

## CYNGOR SIR CEREDIGION COUNTY COUNCIL

**PRUDENTIAL INDICATORS****1. PRUDENTIAL INDICATORS SUBMITTED FOR APPROVAL**

The Prudential Code sets out the indicators that must be used in order to demonstrate that local authorities have fulfilled the Code objectives. The Code does not suggest indicative limits or ratios for the indicators.

The Council must set and approve the indicators and they should follow the same route as the setting and revising of the budget. In setting or revising the prudential indicators the local authority must have regard to the following matters:

- Affordability
- Prudence and sustainability
- Value for money
- Stewardship of assets
- Service objectives
- Practicality

The following Prudential Indicators are submitted for approval:

**PI 1 Estimates of Capital Expenditure**

The actual capital expenditure that was incurred last year and estimates of capital expenditure to be incurred for the current and future years are:

|              | <b>2021/22</b> | <b>2022/23</b>  | <b>2023/24</b>  | <b>2024/25</b>  | <b>2025/26</b>  |
|--------------|----------------|-----------------|-----------------|-----------------|-----------------|
|              | <b>£m</b>      | <b>£m</b>       | <b>£m</b>       | <b>£m</b>       | <b>£m</b>       |
|              | <b>Actual</b>  | <b>Estimate</b> | <b>Estimate</b> | <b>Estimate</b> | <b>Estimate</b> |
| General Fund | 18             | 35              | 60              | 24              | 11              |
| <b>Total</b> | <b>18</b>      | <b>35</b>       | <b>60</b>       | <b>24</b>       | <b>11</b>       |

**PI 2 Estimates of Financing costs to Net Revenue Stream.**

The estimated financing costs as to the Authority's Net Revenue Stream are:

|              | <b>2021/22</b> | <b>2022/23</b>  | <b>2023/24</b>  | <b>2024/25</b>  | <b>2025/26</b>  |
|--------------|----------------|-----------------|-----------------|-----------------|-----------------|
|              | <b>Actual</b>  | <b>Estimate</b> | <b>Estimate</b> | <b>Estimate</b> | <b>Estimate</b> |
| General Fund | 4.4%           | 4.2%            | 3.7%            | 4.0%            | 4.0%            |

### PI 3 Estimates of Capital Financing Requirement

Estimates of the end of year capital financing requirement (which includes the accounting requirements for PFI and Finance Lease transactions) for the Authority for the current and future years and the actual capital financing requirement at 31/03/22 are:

|              | 31/03/22   | 31/03/23   | 31/03/24   | 31/03/25   | 31/03/26   |
|--------------|------------|------------|------------|------------|------------|
|              | £m         | £m         | £m         | £m         | £m         |
|              | Actual     | Estimate   | Estimate   | Estimate   | Estimate   |
| General Fund | 138        | 143        | 162        | 171        | 172        |
| <b>Total</b> | <b>138</b> | <b>143</b> | <b>162</b> | <b>171</b> | <b>172</b> |

### PI 4 Gross Debt and the Capital Finance Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that gross external debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

The Section 151 officer reports that the authority did not have any difficulty in meeting this requirement in 2021/22, nor are there any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in the 3 year capital programme.

### PI 5 Authorised Limit for External Debt

In respect of its external debt, it is recommended that the Council approves the following authorised limits for its total external debt gross of investment for the next three financial years. These limits separately identify debt from other long term liabilities such as finance leases.

The Council is asked to approve these limits and to delegate authority to the Section 151 officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities, in accordance with option appraisal and best value for money for the Authority. Any such changes made will be reported to the Council at its next meeting following the change.

|                             | 2022/23    | 2023/24    | 2024/25    | 2025/26    |
|-----------------------------|------------|------------|------------|------------|
|                             | £m         | £m         | £m         | £m         |
| Borrowing                   | 131        | 155        | 163        | 168        |
| Other long term liabilities | 7          | 7          | 12         | 12         |
| <b>Total</b>                | <b>138</b> | <b>162</b> | <b>175</b> | <b>180</b> |

The Section 151 officer reports that these authorised limits are consistent with the Authority’s current commitments, existing plans and the proposals in the budget report for capital expenditure and financing. The Section 151 officer confirms that they are based on an estimate of the most likely and prudent scenario (but not worst case), with additional headroom over and above this to allow for operational management, for example unusual cash movements and debt rescheduling.

The limit determined for 2023/24 will be the statutory limit determined under section 3 (1) of the Local Government Act 2003.

**PI 6 Operational Boundary for External Debt**

The Council is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly the s151 Officer’s estimate of the most likely and prudent scenario (but not the worst case), without the additional headroom included within the authorised limit and equates to the maximum of external debt projected.

