

## ANNEX B NON-TREASURY MANAGEMENT PRUDENTIAL INDICATORS

### 1. BACKGROUND

- 1.1 The Council measures and manages its capital expenditure, borrowing and commercial and service investments with reference to the following indicators. It is now a requirement of the CIPFA Prudential Code that these are reported on a quarterly basis

### 2. CAPITAL EXPENDITURE

- 2.1 Cotswold District Council has undertaken and is planning capital expenditure as summarised below.

Capital Expenditure	2022/23 actual (£)	2023/24 forecast (£)	2024/25 budget (£)	2025/26 budget (£)
General Fund Services	2,969,737	3,661,000	6,813,000	1,328,000
Capital Investments		3,137,000	0	0

- 2.2 The main General Fund capital projects to date have included expenditure on Disabled Facilities Grants and Trinity Road Agile Working Project. The Council also incurred £2.155m as at 31 December 2023 of capital expenditure in the form of a service loan to Cottsway Housing Association.

### 3. CAPITAL FINANCING REQUIREMENT

- 3.1 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 and reduces with Minimum Revenue Provision (MRP) and capital receipts used to replace debt.

Capital Financing Requirement	2022/23 actual (£)	2023/24 forecast (£)	2024/25 budget (£)	2025/26 budget (£)
General Fund Services	20,211	387,000	435,000	400,000
Capital Investments	0	0	0	0

### 4. GROSS DEBT AND THE CAPITAL FINANCING REQUIREMENT

- 4.1 Statutory guidance is that debt should remain below the capital financing requirement, 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.

	31/3/2023 actual (£)	31/03/2024 forecast (£)	31/03/2025 budget (£)	31/03/2026 budget (£)	Debt at 31/12/23
Debt (incl PFI and leases)	450,757	356,000	260,000	158,000	404,515
Capital Financing Requirement	20,211	387,000	435,000	400,000	

- 4.2 In the table above, the closing position of the CFR for 2022/23 was lower than the level of debt. This is referred to as an overborrowed position and is forecast to change based on the capital expenditure plans set out above. The Council's debt position at 31/3/2023 reflects the

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balance remaining of the Cotswold Climate Investment (£500k target was reached in August 2022). The need for further borrowing will be kept under review.

- 4.3 The Cotswold Climate Investment was not purely a treasury decision and the “over borrowed” position can be seen as a timing difference between achieving the investment in 2022 ahead of planned expenditure in 2023/24 and 2024/25. The Council has mitigated the cost of holding this debt through treasury management investments of the cash balance (achieved >5% with the Government’s Debt Management Office (DMO) which is significantly above the interest payable of 2.1% on the Climate Investment).

### 5. DEBT AND THE AUTHORISED LIMIT AND OPERATIONAL BOUNDARY

- 5.1 The council is legally obliged to set an affordable borrowing limit (also termed the Authorised Limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Debt, Authorised Limit and Operational Boundary	Maximum Debt Q3 2023/24 (£)	Debt as at 31/12/2023 (£)	2023/24 Authorised Limit (£)	2023/24 Operational Boundary (£)	Complied?
Borrowing	10,000,000	404,515	10,000,000	10,000,000	YES
PFI and Finance Leases	0	0	0	0	YES
<b>Total debt</b>	<b>10,000,000</b>	<b>404,515</b>	<b>10,000,000</b>	<b>10,000,000</b>	

- 5.2 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, and this is not counted as a compliance failure.

### 6. NET INCOME FROM COMMERCIAL AND SERVICE INVESTMENTS TO NET REVENUE STREAM

- 6.1 The Council’s income from commercial and service investments as a proportion of its net revenue stream has been and is expected to be as indicated below.

	2022/23 actual (£)	2023/24 forecast (£)	2024/25 budget (£)	2025/26 budget (£)
Total net income from service and commercial investments	507,019	505,004	495,018	500,819
Proportion of net revenue stream	4.02%	3.74%	3.42%	3.42%

- 6.2 The 2023/24 forecast is lower than that set out in the 2023/24 Capital Strategy due to the £75k income shortfall forecast on commercial property income.

### 7. PROPORTION OF FINANCING COST TO NET REVENUE STREAM

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

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**7.2** The net annual charge is known as financing costs, this is compared to the net revenue stream i.e., the amount funded from Council Tax, Business Rate, and general government grants.

	<b>2022/23 actual (£)</b>	<b>2023/24 forecast (£)</b>	<b>2024/25 budget (£)</b>	<b>2025/26 budget (£)</b>
Financing costs (£)	6,030	9,000	19,000	40,000
Proportion of Net revenue stream	0.05%	0.07%	0.13%	0.27%

(END)