

Appendix B

East Suffolk Council - Compliance with Prudential Indicators 2020/21

1 ESTIMATED AND ACTUAL CAPITAL EXPENDITURE

- 1.1 This indicator is set to ensure that the level of proposed investment in capital assets remains within sustainable limits and in particular to consider the impact on the Council Tax and in the case of the HRA, housing rent levels.

	2020/21	2020/21	2020/21
	Estimated £m	In Year Forecast	Outturn £m
Capital Expenditure			
Non-HRA	41.64	27.16	21.65
HRA	15.43	4.53	4.17
Total Capital Expenditure	57.07	31.69	25.82

- 1.2 The £5.51 variance on non-HRA and the £0.36m HRA variance relates to programme delivery being deferred until 2021/22. These were reported to Cabinet on 13 July 2021 part of the Council's Outturn report for 2020/21.

2 ESTIMATED AND ACTUAL RATIO OF FINANCING COSTS TO NET REVENUE STREAM

- 2.1 This is an indicator of affordability and demonstrates the revenue implications of capital investment decisions by highlighting the proportion of the revenue budget required to meet the borrowing costs associated with capital spending. The financing costs include existing and proposed capital commitments. Any increase in the percentages requires an increased contribution from the revenue account to meet the borrowing cost. The variances are primarily related to how the expenditure has been financed, with the non-HRA benefiting from increased external financing whereas the HRA has used slightly more internal resources to finance the 2020/21 expenditure.

	2020/21	2020/21
	Estimated %	Outturn %
Ratio of Financing Costs to Net Revenue Stream		
Non-HRA	1.47	0.29
HRA	17.62	15.21

3 CAPITAL FINANCING REQUIREMENT

- 3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium-term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

3.2 The Council met this requirement in 2020/21.

	2020/21	2020/21
	Estimated £m	Outturn £m
Capital Financing Requirement		
Non-HRA	48.49	46.51
HRA	77.75	77.75
Total	126.24	124.26

4 AFFORDABLE BORROWING LIMIT, AUTHORISED LIMIT AND OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

4.1 **Authorised Limit:** This is the maximum amount of external debt that can be outstanding at one time during the financial year. The limit, which is expressed gross of investments, is consistent with the Council's existing commitments, proposals for capital expenditure and financing and with its approved treasury policy and strategy and provides headroom over and above for unusual cash movements. This limit was set at £155m for 2020/21, with the actual total borrowing being £77.25m.

4.2 **Operational Boundary:** This limit is set to reflect the Council's best view of the most likely prudent (i.e., not worst case) levels of borrowing activity and was set at £153m for 2020/21 with the actual borrowing amount being £77.25m.

4.3 The levels of debt are measured on an ongoing basis during the year for compliance with the Authorised Limit and the Operational Boundary. The Council maintained its total external borrowing and other long-term liabilities within both limits.

5 UPPER LIMITS FOR FIXED INTEREST RATE EXPOSURE AND VARIABLE INTEREST RATE EXPOSURE

5.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The exposures are calculated on a net basis, i.e., fixed rate debt net of fixed rate investments. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	2020/21	2020/21
	Estimated %	Outturn %
Upper Limit for Fixed Rate Exposure	100	87
Upper Limit for Variable Rate Exposure	50	13

6 MATURITY STRUCTURE OF FIXED RATE BORROWING

6.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period and in particular in the course of the next ten years.

6.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

Maturity structure of fixed rate borrowing	Upper limit %	Lower limit %	Actual Borrowing as at 31 March 2021 £m	Percentage of total as at 31 March 2021 %
under 12 months	50	0	1.0	2
1 year and within 2 years	50	0	2.0	3
2 years and within 5 years	75	0	10.0	15
5 years and within 10 years	75	0	0	0
10 years and within 20 years	75	0	32.96	49
20 years and above	100	0	21.0	31

6.3 All borrowing has been taken in conjunction with advice from the Council's Treasury Management Advisors.

7 TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS

7.1 There were no proposals for the Council to invest sums for periods longer than 364 days.

7.2 The Council has £9.17m invested in a long-term property fund, £9.69m invested in long-term multi asset income fund and £15m invested with local authorities.