

Proposed Prudential Indicators 2020/21 revised, 2021/22 and forecasts for 2022/23 to 2023/24

Indicators for Prudence

CAPITAL EXPENDITURE

This is an estimate of the amount of investment planned over the period. As can be seen, not all investment necessarily has an impact on the Council Tax, schemes funded by grants, capital receipts or external contributions mean that the effect on the Council Tax is greatly reduced.

Capital Expenditure - General Fund	2019/20	2020/21	2021/22	2022/23	2023/24
£000s	Actual	Revised	Estimate	Forecast	Forecast
Total Capital Expenditure	5,202	10,783	816	824	812
Financing - General Fund					
External contributions	(23)	(43)	-	-	-
Section 106	(7)	(109)	-	-	-
Coast protection grant	(1,670)	(439)	-	-	-
Other Government grants	(40)	(282)	-	-	-
Disabled Facilities Grant	(1,507)	(5,265)	(757)	(757)	(757)
Capital receipts	(28)	(825)	-	-	-
Direct revenue contributions	(341)	(57)	(55)	(55)	(55)
Earmarked reserves	(1,586)	(3,763)	(4)	(12)	-
Total Capital Financing	(5,202)	(10,783)	(816)	(824)	(812)
Net Financing need (External Borrowing)	0	0	0	0	0

Housing Revenue Account Capital Schemes	2019/20	2020/21	2021/22	2022/23	2023/24
£000	Actual	Revised	Estimate	Forecast	Forecast
Total Capital Expenditure	5,370	3,457	3,457	3,176	3,176
Financing - Housing Revenue Account					
Major repairs reserve	(3,652)	(3,176)	(3,176)	(3,176)	(3,176)
Direct revenue contributions	(1,197)	(281)	(281)	-	-
Section 106	(86)	-	-	-	-
Capital receipts	(368)	-	-	-	-
External contributions	(67)	-	-	-	-
Government grant	-	-	-	-	-
Total Capital Financing	(5,370)	(3,457)	(3,457)	(3,176)	(3,176)
Net Financing need (External Borrowing)	0	0	0	0	0

CAPITAL FINANCING REQUIREMENT

Each year, the Council finances the capital programme by a number of means, one of which could be borrowing. The Capital Financing Requirement (CFR) represents the cumulative amount of borrowing that has been incurred to pay for the Council's capital assets, less amounts that have been set aside for the repayment of debt over the years. The Council is only allowed to borrow long term to support its capital programme. It is not allowed to borrow long term to support its revenue budget.

CAPITAL FINANCING REQUIREMENT	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
General Fund	5,448	5,230	5,021	4,820	4,627
Housing Revenue Account	40,106	38,442	36,778	34,564	33,149
Total	45,554	43,672	41,799	39,384	37,776

GROSS DEBT AND THE CAPITAL FINANCING REQUIREMENT

This indicator compares the Capital Financing Requirement to the level of external debt and shows how much of the capital programme is financed from internal resources. The capital programme is partially funded in the short to medium term by internal resources when investment interest rates are significantly lower than long term borrowing rates. Net interest payments are, therefore, optimised.

PRUDENTIAL INDICATOR	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
Capital Financing Requirement	45,554	43,672	41,799	39,384	37,776
External debt	40,313	38,592	36,921	34,699	33,277
Internal borrowing	5,241	5,080	4,878	4,685	4,499

OPERATIONAL BOUNDARY AND AUTHORISED LIMIT

The Council must set an operational boundary and authorised limit for external debt. The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It reflects the decision on the amount of debt needed for the Capital Programme for the relevant year. It also takes account of other long term liabilities, which comprise finance leases, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt. The Council has none of these at present.

The authorised limit 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.

PRUDENTIAL INDICATOR	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
Operational boundary - borrowing	67,704	67,525	67,342	67,885	67,078
Authorised limit - borrowing	76,455	76,156	75,355	75,958	75,294

Indicators for Affordability

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.

ESTIMATE OF THE RATIO OF FINANCING COSTS TO NET REVENUE	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Revised	Estimate	Forecast	Forecast
	%	%	%	%	%
General Fund	-2.49	-0.40	0.94	0.58	0.10
Housing Revenue Account	57.54	47.09	47.29	47.78	40.86

INTEREST RATE EXPOSURE

Tendring District Council currently has all its borrowings at fixed rate and usually has a mixture of fixed and variable rate investments. This indicator is set to control the Council's exposure to interest rate risk.

PRUDENTIAL INDICATOR	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
Upper limit for Fixed Interest Rates on debt	45,554	43,672	41,799	39,384	37,776
Upper limit for Variable Interest Rates on debt (based on 30% of the fixed rate limit)	13,666	13,102	12,540	11,815	11,333

TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS (excluding property)

Interest rate risk is also affected by the proportion of the investments invested at fixed rates for longer periods, especially in a period when rates are expected to rise.

PRUDENTIAL INDICATOR	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Revised	Estimate	Forecast	Forecast
	£000	£000	£000	£000	£000
Limits on the total principal sum invested to final maturities longer than 364 days	3,500	3,500	3,500	3,500	3,500

MATURITY STRUCTURE OF FIXED RATE BORROWING

This indicator is set to control the Council's exposure to refinancing risk. The limits are set for each age range to ensure that the Council avoids too many fixed rate loans being matured at one time and spreads the maturity across several periods. The percentages for the upper and lower limits do not add up to 100% as they do not represent an actual allocation.

PRUDENTIAL INDICATOR	Upper limit	Lower limit	Estimated outstanding debt maturity % at			
	%	%	31/03/21	31/03/22	31/03/23	31/03/24
	Under 12 months	25	0	4.33%	6.02%	4.10%
12 months and within 24 months	30	0	5.76%	3.85%	7.56%	7.28%
24 months and within 5 years	60	0	16.76%	20.22%	17.10%	13.83%
5 years and within 10 years	75	0	17.57%	14.76%	14.60%	14.07%
10 years and above	95	25				
10-20 years			15.76%	14.52%	13.41%	11.86%
20-30 years			0.95%	18.96%	25.94%	33.06%
>30 years			38.87%	21.67%	17.29%	12.02%

TREASURY INDICATOR - EXPOSURE TO CREDIT RISK

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) using the rating applicable when it is taken out and taking the arithmetic average, weighted by the size of each investment. Investments in government instruments such as DMO, treasury bills and in local authorities are scored as 1.

TREASURY INDICATOR	2019/20	2020/21	2021/22
	Actual	to28/2	Upper limit
Average credit score for investments	1.26	1.01	2.00