

## Annexe C: Prudential Indicators – Q3 2023/24

The 2021 Prudential and Treasury Management Codes require the Council to report on prudential indicators on a quarterly basis. These indicators report on capital expenditure, borrowing and commercial and service investments in light of overall organisational strategy and resources, and ensure that decisions are being made with sufficient regard to the long-run financing implications and potential risks to the Council.

### **Table 1 – Estimates of Capital Expenditure**

Capital expenditure refers to Council spending on assets such as infrastructure, property or vehicles that will be used for more than one year. In Local Government this includes spending on assets owned by other bodies and loans and grants to other bodies, enabling them to buy assets.

At Month 8 the Council was forecasting total capital expenditure for 2023/24 of £19.8m. This is a variance of £0.6m compared to what was reported in the 2023/24 Capital, Investment and Treasury Management Strategy. This is the result of unspent budget carry forwards from 2022/23 agreed since the Strategy was published, offset by forecast underspends in-year on Council House Building (£3.9m), Croydon Road Regeneration (£2.3m) and capital contributions to third parties from CIL (£2.1m).

	2022/23 Actual £m	2023/24 Estimate (Capital Strategy) £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	Total – 2023/24 to 2025/26 £m
General Fund services	4.9	3.8	3.7	6.4	2.9	13.0
Council Housing (HRA)	11.5	15.4	16.1	19.1	26.2	61.4
<b>Total</b>	<b>16.4</b>	<b>19.2</b>	<b>19.8</b>	<b>25.5</b>	<b>29.1</b>	<b>74.4</b>

### **Table 2 – Capital Financing Requirement**

The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure on service delivery and on investments and reduces with MRP and capital receipts used to replace debt.

The current estimated CFR for 2023/24 is £5.1m lower than what was estimated in the 2023/24 Capital, Investment and Treasury Management Strategy. This is based on forecast capital expenditure at Month 8, and is a result of forecast underspends on capital schemes, including those referenced in Table 1, which reduce the anticipated underlying need to borrow to finance them.

	31/03/2023 Actual £m	31/03/2024 Estimate (Capital Strategy) £m	31/03/2024 Forecast £m	31/03/2025 Budget £m	31/03/2026 Budget £m
General Fund services	46.9	47.6	47.6	48.1	47.7
Council Housing (HRA)	61.7	71.5	66.4	74.0	87.3
<b>Total CFR</b>	<b>108.5</b>	<b>119.1</b>	<b>114.0</b>	<b>122.1</b>	<b>135.0</b>

**Table 3 – Gross Debt and the Capital Financing Requirement**

Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown below.

The current estimated level of gross debt is £6.1m less than what was estimated in the 2023/24 Capital, Investment and Treasury Management Strategy. This is based on forecast capital expenditure at M8, and is a result of forecast underspends on the schemes referenced in Table 1 which reduce the anticipated requirement to borrow to finance them.

	31/03/2023 Actual £m	31/03/2024 Estimate (Capital Strategy) £m	31/03/2024 Forecast £m	31/03/2025 Budget £m	31/03/2026 Budget £m	Debt at 30/12/2023 £m
Debt (incl. PFI & leases)	99.4	112.7	109.4	117.0	130.3	99.4
Capital Financing Requirement	108.5	119.1	114.0	122.1	135.0	

**Table 4 – Debt and the Authorised Limit and Operational Boundary**

The Council is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. These limits were set in the 2023/24 Capital, Investment and Treasury Management Strategy. The Council has complied with the limits at Q3 2023/24.

	Maximum Debt Q3 2023/24 £m	Debt at 30/12/2023 £m	2023/24 Authorised Limit £m	2023/24 Operational Boundary £m	Complied?
Borrowing	99.4	99.4	150.0	140.0	✓
PFI and Finance Leases	-	-	-	-	
<b>Total debt</b>	<b>99.4</b>	<b>99.4</b>	<b>150.0</b>	<b>140.0</b>	

**Table 5 – Net Income from Commercial and Service Investments to Net Revenue Stream**

The Council's income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below. This is unchanged from the 2023/24 Capital, Investment & Treasury Management Strategy.

	2022/23 Actual £m	2023/24 Estimate (Capital Strategy) £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m
Total net income from service and commercial investments	1.7	1.7	1.7	1.7	1.7
Proportion of net revenue stream	15%	14%	14%	13%	13%

**Table 6 – Proportion of financing costs to net revenue stream**

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The proportion of financing costs to net revenue stream is expected to rise compared to what was reported in the 2023/24 Capital, Investment & Treasury Management Strategy.

	2022/23 Actual £m	2023/24 Estimate (Capital Strategy) £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m
General Fund – Financing costs	2.3	2.0	2.4	2.4	2.7
Proportion of net revenue stream	20%	17%	20%	19%	21%

### **Table 7 – Maturity Structure of Borrowing**

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing are as below, all of which the Council complied with at Q3 of 2023/24.

	Upper Limit 2023/24 %	Lower Limit 2023/24 %	Actual at 30/09/23 %	Complied?
Under 1 year	15	-	3%	Yes
1 to 2 years	15	-	3%	
2 to 5 years	25	-	13%	
5 to 10 years	50	-	20%	
More than 10 years	50	-	4%	
Over 20 years	70	-	56%	
<b>Total</b>			<b>100%</b>	

### **Table 8 – Long-term Treasury Management Investments**

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term. The prudential limits on the long-term treasury management limits are as below, and the Council has complied with these as at Q3 of 2023/24.

	2023/24 £m	2024/25 £m	No fixed date £m
Limit on principal invested beyond year end	16	16	16
Actual principal invested beyond year end	-	-	10.8
Complied?	Yes	Yes	Yes