

PRUDENTIAL AND OTHER INDICATORS 2023-24 and 2024-25

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 2023-24 actual capital expenditure, the capital programme approved by Council on 28 February 2024 and the projected capital expenditure for the current financial year which has incorporated slippage of schemes from 2023-24 together with any new grants and contributions or changes in the profile of funding for 2024-25.

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2023-24	2024-25	2024-25
	Actual	Estimate	Projection
	£m	(Council Feb 24)	£m
	£m	£m	£m
Council Fund services	31.813	110.537	66.058
Right of Use Assets	0.00	3.149	2.850
TOTAL	31.813	113.686	68.908

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

	2023-24	2024-25	2024-25
	Actual	Estimate	Projection
	£m	(Council Feb 24)	£m
	£m	£m	£m
External sources	18.677	62.595	31.360
Own resources	7.420	36.289	27.179
Net Financing Requirement	5.716	14.802	10.369
TOTAL	31.813	113.686	68.908

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

	2023-24 Actual £m	2024-25 Estimate (Council Feb 24) £m	2024-25 Projection £m
Minimum Revenue Provision (MRP)	3.298	3.385	1.076
Additional Voluntary Revenue Provision (VRP)	2.273	2.788	1.861
Total MRP & VRP	5.571	6.173	2.937
Other MRP on Long term Liabilities	0.929	1.148	1.148
Total Own Resources	6.500	7.321	4.085

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 actual CFR is as follows based on the movement on capital expenditure during the year:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	2023-24 Actual £m	2024-25 Estimate – Capital Strategy £m	2024-25 Projection £m
Capital Financing Requirement			
Opening CFR excluding PFI & other liabilities	162.600	170.246	162.745
Opening PFI CFR	13.903	12.974	12.974
Total opening CFR	176.503	183.220	175.719
Movement in CFR excluding PFI & other liabilities	0.145	5.333	4.283
Movement in PFI and other long term leases CFR	(0.929)	2.148	2.001
Total movement in CFR	(0.784)	7.481	6.284
Closing CFR	175.719	190.701	182.003
Movement in CFR represented by:			
Net financing need for year (Table 2 above)	5.716	14.802	10.369
Minimum and voluntary revenue provisions	(5.571)	(6.173)	(2.937)
MRP on PFI and other long term leases (Table 3)	(0.929)	(1.148)	(1.148)
Total movement	(0.784)	7.481	6.284

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

	2023-24	2024-25	2024-25
	Actual	Estimate	Projection
	£m	(Council Feb 24)	£m
	£m	£m	£m
Debt (incl. PFI & leases)	117.682	118.049	108.883
Capital Financing Requirement	175.719	190.701	182.003

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

	2023-24	2024-25	2024-25
	Actual	Estimate	Projection
	£m	(Council Feb 24)	£m
	£m	£m	£m
Authorised limit – borrowing	170.000	170.000	170.000
Authorised limit – other long term liabilities	30.000	25.000	25.000
Authorised Limit Total	200.00	195.000	195.000
Operational boundary – borrowing	130.000	120.000	120.000
Operational boundary – other long term liabilities	25.000	20.000	20.000
Operational Boundary Limit Total	155.000	140.000	140.000
Total Borrowing and Long Term Liabilities	117.682	118.049	108.883

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

	2023-24 Actual £m	2024-25 Estimate (Council Feb 24) £m	2024-25 Projection £m
Capital Financing Central	5.658	7.519	5.153
Other Financing costs	4.220	4.735	3.808
TOTAL FINANCING COSTS	9.878	12.255	8.961
Proportion of net revenue stream	2.89%	3.58%	2.47%

This shows that in 2024-25, it was forecast that 3.58% of the Council's net revenue income will be spent on paying back the costs of capital expenditure. The current projection is anticipating it will be 2.47%.

The net revenue stream is calculated as the income from Welsh Government Revenue Settlement Grant plus Council Tax and NNDR, less Police and Community Council precepts.

The table below shows the Prudential Indicator of estimates of net income from commercial and service investments to net revenue stream.

Table 8: Prudential Indicator: Net Income from Commercial and Service Investments to Net Revenue Stream

	2023-24 Actual £m	2024-25 Estimate £m	2024-25 Projection £m
Net Revenue Budget	343.841	360.671	363.009
Income from Commercial Investments	0.459	0.459	0.459
% Ratio	0.13%	0.13%	0.13%

The income receivable from the commercial property portfolio is not deemed to be a financial resilience risk in terms of being 'disproportionate' to the Council's overall income.