

TREASURY MANAGEMENT - PRUDENTIAL INDICATORS 2023/24

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected activity or introduces limits upon the activity and reflects the outcome of the Council's underlying capital appraisal systems.

The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to financing implications and potential risks to the authority.

The Council measures and manages its capital expenditure, borrowing and commercial and service investments with references to the following indicators.

It is a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis.

1. Capital Expenditure

This indicator requires reasonable estimates of the total capital expenditure to be incurred. The Council's planned capital expenditure is summarised below. The 2023/24 forecast at 31 March 2024 is set out in the table below.

	2022/23 actual £000	2023/24 Actual £000	2024/25 budget £000	2025/26 budget £000
General Fund services	21,490	17,680	10,241	3,938
Capital investments ¹	-	652	656	-

NOTE 1: Classification to be confirmed when the equity is drawn down and intended use of the funds is confirmed.

The Council is expected to incur £1.3m of capital expenditure¹ on investments by 31 March 2025.

2. Capital Financing Requirement

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 (that is not financed by grants, capital receipts or direct revenue contributions) and reduces with MRP (minimum revenue provision) and capital receipts used to replace debt.

	31/03/2023 actual £000	31/03/2024 actual £000	31/03/2025 budget £000	31/03/2026 budget £000
General Fund services	90,200	72,100	78,700	80,000
Capital investments	-	652	656	-
TOTAL CFR	90,200	72,752	79,356	80,000

The CFR as at 31 March 2024 has reduced to reflect capital receipts received in the second quarter of 2023/24.

3. Gross Debt and the Capital Financing Requirement

Statutory guidance is that debt should remain below the capital financing requirement (CFR), except in the short term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown below.

	31/03/2023 actual £000	31/03/2024 actual £000	31/03/2025 budget £000	31/03/2026 budget £000	Debt at 31/03/2024 £000
Debt	7,000	-	-	-	-
Capital Financing Requirement	90,200	72,752	79,356	80,000	

4. Debt and Authorised Limit and Operational Boundary

The Council 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.

	Maximum Debt Q4 2023/24 £000	Debt at 31/03/2024 £000	2023/24 Authorised Limit £000	2023/24 Operational Boundary £000	Complied? Yes/No
Borrowing	-	-	40,000	35,000	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; this is not counted as a compliance failure.

5. Net Income from Service and Commercial Investments Compared to Net Revenue Stream

The Council's income from commercial and service investments as a proportion of its net revenue stream is forecast to be as set out below.

	2022/23 actual £000	2023/24 actual £000	2024/25 budget £000	2025/26 budget £000
Total net income from service and commercial investments	2,013	2,075	1,997	2,457
Proportion of net revenue stream	13.52%	9.11%	9.10%	11.20%

6. Proportion of Finance Costs to Net Revenue Stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue.

This net annual charge is known as financing costs and 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	2023/24 actual £000	2024/25 budget £000	2025/26 budget £000
Financing costs	612	791	1,682	1,699
Proportion of net revenue stream	4.11%	3.47%	7.67%	7.74%

Treasury Management Indicators: These indicators (Liability Benchmark, Maturity Structure of Borrowing and Long-Term/Short Term Treasury Management Investments) are set out within the Treasury Management Outturn Report 2023/24 at ANNEX 5.1.