Appendix 2

Prudential Indicators Outturn Report 2021/22

Capital Expenditure: The Authority's capital expenditure and financing, including the Housing Revenue Account, is summarised in table 1 below and is consistent with the draft statement of accounts for 2021/22:

Table 1

Capital Expenditure and Funding	2021/22 Estimate £m	2021/22 Actual £m	Difference £m
Capital Expenditure			
General Fund Services	8.361	6.422	(1.939)
Capital Investments	14.445	8.317	(6.128)
HRA	14.605	11.136	(3.469)
Total Expenditure	**37.411**	**25.875**	**(11.536)**
Funded by:			
External Resources	(6.840)	(5.626)	1.214
Internal Resources	(16.236)	(12.622)	3.614
Debt	(14.335)	(7.627)	6.708
Total Funding	**(37.411)**	**(25.875)**	**11.536**

Capital Financing Requirement: The Capital Financing Requirement (CFR) shown in table 2 below, measures the Authority's underlying need to borrow for a capital purpose and the actual position is consistent with the draft statement of accounts for 2020/21:

Table 2

Capital Financing Requirement	31.03.22 Estimate £m	31.03.22 Actual £m	Difference £m
General Fund Services	16.735	15.637	(1.098)
Capital Investments	75.806	70.178	(5.628)
HRA	47.416	47.416	-
Total CFR	**139.957**	**133.231**	**(6.726)**

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that 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. This is a key indicator of prudence and is shown in table 3 below:

Table 3

Debt and CFR	31.03.22 Estimate £m	Maximum Debt in 2021/22 £m	31.03.22 Actual £m	Difference £m
Total debt	92.9	99.0	97.8	4.9
Capital financing requirement	199.7	199.7	199.7	-
Headroom	**(106.8)**	**(100.7)**	**(101.9)**	**4.9**

The total debt remained below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt. The operational boundary for external debt is shown in table 4 below:

Table 4

Operational Boundary and Total Debt	31.03.22 Boundary £m	Maximum Debt in 2021/22 £m	31.03.22 Actual Debt £m	Complied
Borrowing	140.1	99.0	97.8	✓
Other long-term liabilities	-	-	-	✓
Total Debt	**140.1**	**99.0**	**97.8**	✓

Authorised Limit for External Debt: 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 Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements. The authorised limit for external debt is shown in table 5 below:

Table 5

Authorised Limit and Total Debt	**31.03.22 Boundary £m**	**Maximum Debt in 2021/22 £m**	**31.03.22 Actual Debt £m**	**Complied**
Borrowing	166.3	99.0	97.8	✓
Other long-term liabilities	-	-	-	✓
Total Debt	**166.3**	**99.0**	**97.8**	✓

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. The ration of financing costs to net revenue stream is shown in table 6 below:

Table 6

Ratio of Financing Costs to Net Revenue Stream	**31.03.22 Estimate %**	**31.03.22 Actual %**	**Difference %**
General Fund	15.6%	**18.9%**	3.3%
HRA	29.9%	**35.0%**	5.1%

The increase to the General Fund ratio is due to a combination of an increase in the revenue funding of capital expenditure required in 2021/22 and a lower than anticipated share of Business Rate income impacting the net revenue stream.

The change to the HRA ratio is mainly due to an increase in the revenue funding of capital expenditure of £1.0m required in 2021/22, reflecting additional expenditure incurred.

Net Income from Service and Commercial Investments to Net Revenue Stream: This indicator shows the net service and commercial investments income as a proportion of the Council's General Fund net revenue stream (income to be met from local taxation). The indicator also shows the same income as a proportion of the Council's General Fund usable reserves. The proportion net service and commercial investment income is shown in table 7 below:

Table 7

Net Income from Service and Commercial Investments to Net Revenue Stream	**2021/22 Forecast £m**	**2021/22 Actual £m**
Net income from service investments	0.315	0.329
Net income from commercial investments	1.031	1.102
Total income from service and commercial investments	1.346	1.431
Proportion of net revenue stream	**8.92%**	**10.9%**
Proportion of usable reserves	**2.86%***	**6.28%**

*The forecast figure reported in the Capital Strategy 2022/23 report to Full Council on 23 February 2022 (minute 69 refers) was understated. The correct forecast figure for the proportion of General Fund usable reserves is 7.39%.