

Treasury Indicators 2022/23

Capital Expenditure – This prudential indicator is a summary of the Council’s capital expenditure plans, and financing requirements. Any shortfall of resources results in a funding borrowing need.

Capital Expenditure	2021/22 Actual £000s	2022/23 Estimate £000s	2022/23 Revised £000s	2022/23 Actual £000s
HRA	5,696	15,350	9,187	6,459
General Fund	29,688	19,088	19,213	18,048
Non-Financial Investments				
- Investment Properties	0	0	0	0
- Capital Loans	0	6,200	11,838	11,838
Total	35,384	40,638	40,238	36,345
Financed by:				
Capital Receipts	2,279	14,943	20,654	13,949
Earmarked Reserves	331	1,374	9,872	355
Capital Grants & Contributions	1,203	652	4,105	3,838
Revenue	5,029	14,830	607	5,908
Total	8,842	31,799	35,238	24,089
Net financing need for the year	26,542	8,839	5,000	12,256

The net financing need for non-financial investments included in the above table against expenditure is shown below:

	2021/22 Actual £000s	2022/23 Estimate £000s	2022/23 Revised £000s	2022/23 Actual £000s
Capital expenditure	0	6,200	11,838	11,838
Financing costs met	0	6,200	11,838	11,838
Net financing need for the year	0	0	0	0
Percentage of total net financing need	0%	0%	0%	0%

The Council’s borrowing need (the Capital Financing Requirement) - The Council’s Capital Financing Requirement (CFR), is simply the total historic 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. Any capital expenditure, which has not immediately been paid for, will increase the CFR.

	2021/22 Actual £000s	2022/23 Estimate £000s	2022/23 Revised £000s	2022/23 Actual £000s
CFR:				
- HRA	101,956	100,000	100,000	100,000
- General Fund	144,322	191,122	157,221	157,221
- Non-Financial Investments	432,661	429,740	442,178	442,178
CFR at 1 April	678,939	720,862	699,399	699,399
Net financing need for the year	26,542	8,839	5,000	12,256
Less MRP/VRP and other financing movements	(6,082)	(4,586)	(4,324)	(4,291)
CFR at 31 March	699,399	725,115	700,075	707,364

The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes.

Current Portfolio Position - The Council's treasury portfolio position is summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2021/22 Actual £000s	2022/23 Estimate £000s	2022/23 Revised £000s	2022/23 Actual £000s
External Debt at 1 April	-	673,827	654,084	-
Expected change in Debt	-	6,883	-6,009	-
Actual gross debt at 31 March	654,084	680,710	648,075	643,573
Capital Financing Requirement	699,399	725,115	700,075	707,364
Under / (over) borrowing	45,315	44,405	52,000	63,791

The under borrowed position is due to internal borrowing. This is temporary funding of capital expenditure using positive cash flows and internal balances. A small part of this difference (approximately £450,000) represents the value of balances held on behalf of local trusts (e.g. Cabrera Recreation Ground Trust, Runnymede Pleasure Ground Trust etc). This gives the Trusts certainty of income and quick access if needed.

Within the Actual gross debt at 31 March figures shown above, the level of debt relating to non-financial investments is:

	2021/22 Actual £000s	2022/23 Estimate £000s	2022/23 Revised £000s	2022/23 Actual £000s
Debt at 31 March	442,178	429,740	433,724	433,724
Percentage of total external debt	68%	64%	67%	67%

The Operational Boundary – This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher

depending on the levels of actual debt. **The authorised limit for external borrowing.** – A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the 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 this power has not yet been exercised.

	2022/23 £000s
Operational Boundary	695,710
Authorised Limit	720,710
Actual Borrowings	643,573

This limit includes a “cushion” to allow for the non repayment of any borrowing at the required time and headroom for rescheduling of debts (i.e. borrowing new money in advance of repayment of existing). This was not required during the year.

Interest Rate exposure - The upper limits on variable interest rate exposure indicator is set to control the Council’s net exposure (taking borrowings and investments together) to interest rate risk. Its intention is to ensure that the Council is not exposed to interest rate rises which could adversely impact the revenue budget.

	2021/22 Actual £000s	2022/23 Estimate £000s	2022/23 Revised £000s	2022/23 Actual £000s
Upper limits on fixed interest rates based on net debt	585,488	693,570	632,109	643,181
Upper limits on variable interest rates based on net debt	0	0	0	(73,042)

The Upper Limit on fixed interest rates is calculated using the maximum allowed debt (The Authorised Borrowing Limit/Actual borrowing) less Fixed Term investments.

The variable rate upper limit of zero means that the Council is minimising its exposure to uncertain future interest rates on its debt. As most of the Council’s investments mature within the financial year, GBP73.0mln are classed as variable rate investments. The Council has no variable rate borrowings to offset these against, hence the negative figure in the table above.

Investment Treasury Indicator and Limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

	2021/22 Actual £000s	2022/23 Estimate £000s	2022/23 Revised £000s	2022/23 Actual £000s
Upper limits on Principal sums invested for over 365 days	0	3,000	3,000	0

There were no investments made for a period of greater than 365 days at the 31 March 2023.

Maturity structure of fixed interest rate borrowing (Upper Limit)

	2021/22 Actual %	2022/23 Estimate %	2022/23 Revised %	2022/23 Actual %
Under 12 months	2	25	25	2.42
12 months to 2 years	2	25	25	1.65
2 years to 5 years	5	25	25	4.95
5 years to 10 years	12	50	50	12.20
10 years and above	79	100	100	78.78

As the Council does not borrow at variable rates of interest, the upper limit on this type of debt will always be nil, therefore no table has been produced for variable interest rate borrowing.