1. THE PRUDENTIAL INDICATORS

The following indicators are based on the figures put forward within the Capital and Revenue Plans set out in this report.

1.1. Affordability

1.1.1. Estimates of ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Non-HRA	3.45%	3.77%	3.59%
HRA (inclusive of settlement figure)	28.03%	28.49%	28.83%

The estimates of financing costs include current commitments and the proposals in this budget report. These figures are however subject to change as and when the final funding approvals come through from the Welsh Government. Updates will be provided if these figures require amendment.

The indicators show the proportion of income taken up by capital financing costs. Indicative Aggregate External Finance (AEF) for 2024/2025 is a 2.4% increase on 2023/2024 and for 2025/2026 a 2.5% estimated increase on 2024/2025.

1.2. Prudence

1.2.1. The Capital Financing Requirement (CFR)

This prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above, which has not immediately been paid for, will increase the CFR.

The Council is asked to approve the CFR projections below:

£m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Non-HRA	305	323	323
HRA	166	176	190
HRAS*	67	66	65
TOTAL	**538**	**565**	**578**

*Housing Revenue Account Subsidy Buyout of £79m in April 2015.

1.2.2. The Gross Borrowing and Capital Financing Requirement indicator

The control mechanism to limit external debt.

Estimated gross borrowing for the four years starting with the last full year (2021/22) must not exceed the CFR in the medium term but can in the short term due to cash flows.

Ensures borrowing is only for approved capital purposes.

The Director of Corporate Services reports that the Council complied with this requirement in 2021/22 and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

Details of Gross Borrowing:

£m	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt at 1st April	414	401	410	467	519
Expected Change in Debt	(13)	9	57	52	59
Gross debt at 31st March	**401**	**410**	**467**	**519**	**578**
CFR	**494**	**497**	**538**	**565**	**578**
Under / (Over) borrowing	**93**	**87**	**71**	**46**	**0**

1.2.3. External Debt

The Authorised Limit and the Operational Boundary:

The Authorised Limit prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

£m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Borrowing	590.9	620.7	634.6
Other Long-Term Liabilities	0.5	0.5	0.5
Total	591.4	621.2	635.1

The Operational Boundary for external debt is based on the same estimates as the authorised limit, but without the additional headroom for unusual and unexpected cash movements and equates to the level of projected external debt. This is clearly subject to the timing of borrowing decisions.

£m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Borrowing	537.6	564.6	577.9
Other Long-Term Liabilities	0.1	0.1	0.1
Total	537.7	564.7	578.0

The Council is asked to approve both the Authorised Limit and the Operational Boundary shown above.

1.2.4. Actual External Debt

The Council's actual external debt at 31st March 2022 was £401m. The actual external debt is not directly comparable to the authorised limit and operational boundary because the actual external debt reflects the position at a point in time.

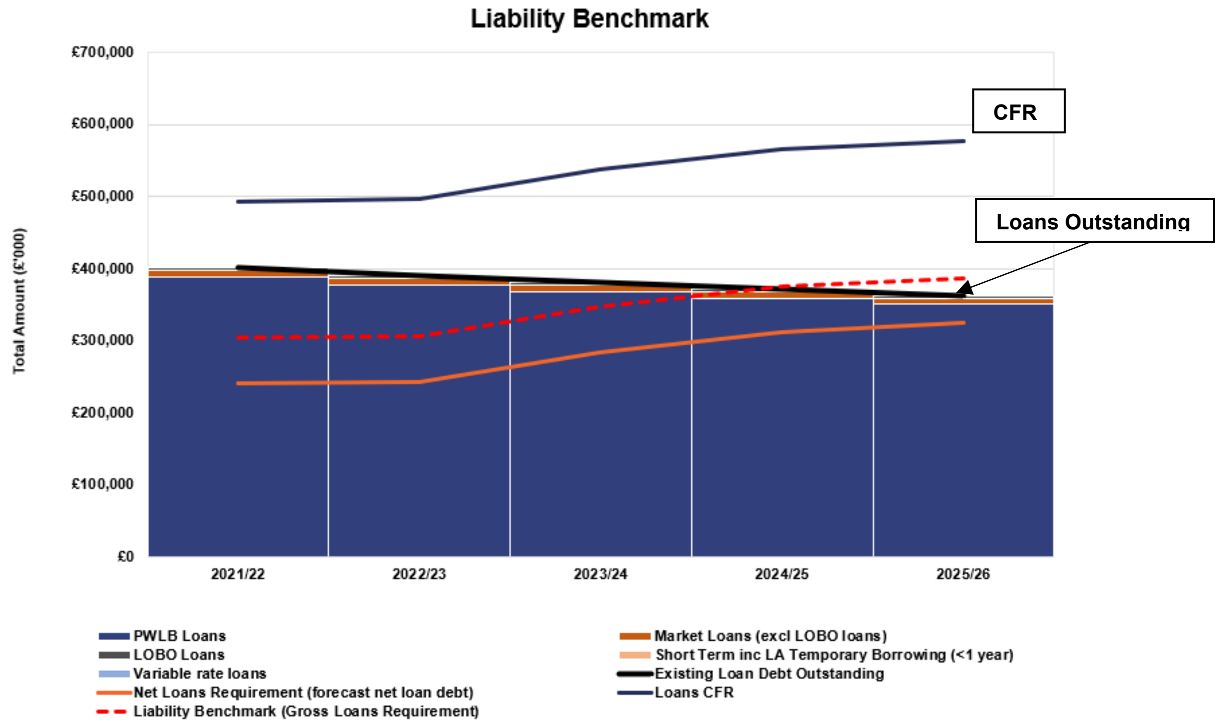
1.3. Liability Benchmark

1.3.1. Liability Benchmark

A new Prudential Indicator for 2023/24 is the Liability Benchmark. The Council is required to estimate and measure the Liability Benchmark for the forthcoming year and the following two years. The liability benchmark is a measure of how well the existing loans portfolio matches the Council's planned borrowing needs.

There are four components to the Liability Benchmark:

- **Existing Loan Debt Outstanding:** The Council's existing loans that are still outstanding in future years.
- **Loans CFR:** This is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Minimum Revenue Provision (MRP).
- **Net Loans Requirement:** This will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecasted.
- **Liability Benchmark:** This equals net loans requirement plus short-term liquidity allowance.



The purpose of this prudential indicator is to compare the Council's existing loans outstanding (the black line) against its future need for loan debt, or liability benchmark (the red line). If the black line is below the red line, the existing portfolio outstanding is less than the loan debt required, and the Council will need to borrow to meet the shortfall. If the black line is above the red line, the Council will (based on its current plans) have more debt than it needs, and the excess will have to be invested. The chart therefore tells a Council how much it needs to borrow, when, and to want maturities to match its planned borrowing needs.

It is recommended that the above Prudential Indicators are adopted and that the Director of Corporate Services is given delegated authority by Council to change the balance between borrowing and other long-term liabilities.

Other long-term liabilities are other credit arrangements, which are, in the main, finance leases. These indicators may be affected once information is collated during 2023/24 for the new lease requirements under IFRS 16.