

Summary of Prudential Indicators

The Council is requested to approve the following Prudential Indicators for 2023/24 which are discussed in detail in the Capital Strategy (Annex K), the Treasury Management Strategy (Annex M) and the Investment Strategy (Annex L).

Indicators contained within the Capital Strategy

Estimates of capital expenditure in £m

	2021/22 Actual £m	2022/23 Budget £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m
Capital Expenditure	5.69	30.60	12.07	12.01	6.37

Sources of capital funding £m

	2021/22 Actual	2022/23 £m Budget	2023/24 £m Forecast	2024/25 £m Forecast	2025/26 £m Forecast
External Sources	1.61	2.38	0.80	0.80	0.80
Own Resources	0.54	4.21	0.92	0.54	0.54
Internal & External Borrowing	3.53	24.01	10.35	10.67	5.03
	5.69	30.60	12.07	12.01	6.37

MRP

	2021/22 Actual £m	2022/23 Budget £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m
MRP on internal/external borrowing	1.03	1.19	1.78	2.28	2.77
Capital Receipts (exc Asset Disposal)	0.69	0.80	0.96	1.26	1.61
MRP provision applied	0.34	0.39	0.81	1.02	1.16

Capital Financing Requirement (CFR)

	2021/22 Actual £m	2022/23 Budget £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m
General fund services	9.35	10.04	13.44	16.83	14.09
Capital Investments	16.52	29.62	34.62	39.62	44.62
Total CFR	25.87	39.66	48.06	56.45	58.71

Capital Receipts

	2021/22 Actual £m	2022/23 Budget £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m
Asset Disposal	0	0	0	0	0
Leases and Loans	0.69	0.80	0.96	1.26	1.61
	0.69	0.80	0.96	1.26	1.61

Authorised limit and operational boundary for external debt £m

	2022/23 Budget £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
Capital Financing Requirement (CFR)	39.66	48.06	56.45	58.71	55.81
Operational Boundary	41.66	50.06	58.45	60.71	57.81
Authorised Borrowing Limit	46.66	55.06	63.45	65.71	62.81

Estimates of financing costs to net revenue stream

	2021/22 Actual £m	2022/23 Budget £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m
Interest Payable	0	0.016	0.522	0.795	0.998
MRP	0.345	0.391	0.813	1.020	1.155
Total borrowing costs	0.345	0.407	1.336	1.814	2.153
Net Revenue Stream (per MTFS)	13.78	11.21	7.17	7.55	7.93
Proportion of Net Revenue Stream	2.50%	3.63%	18.63%	24.04%	27.14%

Net income from commercial & service investments to net revenue stream

	2021/22 Actual £m	2022/23 Budget £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m
Capital Investments	4.06	3.92	5.37	5.37	5.37
Service Investments	0.20	0.20	1.25	1.61	1.71
	4.26	4.12	6.63	6.98	7.08
Net Revenue Stream (per MTFS)	13.78	11.21	7.17	7.55	7.93
Proportion of Net Revenue Stream	30.92%	36.74%	92.40%	92.54%	89.25%

Indicators contained within the Investment Strategy*Loans for Service Purposes in £*

Category of Borrower	Actual at 31st March 2022			Forecast at 31st March 2023	
	Balance Owing £	Loss Allowance £	Figure in Accounts £	Balance Owing £	Approved Limit £
Local Businesses	2.62	0.00	2.62	2.40	2.40
Town/Parish Councils	0.13	0.00	0.13	0.11	0.11
Housing Associations	7.54	0.00	7.54	7.26	7.26
Local Residents (Equity Loans)	0.23	0.00	0.23	0.23	0.23
Employees (Car loans)	0.00	0.00	0.00	0.00	0.00
Total	10.52	0.00	10.52	10.01	10.01

Shares Held for Service Purposes

Category of Company	31st March 2022 actual			2023/24
	Amount Invested	Gains or losses	Value in Accounts	Approved Limit
Local Authority owned company	£1	£0	£1	£1

Properties held for investment purposes in £m

Type of Property	Inside District £m	Outside District £m	Inside County £m	Outside County £m
Commercial Investment Property	19.19	28.29	44.15	3.33
Industrial Estates	7.27	0.00	7.27	0.00
Subtotal	26.46	28.29	51.42	3.33
Total Held	54.75		54.75	

