Eden Prudential and Treasury Indicators 2022/23 Outturn

1. Background

1.1 There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Treasury Management Code and Prudential Code for Capital

Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. Authorities are required to report actual performance against these indicators and this is presented below.

2. Gross Debt and the Capital Financing Requirement

2.1 This is a key indicator of prudence. In order to ensure that, over the medium term, borrowing will only be for a capital purpose, the Council should ensure that the external borrowing does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the preceding year, plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

Table 1: Gross debt and the Capital Financing Requirement

	2021/22 Actual £'000	**2022/23 Estimate £'000**	**2022/23 Actual £'000**
CFR closing	1,973	3,949	3,192
Gross Borrowing	610	3,949	1,287
Under/over borrowed (-/+)	-1,363	0	-1,905

2.2 Table 1 shows that the Council had no difficulty meeting this requirement in 2022/23

3. Capital Expenditure

3.1 This indicator is set to ensure that the level of proposed capital expenditure is reflected within the Council's Treasury strategy:

Table 2: Capital Expenditure

	2021/22 Actual £000	**2022/23 Estimate £'000**	**2022/23 Actual £'000**
Capital Expenditure	4,161	4,524	6,645

The full details of the capital expenditure and the variances against the capital budgets for 2022/23 are included within the capital outturn report, presented to Cabinet on 11 July 2023.

4. Ratio of Financing Costs to Net Revenue Stream

4.1 This is an indicator of affordability and highlights the revenue implications of capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income:

Table 3: Ratio of financing costs to net revenue stream

	2021/22 Actual £000	**2022/23 Estimate %**	**2022/23 Actual £'000**
Ratio of Financing Costs to Net Revenue Stream	-3.5%	-2.1%	-2.7%

The negative value shows that EDC have net financing income rather than costs.

5. Authorised Limit and Operational Boundary for External Debt

5.1 The authorised limit and operational boundary set maximum level of external borrowing for the Council. There was no new borrowing during 2022/23; the level of external debt (maximum balance during the period of £nil) was within these limits (authorised limit £nil, operational boundary £nil).

6. Adoption of the CIPFA Treasury Management Code

6.1 This indicator demonstrates that the Council has adopted the principles of best practice. The Council approved the adoption of the CIPFA Treasury Management Code for 2022/23.

7. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

7.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums (fixed rate debt net of fixed rate investments).

7.2 The indicators provide freedom to manage the portfolio in line with the needs of the Council and the instruments available in the market. Borrowings were all fixed interest instalment type loans. Investments were a mixture of fixed and variable instruments.

Table 4: Interest rate exposure

Interest Rate Exposures	**2021/22 Actual £000 %**	**2022/23 Estimate £000 %**	**2022/23 Actual £000 %**

Upper Limit for Fixed Interest Rate Exposure on Debt	100	100	100
Upper Limit for Fixed Interest Rate Exposure on Investments	-100%	-100	-100
Net Fixed Exposure	**0%**	**0%**	**0**
Upper Limit for Variable Interest Rate Exposure on Debt	0	0	0
Upper Limit for Variable Interest Rate Exposure on Investments	-100%	-100	-100
Net Variable Exposure	**-0%**	**-0%**	**0**

8. Maturity Structure of Fixed Rate Borrowing

8.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular, in the course of the next ten years.

8.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. The total level of external debt outstanding at 31 March 2022 was £0, so this is not judged to present a significant risk in terms of cash flow.

Table 5: Maturity structure of external borrowing

Maturity Structure of Fixed Rate Borrowing	**At 31/3/22**	**At 31/3/23**	**Lower Limit for 2022/23**	**Upper Limit for 2022/23**
Under 12 months	0%	0%	0%	100%
12 months and within 24 months	0%	0%	0%	100%
24 months and within 5 years	0%	0%	0%	100%
5 years and within 10 years	0%	0%	0%	100%
10 years and above	0%	0%	0%	100%

9. Upper Limit for Total Principal Sums Invested over 364 Days

9.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Table 6: Sums invested for more than 364 days:

	2021/22 Actual £000	**2022/23 Limit £'000**	**2022/23 Actual £'000**
Upper Limit/Actual for total principal sums invested over 364 days	4,901	8,000	4,901

This Upper Limit represents investment in CCLA Fund.