EXPLANATION OF PRUDENTIAL INDICATORS

Central government control of borrowing was ended and replaced with Prudential borrowing by the Local Government Act 2003. Prudential borrowing permits local government organisations to borrow to fund capital spending plans provided they can demonstrate their affordability. Prudential indicators are the means to demonstate affordability.

Capital expenditure – table 1 shows last year's capital expenditure, this year's projected capital expenditure and the approved programme until 2026/27.

Ratio of financing costs to net revenue stream – table 5 shows that the General Fund interest on borrowing accounts for between 0.48% and 0.80% of net revenue. In the HRA interest on net borrowing now accounts for between 13.92% and 17.76% of net revenue.

Net borrowing need – table 2 shows borrowing planned to fund the capital programme.

Capital financing requirement (CFR) as at 31 March – table 3 shows the CFR which is the council's underlying need to borrow for capital purposes as determined from the balance sheet. Table 6 shows the overall CFR is £119.147m. As the Council has borrowing of £100.717m the balance sheet shows there is currently under borrowing of £18.430m, which is projected to increase to £23.094m by 31 March 2024.

Authorised limit for external debt - table 8 shows the maximum limit for external borrowing. This is the statutory limit determined under section 3(1) of the Local Government Act 2003. This limit is set to allow sufficient headroom for day to day operational management of cashflows.

Operational boundary for external debt – table 7 shows the more likely limit to the level of external debt that may be required for day to day cashflow.

Upper limit for total principal sums invested for over 365 days – table 11 shows the amount it is considered can be prudently invested for period in excess of a year.