Proportionality of investments

	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Gross Service Expenditure*	33.90	29.79	30.01	31.51	32.46
Treasury Investment Income	0.79	1.10	0.91	0.86	0.81
Loans Income	0.18	0.19	0.19	0.20	0.21
Share Dividends	0.00	0.00	0.00	0.00	0.00
Commercial Investments: Property	4.06	3.92	5.37	5.37	5.37
Total	5.04	5.20	6.48	6.43	6.39
Investment income as a proportion of expenditure	14.87%	17.47%	21.58%	20.41%	19.68%

* excluding Housing Benefit payments

Total investment exposure £m

	31st Mar 2022 Actual £m	31st Mar 2023 Forecast £m	31st Mar 2024 Forecast £m
Treasury Management investments	31.60	17.31	17.31
Service Investments: Loans	10.52	10.01	9.49
Service investments: shares (£1)	0.00	0.00	0.00
Property investments	54.75	67.85	72.85
Total investments / exposure	96.87	95.16	99.65

Forecast borrowing requirement £m

	2022/23 Budget £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
Capital Financing Requirement (CFR)	39.66	48.06	56.45	58.71	55.81
Less external borrowing	(10.00)	(17.00)	(26.50)	(31.50)	(31.50)
Internal borrowing	29.66	31.06	29.95	27.21	24.31
Usable reserves	(35.43)	(32.49)	(29.78)	(24.33)	(19.27)
Working capital	(10.85)	(10.70)	(10.87)	(11.03)	(11.19)
Cash available for investments	16.62	12.13	10.69	8.14	6.15

Investments net rate of return

	2021/22	2022/23	2023/24
Treasury Management	2.12%	3.92%	3.92%
<u>Service investments: Loans</u>			
Local Businesses	3.85%	3.85%	3.85%
Town & Parish Councils	1.40%	1.40%	1.40%
Housing Associations	2.56%	2.56%	2.56%
Local Residents (equity loans)	0.00%	0.00%	0.00%
Employees (car loans)	2.00%	2.00%	2.00%
Service investments: Shares	0.00%	0.00%	0.00%
Commercial investments	7.15%	6.62%	6.62%

Indicators contained within the Treasury Management Strategy

WODC Treasury investments – one year return

Investments	31st Dec 21 to 31st Dec 22			
	31st Dec 2022	Capital Return	Income Return	Total Return
	£			
Money Market Funds	11,010,000	0.00%	3.32%	3.32%
Call Accounts	1,580,000	0.00%	0.40%	0.40%
DMO (Bank of England)	8,000,000	0.00%	3.08%	3.08%
Internal Investments	20,590,000	0.00%	3.02%	3.02%
Cash Plus and Short Bond Fund	1,989,372	-2.49%	1.37%	-1.12%
Strategic Pooled Funds:				
Aegon Diversified Monthly Income Fund	2,659,081	-12.33%	4.36%	-7.97%
CCLA Diversified Income Fund	2,759,392	-10.23%	2.30%	-7.93%
M & G Strategic Corporate Bond	1,733,749	-16.30%	3.10%	-13.21%
Royal London Short Dated Credit Fund	1,769,201	-10.15%	2.47%	-7.69%
Schroder Income Maximiser Fund	858,868	-5.81%	7.32%	1.51%
Threadneedle UK Equity Income Fund	1,026,329	-5.31%	3.46%	-1.85%
UBS Multi Asset Income Fund	1,463,275	-19.82%	5.29%	-14.53%
Fundamentum Social Housing REIT	1,040,000	0.97%	2.48%	3.45%
	13,309,895	-11.26%	3.61%	-7.64%
Total Investment	35,889,267	Annualised income return		3.25%
Pooled funds	13,309,895	Annualised income return		3.92%

