

PRUDENTIAL INDICATORS 2021/22

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Authority's capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m
General Fund	5.768	16.052	7.098
HRA	10.659	11.978	10.132
Total Expenditure	16.427	28.030	17.238
Capital Receipts	4.054	12.069	1.463
External sources/grants	3.730	5.159	6.888
Revenue/Reserves	8.643	10.802	8.879
Total Financing	16.427	28.030	17.238
Capital Financing Requirement	0.000	0.000	0.000

The table above does not include the increase to the expenditure as requested by the approval of the carry forward balances in Appendix C. Should approval be granted then the capital expenditure estimate in 2022/23 will increase by £3.015m (£0.521m for HRA and £2.494m for General Fund)

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.22 Actual £m	31.03.23 Estimate £m	31.03.24 Estimate £m	31.03.25 Estimate £m
General Fund	0.696	0.529	0.357	3.804
HRA	37.518	33.975	30.431	26.888
Total CFR	38.214	34.504	30.788	30.692

The general fund CFR increases in 2024/25 due to the requirement to recognise finance leases

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.

Debt	31.03.22 Actual £m	31.03.23 Estimate £m	31.03.24 Estimate £m	31.03.25 Estimate £m
Borrowing	37.518	33.975	30.431	26.888
Total Debt (CFR)	38.214	34.504	30.788	30.692

The Authority will have to recognise operating leases during 2024/25, where the Authority is the lessee, as capital assets as per the requirements of IFRS16. These assets are classed as right of use assets. The annual financing of the right of use assets is equivalent to the current revenue cost of the leases. The payments due in future years increases the Capital Financing Requirement (CFR) in the year they are recognised/started.

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 leases and other liabilities that are not borrowing but form part of the Authority's debt. The level set includes an allowance for the possibility of significant payments due to successful business rate appeals. Debt remained within boundaries during the period.

Operational Boundary	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Borrowing	100	100	100	100
Other long-term liabilities	15	15	15	15
Total Debt	115	115	115	115

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.

Authorised Limit	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Borrowing	120	120	120	120
Other long-term liabilities	20	20	20	20
Total Debt	140	140	140	140

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.

Ratio of Financing Costs to Net Revenue Stream	2021/22 Projected outturn %	2021/22 Actual %	2022/23 Estimate %	2023/24 Estimate %
General Fund	-18.34	-23.85	-13.23	-13.05
HRA	5.06	5.07	4.19	3.71

The General Fund ratio is negative because interest revenues exceed financing costs.