

General Fund Prudential Indicator Calculations

The purpose of the prudential indicators is to demonstrate that the Council's financial plans meet the statutory requirement to be affordable, prudent and sustainable.

General Fund Capital Expenditure

The prudential indicator for capital expenditure should be based upon a capital programme that takes into account the Council's asset management and capital investment strategies.

| Director | 2022/23 Actual £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 |
|--|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Transformation | 415 | 640 | 791 | 214 | 214 |
| Net Zero Exeter and City Management | 5,881 | 11,263 | 13,272 | 4,175 | 950 |
| City Development, Housing & Supporting People | 2,143 | 518 | 160 | 0 | 0 |
| Communications, Culture and Leisure Facilities | 4,584 | 5,747 | 136 | 100 | 100 |
| Finance | 46,425 | 23,468 | 954 | 933 | 0 |
| Total General Fund Capital Expenditure | 59,448 | 41,636 | 15,313 | 5,422 | 1,264 |

General Fund Financing costs

The figures for the actual financing costs will be taken from the Council's financial statements using the definition of financing costs specified in the Prudential Code. Estimates for the current and future years should be calculated in a manner consistent with this definition.

| Description | 2022/23 Actual £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 |
|---|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Interest payable with respect to short term borrowing | 828 | 600 | 1,006 | 900 | 800 |
| Interest payable under 'irredeemable' long term liabilities | 1,879 | 2,021 | 2,329 | 2,332 | 2,312 |
| Interest and investment income | (2,047) | (1,872) | (1,929) | (1,729) | (1,529) |
| Replacement for Minimum Revenue Provision (England and Wales) | 1,909 | 2,466 | 2,531 | 2,631 | 2,735 |
| Voluntary contribution to financing costs in respect of short-life assets | (1,480) | (800) | (700) | 0 | 0 |
| Total General Fund Financing Costs | 1,089 | 2,415 | 3,237 | 4,134 | 4,318 |

General Fund Estimates of the ratio of financing costs to net revenue stream

The net revenue stream is the estimate of the amounts to be met from government grants and local taxpayers. An important theme of the Code is transparency. For this reason the authority's calculation of the net revenue stream should be consistent with the figure that can be identified in the Income and Expenditure Account for 'Net Operating Expenditure'.

| Description | 2022/23 Actual £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 |
|---|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Financing costs | 1,089 | 2,415 | 3,237 | 4,134 | 4,318 |
| Net revenue stream | 14,012 | 16,837 | 17,760 | 16,996 | 17,368 |
| Ratio of financing costs to net revenue stream % | 7.8% | 14.3% | 18.2% | 24.3% | 24.9% |

General Fund Capital Financing Requirement

The Capital Financing Requirement will reflect the Council's underlying need to finance capital expenditure.

Actual General Fund Capital Financing Requirement at 31 March 2023

| | £'000 |
|---|----------------|
| Property, Plant and Equipment | 172,215 |
| Investment Properties | 98,561 |
| Heritage Assets | 22,743 |
| Intangible Assets / Other Long term Assets | 15,125 |
| Revaluation Reserve | (72,586) |
| Capital Adjustment Account | (82,870) |
| General Fund Capital Financing Requirement 31 March 2023 | 153,188 |

Estimated General Fund Capital Financing Requirement at 31 March 2024

| | |
|---|----------------|
| Estimate of General Fund Capital Financing Requirement 31 March 2023 | 153,188 |
| Estimate of change in Property, Plant and Equipment | 41,636 |
| Estimate of change in Investment Properties | 0 |
| Estimate of change in Intangible Assets / Other Long term Assets | 0 |
| Estimate of change in Revaluation Reserve | 0 |
| Estimate of change in Capital Adjustment Account | (37,797) |
| Estimate of General Fund Capital Financing Requirement 31 March 2024 | 157,027 |

