

## PRUDENTIAL INDICATORS

The following Prudential Indicators (and those included in Appendix (E) have been calculated in accordance with the CIPFA Prudential Code for Capital Finance in Local Authorities. In addition, a local indicator has been calculated to reflect the City's particular circumstances. Those indicators relating to estimates for the financial years 2022/23, 2023/24 and 2024/25 (values shown in bold) are required to be set by the Court of Common Council as part of the budget setting process and should be taken into account when considering the affordability, prudence and sustainability of capital investments.

### Prudential Indicators for Affordability

#### Estimate of the ratio of financing costs to net revenue stream

Table 1

	2018/19 Actual	2019/20 Actual	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA	0.29	0.26	0.25	0.22	<b>0.24</b>	<b>0.31</b>	<b>0.30</b>
Non-HRA	-0.49	-0.46	-0.35	-0.28	<b>-0.24</b>	<b>-0.29</b>	<b>-0.30</b>
Total	-0.41	-0.39	-0.30	-0.24	<b>-0.20</b>	<b>-0.24</b>	<b>-0.24</b>
<i>At this time last year</i>	-0.41	-0.39	-0.26	-0.23	-0.25	-0.26	-

This ratio is intended to represent the extent to which the net revenue consequences of capital financing and borrowing impact on the net revenue stream. Since the City Fund is currently a net lender in its Treasury operations and is in receipt of significant rental income from investment properties, the Non-HRA and Total ratios are usually negative. The fall in the Non-HRA ratios from 2019/20 until 2021/22 reflects the reduction in investment income as a proportion of total revenue streams. The increase in HRA ratios from 2023/24 reflect the additional cost of internal borrowing from City Fund to finance the HRA programme of capital works necessary to maintain the housing estates.

### Prudential Indicator of Prudence

#### Gross Debt and the Capital Financing Requirement

Table 2

	Period 2021/22 to 2024/25 £m
Gross External Debt	<b>13,399</b>
Capital Financing Requirement	<b>138,013</b>

To ensure that, over the medium term, borrowing will only be for capital purposes, this indicator demonstrates that gross external debt will not exceed the capital financing requirement over the

period 2021/22 to 2024/25. The current plans for funding of the capital programme, including the major projects, do not anticipate any new external borrowing.

## **Prudential Indicators for Capital Expenditure and External Debt**

### **Estimate of Capital Expenditure**

**Table 3**

	2018/19 Actual £m	2019/20 Actual £m	2020/21 Actual £m	2021/22 Revised £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
HRA	10.854	10.867	13.233	52.561	<b>52.169</b>	<b>15.068</b>	<b>0.560</b>
Non-HRA	67.199	41.874	48.524	104.001	<b>164.885</b>	<b>283.212</b>	<b>260.439</b>
Total	78.053	52.741	61.757	156.562	<b>217.054</b>	<b>298.280</b>	<b>260.999</b>
<i>At this time last year</i>	<i>78.053</i>	<i>52.741</i>	<i>123.915</i>	<i>245.118</i>	<i>233.729</i>	<i>232.469</i>	-

This indicator is based on the capital budget, augmented to reflect the indicative cost of schemes which have been approved in principle but have yet to be formally agreed for progression. It should be noted that the figures represent gross expenditure and that a number of schemes are wholly or partially funded by external contributions. Comparisons with the figures calculated at this time last year are generally reflective of the re-phasing of capital expenditure, including more robust estimates relating to the major projects.

### **Estimate of the Capital Financing Requirement**

**Table 4**

	2018/19 Actual £m	2019/20 Actual £m	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
HRA	0.000	0.000	0.000	6.080	<b>24.819</b>	<b>28.019</b>	<b>23.842</b>
Non-HRA	43.592	46.386	53.455	45.606	<b>78.264</b>	<b>188.169</b>	<b>114.171</b>
Total	43.592	46.386	53.455	51.686	<b>103.083</b>	<b>216.188</b>	<b>138.013</b>
<i>At this time last year</i>	<i>46.592</i>	<i>46.386</i>	<i>64.877</i>	<i>123.982</i>	<i>261.886</i>	<i>299.071</i>	-

The capital financing requirement (CFR) reflects the underlying need to borrow to finance capital expenditure and is calculated by identifying the shortfall in capital financing sources (e.g. capital receipts, grants, revenue reserves etc) to be applied. Borrowing can either be internal (use of internal cash balances) or external (third party loan finance).

Since 2016/17, the City Fund has been financing some capital expenditure from cash sums received from the sale of long leases, which are treated as deferred income in accordance with accounting standards. For the purposes of this indicator, such funding counts as 'internal borrowing'. In addition, in 2023/24 some of the major project expenditure will be funded from internal borrowing, using general City Fund cash balances on an interim basis pending the application of disposal proceeds from the sale of investment properties in 2024/25.

In accordance with the guidance contained in the Prudential Code, the 'Actual' indicators are calculated directly from the Balance Sheet, whilst the method of calculating the HRA and Non-HRA elements is prescribed under Statute.

The remaining prudential indicators relating to external debt and treasury management are included within Appendix D.

### **Local Indicators**

A local indicator which gives a useful measure of both sustainability and of the adequacy of revenue reserves has been developed.

### **Times Cover on Unencumbered Revenue Reserves**

**Table 5**

	2021/22	2022/23	2023/24	2024/25
Times cover on unencumbered revenue reserves	+1.5	<b>+3.0</b>	<b>-0.8</b>	<b>-1.2</b>
<i>At this time last year</i>	+8.4	-13.1	-70.0	-

This indicator is calculated by dividing the balance of forecast unencumbered general reserves by annual revenue deficits(-)/surpluses(+). For 2021/22 and 2022/23 revenue surpluses are forecast, with annual deficits from 2023/24 as the benefits of business rates retained growth ends. Ratios below -1.0 indicate insufficient general reserves to cover the deficit in a particular financial year, which is not sustainable. However, the revenue position is forecast to be much improved by 2025/26 as savings from the fundamental review are fully realised and incomes improve, albeit partially offset by the impact of major project financing.