

## Prudential and Treasury Indicators (Compliance)

### 1 Gross Debt and the Capital Financing Requirement

1.1 In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the County Council should ensure that its gross external debt does not, except in the short-term if borrowing in advance of need has been approved, exceed the total of the 2021/22 Capital Financing Requirement plus the estimates of any additional Capital Financing Requirement for 2022/23 and the next two financial years; this essentially demonstrates that the County Council is not borrowing to support revenue expenditure. The table below shows that at 31 March 2022 the County Council's gross external debt has not exceeded its Capital Financing Requirement:

<b>Prudential Indicators -Capital (i)</b>	<b>Estimate 2021/22 £'m</b>	<b>Actual 31 Mar 22 £'m</b>
Capital Expenditure (2021/22)	110.6	112.0
Capital Financing Requirement	590.7	586.9
Gross External Debt; including short/long-term Borrowing, PFI and Finance Leases	566.3	565.6

(i) Revised estimates for 2021/22 Prudential Indicators approved as part of the 2022/23 Budget - incorporated in 2022/23 Treasury Management Strategy Statement (TMSS) approved February 2022.

### 2 Authorised Limit and Operational Boundary for External Debt

2.1 The Authorised Borrowing Limit is a statutory limit determined under Section 3 of the Local Government Act 2003 (referred to in the legislation as the "Affordable Limit"). This limit sets the maximum level of external debt on a gross basis (excluding all investments) for the County Council. It is measured on a daily basis against all external debt items on the County Council's Balance Sheet, including:

- Long-term borrowing
- Short-term borrowing
- Overdrawn bank balances
- Other long-term liabilities (PFI / Finance Leases)

<b>Authorised Borrowing Limit</b>	<b>Estimate 2021/22 £m (22/23 TMSS)</b>	<b>Actual 31 Mar 22 £'m</b>
External Borrowing (Capital)	532.0	471.3
External Borrowing (CHC)	6.0	6.0
External Borrowing (Cashflow)	40.0	0.0
PFI Schemes & Finance Leases	89.0	88.3
Authorised Borrowing Limit	667.0	565.6

2.2 The Operational Boundary (borrowing limit) links directly to the County Council's estimates of the Capital Financing Requirement and represents the expected borrowing position of the County Council that is required to meet its

capital spending plans. This indicator therefore excludes the additional £40m headroom included within the Authorised Limit approved to cover exceptional (short-term) cash flow movements. Periods where the actual borrowing position is either above or below boundary are acceptable subject to the Authorised Limit not being breached.

<b>Operational Boundary</b>	<b>Estimate 2021/22 £m (22/23 TMSS)</b>	<b>Actual 31 Mar 22 £'m</b>
External Borrowing (Capital)	471.3	471.3
External Borrowing (CHC)	6.0	6.0
PFI Schemes & Finance Leases	89.0	88.3
Operational Borrowing Limit	566.3	565.6

2.3 The County Council confirms that there were no breaches of the Authorised Borrowing Limit during 2021/22.

### **3 Ratio of Financing Costs to Net Revenue Stream**

3.1 This indicator identifies the trend in the corporately funded cost of capital (excluding costs met from economic development schemes) against the net revenue stream.

<b>Financing Costs</b>	<b>Estimate 2021/22 £m (22/23 TMSS)</b>	<b>Actual 31 Mar 22 £'m</b>
Capital Financing Costs	31.7	31.7
Finance Leases: Corporate Contribution	0.0	0.2
Less: Economic Development Schemes (costs)	-2.4	-2.4
<b>Total (excluding Economic Development initiative and PFI/Finance Leases)</b>	<b>29.3</b>	<b>29.5</b>
Net Revenue Expenditure	624.8	619.1
% Ratio	4.7%	4.8%

### **4 Upper Limits for Fixed and Variable Interest Rate Exposure**

4.1 This indicator allows the County Council to manage the extent to which it is exposed to changes in interest rates; the County Council calculates these limits on principal outstanding borrowed sums. The upper limits for variable interest rate exposure have been set with regard to current economic forecasts, to ensure that the County Council is not exposed to interest rate rises which could adversely impact the revenue budget.

<b>Interest Rate Exposure</b>	<b>Approved Limits 2021/22</b>	<b>Actual Position 31 Mar 22</b>
Maximum % Borrowing at Fixed Rates	100%	99%
Maximum % Borrowing at Variable Rates	25%	1%

4.2 The County Council confirms that there were no breaches of these limits during 2021/22.

## 5 Maturity Structure of External Borrowing

5.1 This indicator highlights the existence of any large concentrations of external debt needing to be replaced at times of uncertainty over interest rates, and is designed to protect against excessive exposures to interest rate changes in any one period, in particular over the course of the next ten years.

<b>Maturity Structure</b>	<b>Lower Limit 2021/22 (%)</b>	<b>Upper Limit 2021/22 (%)</b>	<b>Actual Borrowing 31-Mar-22 (£'m)</b>	<b>Actual Borrowing 31-Mar-22 (%)</b>
Over 30 Years	0%	40%	125.0	26%
Over 25 to 30 Years	0%	25%	0.0	0%
Over 20 to 25 Years	0%	25%	15.0	3%
Over 15 to 20 Years	0%	25%	0.0	0%
Over 10 to 15 Years	0%	50%	84.8	18%
Over 5 to 10 Years	0%	60%	207.7	44%
Over 1 to 5 Years	0%	35%	28.8	6%
Under 12 Months (i)	0%	25%	16.0	3%
<b>Total</b>	<b>n/a</b>	<b>n/a</b>	<b>477.3</b>	<b>100%</b>

(i) Includes short-term (non-PWLB) borrowing.

5.2 The County Council confirms that there were no breaches of these limits during 2021/22.

## 6 Upper Limit for Principal Sums Invested over 365 Days

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

	<b>Upper Limit 2021/22</b>	<b>Actual Position 31 Mar 22</b>
Maximum invested for longer than a year (£)	£100m	£62.6m

6.2 The above limit reports on investments with expected maturities in excess of one year on commencement of the investment. This limit may therefore differ to the "greater than one year" investment total shown in paragraph 6.13 of the Annual Report which details the remaining period until actual maturity dates. The County Council confirms that there were no breaches of this limit during 2021/22.