Estimated General Fund Capital Financing Requirement at 31 March 2025

| | |
|---|----------------|
| Estimate of General Fund Capital Financing Requirement 31 March 2024 | 157,027 |
| Estimate of change in Property, Plant and Equipment | 15,313 |
| Estimate of change in Investment Properties | 0 |
| Estimate of change in Intangible Assets / Other Long term Assets | 0 |
| Estimate of change in Revaluation Reserve | 0 |
| Estimate of change in Capital Adjustment Account | (9,541) |
| Estimate of General Fund Capital Financing Requirement 31 March 2025 | 162,799 |

Estimated General Fund Capital Financing Requirement at 31 March 2026

| | |
|---|----------------|
| Estimate of General Fund Capital Financing Requirement 31 March 2025 | 162,799 |
| Estimate of change in Property, Plant and Equipment | 5,422 |
| Estimate of change in Investment Properties | 0 |
| Estimate of change in Intangible Assets / Other Long term Assets | 0 |
| Estimate of change in Revaluation Reserve | 0 |
| Estimate of change in Capital Adjustment Account | 250 |
| Estimate of General Fund Capital Financing Requirement 31 March 2026 | 168,471 |

Estimated General Fund Capital Financing Requirement at 31 March 2027

| | |
|---|----------------|
| Estimate of General Fund Capital Financing Requirement 31 March 2026 | 168,471 |
| Estimate of change in Property, Plant and Equipment | 1,264 |
| Estimate of change in Investment Properties | 0 |
| Estimate of change in Intangible Assets / Other Long term Assets | 0 |
| Estimate of change in Revaluation Reserve | 0 |
| Estimate of change in Capital Adjustment Account | 6,304 |
| Estimate of General Fund Capital Financing Requirement 31 March 2027 | 176,039 |

APPENDIX B

HRA Prudential Indicator Calculations

Local authorities that have a Housing Revenue Account (HRA) are required to prepare separate calculations for their HRA and non-HRA elements.

HRA Capital Expenditure

The prudential indicator for capital expenditure should be based upon a capital programme that takes into account the Council's asset management and capital investment strategies.

| Description | 2022/23 Actual £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 |
|--------------------------------------|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| INVESTING IN EXISTING STOCK | 10,287 | 14,388 | 12,501 | 10,681 | 10,767 |
| PROVISION OF NEW COUNCIL HOMES | 3,311 | 17,656 | 5,461 | 0 | 0 |
| Total HRA Capital Expenditure | 13,598 | 32,044 | 17,962 | 10,681 | 10,767 |

HRA Financing costs

| Description | 2022/23 Actual £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 |
|---|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Interest payable with respect to short term borrowing | 0 | 0 | 0 | 0 | 0 |
| Interest payable under 'irredeemable' long term liabilities | 2,181 | 2,181 | 2,430 | 2,430 | 2,430 |
| Interest and investment income | (705) | (1,089) | (983) | (855) | (460) |
| Voluntary Revenue Provision (England and Wales) | 0 | 0 | 0 | 0 | 0 |
| Voluntary contribution to financing costs in respect of short-life assets | 0 | 0 | 0 | 0 | 0 |
| Total HRA Financing Costs | 1,476 | 1,092 | 1,447 | 1,575 | 1,970 |

HRA Estimates of the ratio of financing costs to net revenue stream

For the Housing Revenue Account the net revenue stream, for the purposes of the Code, is the amount to be met from rent income.

| Description | 2022/23 Actual £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 |
|---|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Financing costs | 1,476 | 1,092 | 1,447 | 1,575 | 1,970 |
| Net revenue stream | 19,710 | 20,583 | 21,239 | 21,876 | 22,533 |
| Ratio of financing costs to net revenue stream % | 7.5 | 5.3 | 6.8 | 7.2 | 8.7 |
| Negative for a debt free authority | % | % | % | % | % |

HRA Capital Financing Requirement

The Capital Financing Requirement will reflect the Council's underlying need to finance capital expenditure.