WODC Treasury investments – five year return

Investments	31st Dec 22	Capital Return	Income Return	Total Return
	£			
Strategic Pooled Funds:				
Aegon Diversified Monthly Income Fund	2,659,081	-11.36%	8.32%	-3.04%
CCLA Diversified Income Fund	2,759,392	-8.04%	5.95%	-2.09%
M & G Strategic Corporate Bond	1,733,749	-15.40%	15.49%	0.09%
Royal London Short Dated Credit Fund	1,769,201	-10.77%	8.83%	-1.95%
Schroder Income Maximiser Fund	858,868	-20.97%	31.35%	10.38%
Threadneedle UK Equity Income Fund	1,026,329	2.63%	17.33%	19.97%
UBS Multi Asset Income Fund	1,463,275	-26.47%	22.03%	-4.44%
Fundamentum Social Housing REIT	1,040,000	4.00%	5.90%	9.90%
	13,309,895	-3.76%	3.52%	-0.24%
Pooled Funds	13,309,895	Annualised income return		3.52%

Forecast borrowing requirement £m

	2022/23	2023/24	2024/25	2025/26	2026/27
	Budget £m	Forecast £m	Forecast £m	Forecast £m	Forecast £m
Capital Financing Requirement (CFR)	39.66	48.06	56.45	58.71	55.81
Less external borrowing	(10.00)	(17.00)	(26.50)	(31.50)	(31.50)
Internal borrowing	29.66	31.06	29.95	27.21	24.31
Usable reserves	(35.43)	(32.49)	(29.78)	(24.33)	(19.27)
Working capital	(10.85)	(10.70)	(10.87)	(11.03)	(11.19)
Cash available for investments	16.62	12.13	10.69	8.14	6.15

Authorised limit and operational boundary for external debt £m

	2022/23	2023/24	2024/25	2025/26	2026/27
	Budget £m	Forecast £m	Forecast £m	Forecast £m	Forecast £m
Capital Financing Requirement (CFR)	39.66	48.06	56.45	58.71	55.81
Operational Boundary	41.66	50.06	58.45	60.71	57.81
Authorised Borrowing Limit	46.66	55.06	63.45	65.71	62.81

Liability Benchmark £m

	2022/23 Forecast £m	2023/24 Budget £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
Capital Financing Requirement (CFR)	39.66	48.06	56.45	58.71	55.81
Less usable reserves	(35.43)	(32.49)	(29.78)	(24.33)	(19.27)
Less working capital	(10.85)	(10.70)	(10.87)	(11.03)	(11.19)
Net loans requirement	(6.62)	4.87	15.81	23.36	25.35
Plus liquidity allowance	16.00	16.00	16.00	16.00	16.00
Liability Benchmark	9.38	20.87	31.81	39.36	41.35

Interest rate exposures

	Limit £k
Upper limit on one year revenue impact of a 1% rise in interest rates	(135)
Upper limit on one year revenue impact of a 1% fall in interest rates	135

Maturity structure of borrowing

	Upper Limit	Lower Limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and within 30 years	100%	0%
30 years and above	100%	0%

Treasury investment counterparties and limits

Sector	Time Limit	Counterparty Limit	Sector Limit
The UK Government	50 years	Unlimited	n/a
Local Authorities	3 years	£15m	Unlimited
Other Government Entities	25 years	£4m	Unlimited
Secured investments*	25 years	£10m	Unlimited
Banks (unsecured)*	13 months	£3m	£10m
Building societies (unsecured)*	13 months	£2m	£5m
Registered providers (unsecured)*	5 years	£3m	£5m
Money market funds*	n/a	£5m	£25m
Strategic pooled funds	n/a	£5m	£25m
Real estate investment trusts	n/a	£3m	£5m
Other investments*	5 years	£5m	£10m

*Treasury Management investments will only be made with entities whose lowest published long term rating is no lower than A-

Investment limits

	Cash limit
Any single organisation, except the UK Central Govt	£5m each
UK Central Govt	unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same mgmt	£5m per manager
Real Estate Investment Trusts (REITS)	£3m max per REIT
Foreign countries	£1m per country
Registered providers	£10m in total
Unsecured investments with building societies	£2m in total per BS
Money Market Funds	£5m per MMF

Credit risk indicator

	Rating
Portfolio Average Credit Target	A-
Portfolio Credit Risk at 31st Dec 22	AA-

Interest rate exposures

	2022/23	2023/24	2024/25
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	100%	100%	100%

Price risk indicator

	2022/23	2023/24	2024/25
Limit on principal invested > year	£20m	£20m	£20m