Appendix 1

Prudential Indicators 2022/23

The Authority measures and manages its capital expenditure and borrowing with reference to the following indicators.

<u>Capital Expenditure</u>: The Authority has undertaken and is planning capital expenditure as summarised below:

	2022/23 actual £'000	2023/24 forecast £'000	2024/25 budget £'000	2025/26 budget £'000
General Fund services	4,233	21,727	14,746	849

<u>Capital Financing Requirement</u>: The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with Minimum Revenue Provision (MRP) / loans fund repayments and capital receipts used to replace debt.

	31.3.2023 actual £'000	31.3.2024 forecast £'000	31.3.2025 budget £'000	31.3.2026 budget £'000
Capital Financing Requirement (CFR)	5,690	5,586	5,478	5,368

<u>Gross Debt and the Capital Financing Requirement</u>: Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Authority has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31.3.2023 actual £'000	31.3.2024 forecast £'000	31.3.2025 budget £'000	31.3.2026 budget £'000
Debt	5,450	5,450	5,450	5,450
Capital Financing Requirement	5,690	5,586	5,478	5,368

Debt and the Authorised Limit and Operational Boundary: The Authority is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

	2022/23 Maximum debt £'000	**2022/23 Authorised Limit £'000**	**2022/23 Operational Boundary £'000**	**Complied?** Yes/No
Borrowing	5,450	11,000	8,000	Yes
Total debt	**5,450**	**11,000**	**8,000**	Yes

Since the operational boundary is a management tool for in-year monitoring, it is not significant if the boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Proportion of Financing Costs to Net Revenue Stream: Although capital expenditure is not charged directly to the revenue account, interest payable on loans and MRP / loans fund repayments are charged to revenue. Interest receivable on treasury management investments is credited to the revenue account.

The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2022/23 Actual £'000	**2022/23 Budget £'000**
Financing costs (net of interest received on treasury management investments)	173	469
Proportion of net revenue stream	(1.30%)	3.93%

For 2022/23 the % of financing costs as a proportion of the net revenue stream has reduced to -1.30% from an expected budget position of 3.93%. This is partly due to the greater returns earned on Treasury activities (£611k against a budget of £37k).

<u>Net Income from Commercial and Service Investments to Net Revenue Stream</u>:
The Authority's income from commercial and service investments as a proportion of its net revenue stream is as follows:

	2022/23 Actual £'000	**2022/23 Budget £'000**
Income from commercial and service investments	102	103
Proportion of net revenue stream	0.76%	0.86%

<u>The Liability Benchmark</u>
The Council estimates and measures the liability benchmark for the forthcoming financial year. It is assumed that the Council balances are kept to a minimum of £7m to maintain sufficient liquidity but minimise risk.

	31.3.23 Actual £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m
Capital Financing Requirement	5.7	5.6	5.5	5.5
External Borrowing	(5.5)	(5.5)	(5.5)	(5.5)
Internal/(over) Borrowing	**0.2**	**0.1**	**0.0**	**(0.0)**
Balance Sheet Resources (Reserves)	(22.8)	(11.2)	(10.7)	(10.8)
Investments	22.6	11.1	10.7	10.8
New Borrowing	**0.0**	**0.0**	**0.0**	**0.0**
Net Loan Requirement	(17.1)	(5.6)	(5.2)	(5.4)
Liquidity Allowance	7.0	7.0	7.0	7.0
Liability Benchmark	**(10.1)**	**1.4**	**1.8**	**1.6**

For 2022/23 the liability benchmark shows a net loan requirement of (£17.1) million. This is the forecast level of net borrowing, calculated as treasury investment minus external borrowing. As this is a positive cash flow, this shows that the Council has sufficient funds available and has not needed to borrow to fund its capital programme.

The Liquidity Allowance is an estimate of the minimum level of short-term investments needed to provide an adequate, but not excessive level of liquidity for daily cashflow management.

The Liability Benchmark represents the lowest risk level of borrowing considering credit, liquidity, and market risks. For 2022/23 this shows a positive benchmark of

£10.1 million and shows that the council has net investments. As can be seen in the table above, for future years the Council has a positive net loan requirement of circa £5m, this is after allowing for a fully funded capital programme.

The benchmark assumes that reserves will decrease and that no further capital grants and receipts will be received other than those identified in the Capital programme reported to Members on 27th July. It also assumes that Creditors, Debtors and Provisions will increase by 2.5%. each year.

Taking into account the liquidity allowance of £7m, the lowest risk level of borrowing is circa £1.4m – £1.8m. The benchmark is just that and it will change over time and therefore acts as a guide only.

The Liability benchmark continues to reduce as the CFR reduces and further cash is available for investment until 2056 when the debt is repaid.