Actual HRA Capital Financing Requirement at 31 March 2023

| Description | £'000 |
|---|---------------|
| Property, Plant and Equipment | 322,245 |
| Investment Properties | 0 |
| Intangible Assets / Other Long term Assets | 0 |
| Revaluation Reserve | (98,109) |
| Capital Adjustment Account | (150,894) |
| Actual HRA Capital Financing Requirement 31 March 2023 | 73,242 |

Estimated HRA Capital Financing Requirement at 31 March 2024

| | |
|--|---------------|
| Estimate of HRA Capital Financing Requirement 31 March 2023 | 73,242 |
| Estimate of change in Property, Plant and Equipment | 32,044 |
| Estimate of change in Investment Properties | 0 |
| Estimate of change in Intangible Assets / Other Long term Assets | 0 |
| Estimate of change in Revaluation Reserve | 0 |
| Estimate of change in Capital Adjustment Account | (27,194) |
| Estimate of HRA Capital Financing Requirement 31 March 2024 | 78,092 |

Estimated HRA Capital Financing Requirement at 31 March 2025

| | |
|--|---------------|
| Estimate of HRA Capital Financing Requirement 31 March 2024 | 78,092 |
| Estimate of change in Property, Plant and Equipment | 17,962 |
| Estimate of change in Investment Properties | 0 |
| Estimate of change in Intangible Assets / Other Long term Assets | 0 |
| Estimate of change in Revaluation Reserve | 0 |
| Estimate of change in Capital Adjustment Account | (17,212) |
| Estimate of HRA Capital Financing Requirement 31 March 2025 | 78,842 |

Estimated HRA Capital Financing Requirement at 31 March 2026

| | |
|--|---------------|
| Estimate of HRA Capital Financing Requirement 31 March 2025 | 78,842 |
| Estimate of change in Property, Plant and Equipment | 10,681 |
| Estimate of change in Investment Properties | 0 |
| Estimate of change in Intangible Assets / Other Long term Assets | 0 |
| Estimate of change in Revaluation Reserve | 0 |
| Estimate of change in Capital Adjustment Account | (10,681) |
| Estimate of HRA Capital Financing Requirement 31 March 2026 | 78,842 |

Estimated HRA Capital Financing Requirement at 31 March 2027

| | |
|--|---------------|
| Estimate of HRA Capital Financing Requirement 31 March 2026 | 78,842 |
| Estimate of change in Property, Plant and Equipment | 10,767 |
| Estimate of change in Investment Properties | 0 |
| Estimate of change in Intangible Assets / Other Long term Assets | 0 |
| Estimate of change in Revaluation Reserve | 0 |
| Estimate of change in Capital Adjustment Account | (10,767) |
| Estimate of HRA Capital Financing Requirement 31 March 2027 | 78,842 |

Limit on indebtedness

The HRA borrowing cap was limited to £57,882k, but the cap was formally removed on 29 October 2018 so Local Authorities can now borrow for housebuilding.

Prudential Indicator CalculationsPRUDENTIAL INDICATORS OF AFFORDABILITYTotal Actual / Estimates of Capital Expenditure

The prudential indicator for capital expenditure should be based upon a capital programme that takes into account the Council's asset management and capital investment strategies.

| Description | 2022/23 Actual £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 |
|--|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Total General Fund Capital Expenditure | 59,448 | 41,636 | 15,313 | 5,422 | 1,264 |
| Total HRA Capital Expenditure | 13,598 | 32,044 | 17,962 | 10,681 | 10,767 |
| Total Actual / Estimates of Capital Expenditure | 73,046 | 73,680 | 33,275 | 16,103 | 12,031 |

