

**PRUDENTIAL INDICATORS 2022/23**

1. The Prudential code was introduced in response to the Local Government Act 2003. It requires Prudential Indicators in relation to Treasury Management and the Capital Programme to be reported to members at the end of each financial year. These indicators are set out in the in succeeding paragraphs in the format required by the Code.

**2. Capital Expenditure**

The actual capital expenditure and sources of financing in 2022/23 were:

<b>Capital Expenditure</b>	<b>2021/22 Actual £'000</b>	<b>2022/23 Estimate £'000</b>	<b>2022/23 Actual £'000</b>
Total Programme	2,920	14,338	2,975
less			
Grants & Contributions	-1,747	-627	-1,036
Revenue Contributions	-435	-7,111	-951
Capital Receipts	-738	0	-488
<b>Net Financed from Internal borrowing</b>	<b>0</b>	<b>6,600</b>	<b>500</b>

The variance between actual and estimated capital expenditure is due to the delay in spend on the new Environmental Centre.

**3. Capital Financing Requirement**

The Capital Financing Requirement (CFR) is the underlying need to use borrowing or leasing to provide capital assets. This is calculated from the balance sheet:

<b>Capital Financing Requirement</b>	<b>2021/22 Actual £'000</b>	<b>2022/23 Estimate £'000</b>	<b>2022/23 Actual £'000</b>
Total	996	7,276	1,456

4. The Prudential Code includes the following as a key indicator of prudence:

“In order to ensure that over the medium-term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years”.

Net Borrowing	2021/22	2022/23	2022/23
	Actual	Estimate	Actual
	£'000	£'000	£'000
Borrowing	482	6,802	482
Investments	-14,000	-13,650	-15,000
<b>Net Borrowing</b>	<b>-13,518</b>	<b>-6,847</b>	<b>-14,518</b>

The above table clearly shows that the Council's net borrowing is significantly less than the Capital Financing Requirement as shown in 3, thus confirming that borrowing was for capital purposes only.

#### 5. Authorised Limit for External Debt

This limit represents the maximum amount that Torridge may borrow at any given time during the year. The Authorised limit for the Council in 2022/23 was **£12,402k**; this is based on anticipated spending plans and an additional amount for volatility in receipt of external funding. No additional external borrowing was undertaken during 2022/23. Actual borrowing for the year as shown above, is significantly below the Authorised limit.

#### 6. Operational Boundary

The operational boundary sets the limit for short term borrowing requirements for cash flow and has to be lower than the previous indicator (the authorised limit for external debt). A ceiling of £7,803k has been set.

The operational boundary represents a key management tool for in year monitoring. As noted in paragraph 5 there was no requirement to undertake additional borrowing during the year.

Operational Boundary for External Debt	2022/23	2022/23
	Estimate	Actual
	£'000	£'000
Operational Boundary	7,803	482

\* £5.6m of external borrowing relating to the new Depot was reduced to £2.8m in year, which has subsequently been delayed until future years.

#### 7. Ratio of Financing Costs to Net Revenue Stream

This indicator shows the proportion of the Council's budget (i.e. the costs it has to meet from government grants and local taxation), that is required to meet the costs associated with capital financing (interest and principal, net of interest received).

Ratio of Financing Costs to Net Revenue Stream	2021/22	2022/23	2022/23
	Actual	Estimate	Actual
	£	£	£
Financing Costs	62,936	178,990	-294,966
Net Revenue Stream	7,039,680	7,662,099	7,609,158

Ratio of Financing Costs	0.89%	2.34%	-3.88%
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**8. Band D Council Tax**

The incremental impact of financing costs on the Council is detailed below:

	2022/23 Estimate	2022/23 Actual
Annual impact from previous year for Band D Equivalent	£ 4.73	-£14.64

The impact of the decrease in net financing costs when spread across the 24,447 band D equivalent properties in the Borough equates to £14.64 per property per annum.

**9. Exposure to Fixed and Variable Rates of Interest**

The Council must set limits to contain the activity of the treasury function within certain limits. All of the councils borrowing and investment in 2022/23 were at fixed interest rates. Consequently, the Council did not have any exposure to the variable interest rates in line with its treasury management strategy.

**10. Maturity Structure of Fixed Rates Borrowing**

The Council sets upper and lower limits for the maturity structure of its borrowing. The table below details the boundaries for the maturity of outstanding borrowing compared to actual. As an aid to comprehension the Council has set an upper boundary for borrowing becoming due for redemption with 12 months of 60%; at the close of the financial year 2022/23 - £126k was due for redemption within 12 months, representing 27% of the total outstanding borrowing. All borrowing relates to loans from the PWLB.

The upper and lower limits shown are indicative targets for a larger authority with a number of loans outstanding. As a smaller authority with only a few loans outstanding, it is very difficult to meet this. Torridge currently has three loans outstanding, one due in 2023/24, another the year after, and another after 2024/25.

	Lower Target	Upper Target	2022/23 Actual
Under 12 months	0%	60%	27%
12 months and within 24 months	0%	10%	33%
24 months and within 5 years	20%	40%	41%
5 years and within 10 years	30%	50%	0%
10 years and above	10%	30%	0%