

## PRUDENTIAL AND OTHER INDICATORS 2021-22 and 2022-23

The Prudential Indicators are required to be set and approved by Council in accordance with CIPFA's Prudential Code for Capital Finance in Local Authorities. Table 1 shows the 2021-22 actual capital expenditure, the capital programme approved by Council on 23 February 2022 and the latest projection for the current financial year which has incorporated slippage of schemes from 2021-22 together with any new grants and contributions or changes in the profile of funding.

*Table 1: Prudential Indicator: Estimates of Capital Expenditure*

	<b>2021-22 Actual £m</b>	<b>2022-23 Estimate (Council Feb 22) £m</b>	<b>2022-23 Projection £m</b>
Council Fund services	29.741	69.979	61.252
Investment Properties	-	-	0.480
<b>TOTAL</b>	<b>29.741</b>	<b>69.979</b>	<b>61.732</b>

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (the 'net financing requirement' - borrowing, leasing and Private Finance Initiative). The planned financing of the expenditure has been projected as follows:

*Table 2: Capital financing*

	<b>2021-22 Actual £m</b>	<b>2022-23 Estimate (Council Feb 22) £m</b>	<b>2022-23 Projection £m</b>
External sources	18.152	26.078	33.490
Own resources	1.020	30.993	17.260
Net Financing Requirement	10.569	12.908	10.982
<b>TOTAL</b>	<b>29.741</b>	<b>69.979</b>	<b>61.732</b>

The net financing requirement is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as the Minimum Revenue Provision (MRP). As well as MRP, the Council makes additional voluntary revenue contributions to pay off Prudential or Unsupported Borrowing. The total of these are shown in Table 3 below:

Table 3: Replacement of debt finance

	2021-22 Actual £m	2022-23 Estimate (Council Feb 22) £m	2022-23 Projection £m
Minimum Revenue Provision (MRP)	2.970	3.187	3.111
Additional Voluntary Revenue Provision	3.553	2.476	1.913
<b>Total MRP &amp; VRP</b>	<b>6.523</b>	<b>5.663</b>	<b>5.024</b>
<b>Other MRP on Long term Liabilities</b>	<b>0.801</b>	<b>0.863</b>	<b>0.863</b>
<b>Total Own Resources</b>	<b>7.324</b>	<b>6.526</b>	<b>5.887</b>

The Council'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 by the MRP amount within the year. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows based on the movement on capital expenditure at quarter 3:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	2021-22 Actual £m	2022-23 Estimate £m	2022-23 Projection £m
<b>Capital Financing Requirement</b>			
Opening CFR excluding PFI & other liabilities	157.404	166.729	161.451
Opening PFI CFR	15.567	14.766	14.765
<b>Total opening CFR</b>	<b>172.971</b>	<b>181.495</b>	<b>176.216</b>
Movement in CFR excluding PFI & other liabilities	4.046	13.286	5.958
Movement in PFI CFR	(0.801)	(0.863)	(0.863)
<b>Total movement in CFR</b>	<b>3.245</b>	<b>12.423</b>	<b>5.095</b>
<b>Closing CFR</b>	<b>176.216</b>	<b>193.918</b>	<b>181.311</b>
<b>Movement in CFR represented by:</b>			
Net financing need for year (Table 2 above)	10.569	18.949	10.982
Minimum and voluntary revenue provisions	(6.523)	(5.663)	(5.024)
MRP on PFI and other long term leases (Table 3)	(0.801)	(0.863)	(0.863)
<b>Total movement</b>	<b>3.245</b>	<b>12.423</b>	<b>5.095</b>

The capital borrowing need (Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This is known as Internal Borrowing. Projected levels of the Council's

total outstanding debt, which comprises of borrowing, PFI and Other Long Term Liabilities, are shown below compared with the Capital Financing Requirement:

*Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement*

	<b>2021-22 Actual £m</b>	<b>2022-23 Estimate (Council Feb 22) £m</b>	<b>2022-23 Projection £m</b>
Debt (incl. PFI & leases)	118.864	<b>123.052</b>	<b>119.656</b>
Capital Financing Requirement	176.216	<b>193.918</b>	<b>181.311</b>

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen, the Council expects to comply with this in the medium term.

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

*Table 6: Prudential Indicators: Authorised limit and operational boundary for external debt in £m*

	<b>2021-22 Actual £m</b>	<b>2022-23 Estimate (Council Feb 22) £m</b>	<b>2022-23 Projection £m</b>
Authorised limit – borrowing	170.000	<b>170.000</b>	170.000
Authorised limit – other long term liabilities	30.000	<b>30.000</b>	30.000
<b>Authorised Limit Total</b>	<b>200.00</b>	<b>200.000</b>	<b>200.000</b>
Operational boundary – borrowing	120.000	<b>130.000</b>	130.000
Operational boundary – other long term liabilities	25.000	<b>25.000</b>	25.000
<b>Operational Boundary Limit Total</b>	<b>145.000</b>	<b>155.000</b>	<b>155.000</b>
<b>Total Borrowing and Long Term Liabilities</b>	<b>118.864</b>	<b>123.052</b>	<b>119.656</b>

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. 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.

*Table 7: Prudential Indicator: Proportion of financing costs to net revenue stream*

	<b>2021-22 Actual £m</b>	<b>2022-23 Estimate (Council Feb 22) £m</b>	<b>2022-23 Projection £m</b>
Capital Financing Central	6.719	7.205	6.706
Other Financing costs	5.500	4.423	3.860
<b>TOTAL FINANCING COSTS</b>	<b>12.219</b>	<b>11.628</b>	<b>10.566</b>
Proportion of net revenue stream	4.49%	4.26%	3.87%

This shows that in 2022-23, it is forecast that 3.87% of our net revenue income will be spent paying back the costs of capital expenditure.