Total Actual / Estimates of Financing Costs

| Description | 2022/23 Actual £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 |
|--|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Total General Fund Financing Costs | 1,089 | 2,415 | 3,237 | 4,134 | 4,318 |
| Total HRA Financing Costs | 1,476 | 1,092 | 1,447 | 1,575 | 1,970 |
| Total Actual / Estimates of Financing Costs | 2,565 | 3,507 | 4,684 | 5,709 | 6,288 |

Actual / Estimates of Ratio of Financing Costs to Net Revenue Stream

The net revenue stream is the estimate of the amounts to be met from government grants and local taxpayers, and for the Housing Revenue Account, is the estimate of the amounts to be met from rent income.

| Description | 2022/23 Actual £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 |
|---|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| General Fund Ratio of Financing Costs to Net Revenue Stream | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| HRA Ratio of Financing Costs to Net Revenue Stream | 7.5 | 5.3 | 6.8 | 7.2 | 8.7 |

Prudential Indicator Calculations

The estimates of financing costs include current commitments and the proposals in this budget report.

Actual / Estimates of Capital Financing Requirement

The Capital Financing Requirement will reflect the Council's underlying need to finance capital expenditure.

| Description | 2022/23 Actual £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 |
|--|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| General Fund Capital Financing Requirement | 153,188 | 157,027 | 162,799 | 168,471 | 176,039 |
| HRA Capital Financing Requirement | 73,242 | 78,092 | 78,842 | 78,842 | 78,842 |
| Total Actual / Estimates of Capital Financing Requirement | 226,430 | 235,119 | 241,641 | 247,313 | 254,881 |

Authorised Limit

In England and Wales the prudential indicator for the Authorised Limit for external debt for the current year is the statutory limit determined under Section 3 (1) of the Local Government Act 2003: 'A local authority shall determine and keep under review how much money it can afford to borrow'

The Authorised Limit should not be set so high that it would never in any possible circumstances be breached. It should reflect a level of borrowing which, while not desired, could be afforded but may not be sustainable. The Authorised Limit must therefore be set to establish the outer boundary of the Council's borrowing, based on a realistic assessment of the risks.

| Description | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 |
|-----------------------------|------------------------------|------------------------------|------------------------------|
| Borrowing | 305,000 | 305,000 | 305,000 |
| Other long term liabilities | 7,000 | 7,000 | 7,000 |
| Authorised Limit | 312,000 | 312,000 | 312,000 |

Prudential Indicator Calculations**Operational Boundary**

The Operational Boundary is the focus of day-to-day treasury management activity within the authority. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed Authorised Limit. The Operational Boundary may be breached temporarily on occasions due to variations in cashflow. However, a sustained or regular trend above the Operational Boundary would be significant and should lead to further investigation.

| Description | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 |
|-----------------------------|------------------------------|------------------------------|------------------------------|
| Borrowing | 285,000 | 285,000 | 285,000 |
| Other long term liabilities | 5,000 | 5,000 | 5,000 |
| Operational Boundary | 290,000 | 290,000 | 290,000 |

The Authorised Limit and the Operational Boundary have been increased to include capacity to enable the establishment of a HRA development programme following removal of the debt cap.

Actual External Debt

The prudential indicator for actual external debt will not be directly comparable to the authorised limit and operational boundary, since the actual external debt will reflect the actual position at one point in time.

| Description | 2022/23 Actual £'000 | To be repaid | |
|--|----------------------------|---------------------|--------------------|
| | | within 12 months | after 12 months |
| Actual borrowing as at 31 March 2023 | 166,697 | 1,537 | 165,160 |
| Actual long term liabilities as at 31 March 2023 | 4,078 | 867 | 3,211 |
| Actual External Debt as at 31 March 2023 | 170,775 | 2,404 | 168,371 |

Prudential Indicator Calculations
PRUDENTIAL INDICATORS OF PRUDENCE

Gross Debt and Capital Financing Requirement

The Code makes it necessary, if a financial strategy is to be prudent, that it is one in which the medium term gross debt is only used for capital purposes. In the Code this requirement is to be demonstrated through a comparison of gross debt with the Capital Financing Requirement.