The Council is also asked to delegate authority to the Section 151 officer, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities. Any such changes will be reported to the Council at its next meeting following the change.

|                             | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> |
|-----------------------------|----------------|----------------|----------------|----------------|
|                             | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      |
| Borrowing                   | 125            | 149            | 157            | 162            |
| Other long term liabilities | 6              | 6              | 11             | 11             |
| <b>Total</b>                | <b>131</b>     | <b>155</b>     | <b>168</b>     | <b>173</b>     |

**PI 7 Actual External Debt**

The Council’s actual external debt at 31/03/2022 was £121.6m (consisting of External Borrowing of £115.6m and Long term liabilities of £6.0m).

It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt reflects the position only at one particular point in time.

**PI 8 Maturity Structure of Borrowing**

Upper and lower limits proposed for the maturity structure of borrowings are:

|   | <b>Upper limit</b> | <b>Lower limit</b> |
|---|--------------------|--------------------|
| Under 12 months   | 20%                | 0%                 |
| 12 months & within 24 months                                      | 20%                | 0%                 |
| 24 months & within 5 years  | 50%                | 0%                 |
| 5 years & within 10 years   | 75%                | 0%                 |
|   |                    |                    |
| 10 years & above  | 95%                | 25%                |
| <u>Sub-category within 10 years and above</u><br>50 years & above | 20%                | 0%                 |

**PI 9 Upper limit for total principal sums invested for more than 1 year**

Upper limit for sums invested for more than 1 year at the time the investment is made are:

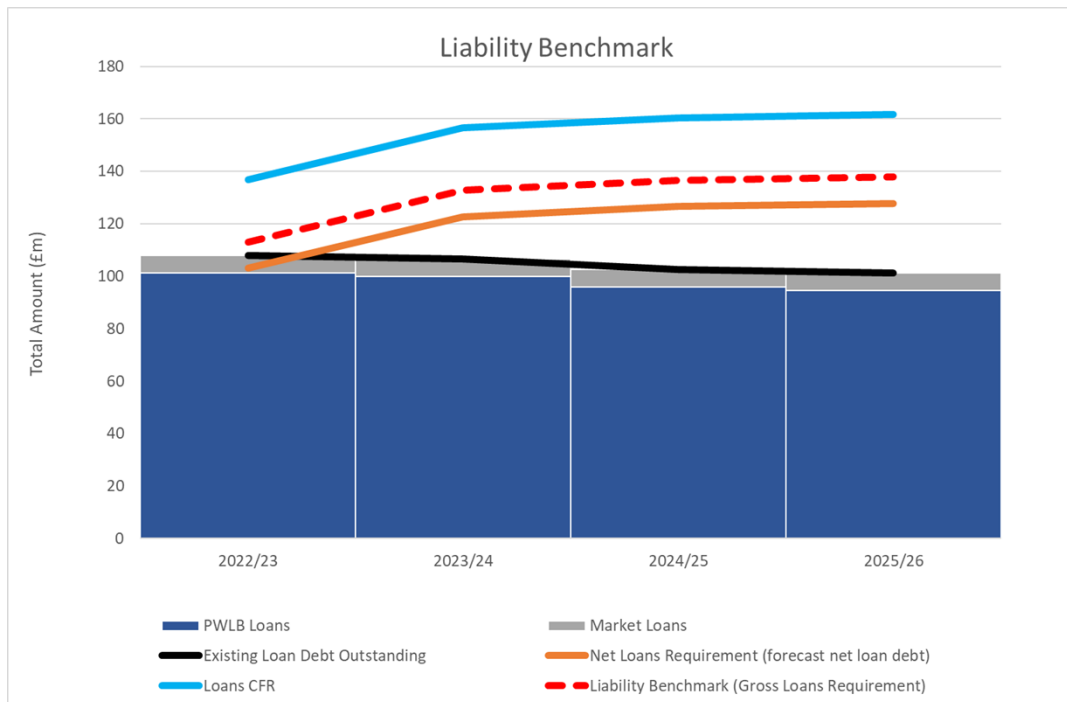
| <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> |
|----------------|----------------|----------------|----------------|
| £2.5m          | £2.5m          | £2.5m          | £2.5m          |

**PI 10 Liability Benchmark**

A new prudential indicator for 2023/24 is the Liability Benchmark. The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

There are four components to the Liability Benchmark:

- Existing loan debt outstanding: the Authority's existing loans that are still outstanding in future years.
- Loans CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- Net loans requirement: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



## 2. MONITORING BY THE CHIEF FINANCE OFFICER

The Section 151 officer is required to maintain a measurement and reporting process to monitor the performance of all the indicators. Provided that the total authorised limit and the operational boundary are unchanged, movement can be made between the separate headings of Capital Expenditure by the Section 151 officer, with any such changes being reported to the next meeting of the Council.