.6 (1,811.9) | 2,185.6        |
|          | Other long-term liabilities   | 190.0 (190.0)     | 190.0 (190.0)     | 190.0          |
|          | TOTAL   | 2,370.6 (2,001.9) | 2,375.6 (2,001.9) | 2,375.6        |
| <b>4</b> | <b>Operational Boundary - external debt</b>   |                   |                   |                |
|          | Borrowing   | 1,828.1 (1,726.3) | 1,981.4 (1,728.1) | 2,088.1        |
|          | Other long-term liabilities   | 190.0 (190.0)     | 190.0 (190.0)     | 190.0          |
|          | TOTAL   | 2,018.1 (1,916.3) | 2,171.4 (1,918.1) | 2,278.1        |
| <b>5</b> | <b>Estimated external debt</b>  | 1,623.8 (1,611.0) | 1,826.6 (1,613.3) | 1,968.9        |

|          |  |                |                  |                |                  |                |
|----------|--|----------------|------------------|----------------|------------------|----------------|
| <b>6</b> | <b>Upper limit for total principal sums invested for over 364 days</b> | 0              | (0)              | 0              | (0)              | 0              |
| <b>7</b> | <b>Estimated Capital Expenditure</b>                                   |                |                  |                |                  |                |
|          | Non - HRA  | 396.9          | (155.7)          | 127.9          | (22.5)           | 37.8           |
|          | HRA  | 66.8           | (43.7)           | 45.9           | (11.6)           | 25.1           |
|          | <b>TOTAL</b>   | <b>463.7</b>   | <b>(199.4)</b>   | <b>173.8</b>   | <b>(34.1)</b>    | <b>62.9</b>    |
| <b>8</b> | <b>Estimated Capital Financing Requirement (as at 31 March)</b>        |                |                  |                |                  |                |
|          | Non – HRA  | 1,883.6        | (1,893.7)        | 2,007.1        | (1,845.4)        | 1,960.3        |
|          | HRA  | 302.5          | (322.5)          | 303.9          | (323.9)          | 305.5          |
|          | <b>TOTAL</b>   | <b>2,186.1</b> | <b>(2,216.2)</b> | <b>2,311.0</b> | <b>(2,169.3)</b> | <b>2,265.8</b> |

|           |  |                    |       |                    |       |
|-----------|--|--------------------|-------|--------------------|-------|
| <b>9</b>  | <b>Maturity structure of borrowing during 2024-25</b>                | <b>Upper Limit</b> |       | <b>Lower limit</b> |       |
|           | under 12 months  | 70%                | (70%) | 0%                 | (0%)  |
|           | 12 months and within 24 months                                       | 60%                | (60%) | 0%                 | (0%)  |
|           | 24 months and within 5 years   | 60%                | (40%) | 0%                 | (0%)  |
|           | 5 years and within 10 years  | 40%                | (50%) | 0%                 | (0%)  |
|           | 10 years and above   | 70%                | (80%) | 30%                | (30%) |
| <b>10</b> | <b>Has the Authority adopted the CIPFA Treasury Management Code?</b> | <b>Yes</b>         |       |                    |       |

The status of the indicators will be included in Treasury Management reporting during 2024/25. They will also be included in the Council's Capital Budget monitoring reports during 2024/25

## **Definitions and Purpose of the Treasury Management Indicators noted above**

### **Estimated Financing Costs to Net Revenue Stream**

The authority will set for the forthcoming year and the following financial years an estimate of financing costs to net revenue stream. The indicator recognises that ultimately all debts of a local authority fall on the taxpayer, and that therefore when considering affordability, it is important to review the scale of financing costs to net revenue.

### **Estimated Net Income from Commercial and Service Investments to Net Revenue Stream**

The authority will set for the forthcoming year and the following financial years an estimate of new income from commercial and service investments to net revenue stream. The indicator is intended to show the financial exposure of the authority to the loss of income, and therefore the proportionality of commercial and service investment income to the authority's overall budget.

### **Estimated Capital Expenditure**

The authority sets a capital budget for each financial year, which includes an estimate of the capital expenditure which might be incurred. The figures here also include changes to other long-term liabilities.

### **Estimates Capital Financing Requirement**

The capital financing requirement reflects the authority's underlying need to finance capital expenditure and is based on all capital expenditure including that incurred in previous years.

### **Authorised Limit - external debt**

The local authority will set for the forthcoming financial year and the following two financial years an authorised limit for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. Other long-term liabilities include PFI's, service concessions and finance leases. Due to the introduction of IFRS16 (Leasing) on the 1<sup>st</sup> of April 2022, more of the Council's lessee leases will be classed as finance leases and will become other long-term liabilities, therefore the value will increase from previous years. Work is underway to determine the value of this change in accounting standards, but £20.0m has been added to the indicator at this stage and will be reviewed once this work is complete. This prudential indicator is referred to as the Authorised Limit.

### **Operational Boundary - external debt**

The local authority will also set for the forthcoming financial year and the following two financial years an operational boundary for its total external debt, excluding investments, separately identifying borrowing from other long-term liabilities. This prudential indicator is referred to as the Operational Boundary.

Both the Authorised Limit and the Operational Boundary need to be consistent with the authority's plans for capital expenditure and financing; and with its treasury management policy statement and practices. The Operational Boundary should be based on the authority's estimate of most likely, i.e. prudent, but not worst-case scenario. Risk analysis and risk management strategies should be considered.

The Operational Boundary should equate to the maximum level of external debt projected by this estimate. Thus, the Operational Boundary links directly to the Authority's plans for capital expenditure; its estimates of capital financing requirement; and its estimate of cash flow requirements for the year for all purposes. The Operational Boundary is a key management tool for in-year monitoring.

It will probably not be significant if the Operational Boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the Operational Boundary would be significant and should lead to further investigation and action as appropriate. Thus, both the Operational Boundary and the Authorised Limit will be based on the authority's plans. The authority will need to assure itself that these plans are affordable and prudent. The Authorised Limit will in addition need to provide headroom over and above the Operational Boundary enough for example for unusual cash movements.

### **Estimated external debt**

After the year end, the closing balance for actual gross borrowing plus (separately), other long-term liabilities are obtained directly from the local authority's Balance Sheet.

The prudential indicator for Estimated External Debt considers a single point in time and hence is only directly comparable to the Authorised Limit and Operational Boundary at that point in time. Actual external debt during the year can be compared.

### **Upper limit for total principal sums invested for over 364 days**

The authority will set an upper limit for each forward financial year period for the maturing of investments made for a period longer than 364 days. This indicator is referred to as the prudential limit for Principal Sums Invested for periods longer than 364 days.

The purpose of this indicator is so the authority can contain its exposure to the possibility of loss that might arise as a result of it having to seek early repayment or redemption of principal sums invested.

### **Maturity structure of new borrowing**

The authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowing. These indicators are referred to as the Upper and Lower limits respectively for the Maturity Structure of Borrowing.

### **Liability Benchmark**

The liability benchmark is a projection of the amount of loan debt outstanding that the authority needs each year into the future to fund its existing debt liabilities, planned

prudential borrowing and other cash flows. The benchmark shows the gap between the authority's outstanding loans at future points in time and the authority's need to for borrowing (the benchmark). It can be used to identify the debt maturities needed for new borrowing in order to match to future liabilities.

### **Local Prudential Indicators**

The Council has not yet introduced Local Prudential Indicators to reflect local circumstances but will review on a regular basis the need for these in the future.