| Description | £'000 |
|--|----------------|
| Total Capital Financing Requirement at 31 March 2023 | 226,430 |

| 2023/24 Estimated Change in Capital Financing Requirement | |
|--|--------------|
| Capital expenditure | 73,680 |
| Application of useable capital receipts | (6,842) |
| Application of capital grants/contributions | (56,483) |
| The replacement for MRP | (2,466) |
| Additional voluntary contributions | 800 |
| Total Estimated Change in Capital Financing Requirement 2023/24 | 8,689 |

| 2024/25 Estimated Change in Capital Financing Requirement | |
|--|--------------|
| Capital expenditure | 33,275 |
| Application of useable capital receipts | (5,875) |
| Application of capital grants/contributions | (19,047) |
| The replacement for MRP | (2,531) |
| Additional voluntary contributions | 700 |
| Total Estimated Change in Capital Financing Requirement 2024/25 | 6,522 |

Prudential Indicator Calculations

| 2025/26 Estimated Change in Capital Financing Requirement | |
|--|--------------|
| Capital expenditure | 16,103 |
| Application of useable capital receipts | (1,868) |
| Application of capital grants/contributions | (5,932) |
| The replacement for MRP | (2,631) |
| Additional voluntary contributions | 0 |
| Total Estimated Change in Capital Financing Requirement 2025/26 | 5,672 |

| Capital Financing Requirement: | |
|---|---------|
| Opening Balance 2022/23 | 226,430 |
| Estimated Closing Balance 2025/26 | 247,313 |
| This is an increase over the three years of | 20,883 |

Operational Boundaries to Exposure to Interest Rate Risks

Interest rate risk management is a top priority for local authority management. The setting of upper limits has the effect of setting ranges within which the Council will limit its exposure to both fixed and variable interest rate movements.

| Description | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 |
|--|--------------------------|--------------------------|--------------------------|
| Total projected interest payable on borrowing | 5,765 | 5,662 | 5,542 |
| Total projected interest receivable on investments | (2,912) | (2,584) | (1,989) |
| Net Interest | 2,853 | 3,078 | 3,553 |

| Description | Upper Limit |
|---|------------------------|
| Upper limit - fixed rates = 100% | 100% |
| Upper limit - variable rates = 20% | 20% |

This means that the Chief Finance Officer will manage fixed interest rate exposure within the range 0% to 100% and variable interest rate exposure within the range 0% to 20%

Prudential Indicator Calculations**Operational Boundary to the Exposure Inherent in the Maturity Structure of Borrowings**

This indicator is designed to be a control over the Council having a large concentration of fixed rate debt needing to be replaced at times of uncertainty over interest rates. The indicator is, in effect, a limit on longer term interest rate exposure and is set for the forthcoming year.

The analysis of borrowing by maturity used in the Code uses the same periods as that required in the local authority SORP.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

| Period | Upper Limit | Lower Limit | Estimated debt maturity % | | |
|--------------------------------|-------------|-------------|---------------------------|---------|---------|
| | | | 2023/24 | 2024/25 | 2025/26 |
| Under 12 months | 100% | 0% | | 5% | 5% |
| 12 months and within 24 months | 20% | 0% | | | |
| 24 months and within 5 years | 20% | 0% | | | |
| 5 years and within 10 years | 20% | 0% | | | |
| 10 years and above | 100% | 0% | 100% | 95% | 95% |

Investments

| Description | At 31/3/2023 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 |
|---------------------------|-----------------------|------------------|------------------|------------------|
| Long-term investments | 5,633 | 5,000 | 5,000 | 5,000 |
| Short-term investments | 15,202 | 11,000 | 10,000 | 10,000 |
| Cash and cash equivalents | 27,754 | 33,000 | 25,000 | 25,000 |
| Total Investments | 48,589 | 49,000 | 40,000 | 40,000 |