

## Appendix 1 – Prudential Indicators

### 1.0 Indicators for Affordability

#### 1.1 The ratio of financing costs to net revenue stream

This indicator measures the percentage of the net revenue funding used to finance external debt. As no future borrowing is planned and a decision was made to reallocate reserves to reduce the capital financing requirement in 2015/16, the ratio of financing costs to net revenue stream will remain consistently low:

Indicator	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Ratio of financing costs to net revenue stream	0.98%	0.15%	0.18%	0.04%	0.04%

### 2.0 Indicators for Prudence

#### 2.1 Gross borrowing and the Capital Financing Requirement

The table below shows gross borrowing and the capital financing requirement (CFR). The Authority should ensure that gross borrowing does not, except in the short term, exceed the CFR. However, due to the reallocation of reserves to reduce the CFR (excluding finance lease) to zero (see Provenance Section & Background Papers) gross borrowing will exceed CFR for the medium to long-term. This situation will exist until borrowing is repaid.

Gross borrowing at the start of 2021/22 financial year was £6.797m. The figures shown below indicate the maximum level of borrowing during the year (i.e. repayments will reduce the limit for the following year):

Indicator	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Gross borrowing (£000)	6,797	6,797	6,177	5,177	5,177
Capital financing requirement (£000)	1,543	1,496	1,449	1,402	1,355

### 3.0 Indicators for Capital Expenditure

#### 3.1 Capital Expenditure

This indicator shows the expected level of capital expenditure for future years:

Indicator	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Capital expenditure (£000)	1,331	3,273	2,787	1,011	1,199

#### 3.2 Capital Financing Requirement (CFR)

The CFR reflects the Authority's underlying need to borrow. This figure was reduced down to the level of the finance lease by the reallocation of reserves (see Background Papers). No additional borrowing is planned in the medium term. The CFR should be looked at in relation to gross borrowing, as detailed in Section 2.1:

Indicator	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Capital financing requirement (underlying need to borrow for a capital purpose) (£000)	1,543	1,496	1,449	1,402	1,355

#### **4.0 Indicators for External Debt**

##### **4.1 Authorised Limit**

This is the maximum limit on borrowing and other long-term liabilities (currently limited to the finance lease at Gerrards Cross). This amount cannot be exceeded without approval from the Fire Authority:

Indicator	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Authorised limit for borrowing (£000)	8,797	8,797	8,177	7,177	7,177
Authorised limit for other long-term liabilities (£000)	1,543	1,496	1,449	1,402	1,355
Authorised limit for external debt (£000)	10,340	10,293	9,626	8,579	8,532

##### **4.2 Operational Boundary**

This indicator shows the most likely estimate of debt for future years:

The actual external debt for the year ending 31 March 2022 was **£8.340m**.

Indicator	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Operational boundary for borrowing (£000)	6,797	6,797	6,177	5,177	5,177
Operational boundary for other long-term liabilities (£000)	1,543	1,496	1,449	1,402	1,355
Operational boundary for external debt (£000)	8,340	8,293	7,626	6,579	6,532

#### **5.0 Indicators for Treasury Management**

##### **5.1 Adoption of CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectorial Guidance Notes**

The aim is to ensure that treasury management is led by a clear and integrated forward treasury management strategy, and a recognition of the pre-existing structure of the Authority's borrowing and investment portfolios.

##### **5.2 Upper limit on fixed interest rate exposures**

This indicator shows the Authority's upper limit of the net exposure to fixed interest rates. Currently all borrowing is at a fixed rate of interest:

Indicator	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Upper limit on fixed interest rate exposures	100%	100%	100%	100%	100%

##### **5.3 Upper limit on variable interest rate exposures**

This indicator shows the Authority's upper limit of the net exposure to variable interest rates:

Indicator	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Upper limit on variable interest rate exposures	20%	20%	20%	20%	20%

#### 5.4 Maturity structure of fixed rate borrowing

This shows the repayment profile of fixed rate borrowing. All loans are repayable on maturity:

Indicator	Actual 2021/22		Estimate 2022/23		Estimate 2023/24		Estimate 2024/25		Estimate 2025/26	
	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit
<b>Maturity structure of fixed rate borrowings</b>										
Under 12 months	0%	9%	0%	16%	0%	0%	0%	0%	0%	0%
12 months and within 24 months	0%	15%	0%	0%	0%	0%	0%	0%	0%	0%
24 months and within five years	0%	0%	0%	16%	0%	19%	0%	19%	0%	19%
five years and within 10 years	0%	24%	0%	22%	0%	27%	0%	27%	0%	27%
10 years and within 20 years	0%	11%	0%	0%	0%	0%	0%	0%	0%	0%
20 years and within 30 years	0%	0%	0%	36%	0%	42%	0%	42%	0%	42%
30 years and within 40 years	0%	41%	0%	10%	0%	12%	0%	12%	0%	12%
40 years and above	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

#### 5.5 Total principal sums invested for periods longer than 364 days

The purpose of this indicator is for the Authority to contain its exposure to the possibility of loss that might arise as a result of it having to seek early repayment or redemption of principal sums invested. The Authority currently has no investments over a period longer than 364 days.

Indicator	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
Total principal sums invested for periods longer than 364 days (£000)	0.00	0.00	0.00	0.00	0.00

#### 5.6 Credit Risk

The duration of any investment with a counterparty will be restricted as advised by our treasury management advisors. The advisors will base their assessment of credit risk based on credit ratings provided by the major agencies, as well as reviewing credit default swaps (a proxy measure for the markets perceived risk of default).

## Appendix 2 – Summary Table of Prudential Indicators

For reference, the following table summarises the key indicators detailed in Appendix 1 in a single table:

	Indicator	Actual 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
<b>Indicators for Affordability</b>						
1.1	Ratio of financing costs to net revenue stream	0.98%	0.15%	0.18%	0.04%	0.04%
1.2	The incremental impact of capital investment decisions on the council tax	0.00	0.00	0.00	0.00	0.00
<b>Indicators for Prudence</b>						
2.1	Gross borrowing (£000)	6,797	6,797	6,177	5,177	5,177
<b>Indicators for Capital Expenditure</b>						
3.1	Capital expenditure (£000)	1,331	3,273	2,787	1,011	1,199
3.2	Capital financing requirement (underlying need to borrow for a capital purpose) (£000)	1,543	1,496	1,449	1,402	1,355
<b>Indicators for External Debt</b>						
4.1	Authorised limit for external debt (£000)	10,340	10,293	9,626	8,579	8,532
4.2	Operational boundary for external debt (£000)	8,340	8,293	7,626	6,579	6,532
<b>Indicators for Treasury Management</b>						
5.2	Upper limit on fixed interest rate exposures	100%	100%	100%	100%	100%
5.3	Upper limit on variable interest rate exposures	20%	20%	20%	20%	20%
5.5	Total principal sums invested for periods longer than 364 days (£000)	0.00	0.00	0.00	0.00	0.00

The actual external debt for the year ending 31 March 2022 was £8.340m. The projected external debt for the year ending 31 March 2023 is £8.293m (both figures include the finance lease liability).

The following indicators are not shown above:

- 5.1 – the Authority has adopted CIPFA’s Treasury Management Code for 2021/22
- 5.4 – details of the maturity structure of fixed rate borrowing
- 5.6 – narrative regarding credit risk

### **Appendix 3 – Minimum Revenue Provision (MRP) Policy Statement**

The two methods for calculating prudent provision are set out below and were approved by members in 2008/09. Regulation 28 of the 2003 Regulations (as amended by regulation 4 of the 2008 Regulations) requires a local authority to calculate for the current financial year an amount of MRP which it considers to be prudent. The Secretary of State recommends that, for the purposes of regulation 4 the prudent amount of provision should be determined in accordance with one of four options, two of which were agreed by members in 2008/09 and are outlined below.

The broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits (asset life).

(a) CFR Method

MRP is equal to 4% of the Capital Financing Requirement (CFR) at the end of the preceding financial years. Since the CFR (excluding finance lease) is now at zero, this method is no longer applicable (for finance leases, the MRP requirement is regarded as met by a charge equal to the element of the rent that goes to write down the Balance Sheet liability).

(b) Asset Life Method

Since 1 April 2008, where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the life of the asset, based on an equal instalment method. This amount is projected to be nil for 2023/24.

Where assets have been purchased utilising Capital grants or Revenue Contributions no MRP calculation is required. Only assets purchased utilising borrowing require an MRP charge.

The asset life method calculation requires estimated useful lives of assets to be input in to the calculations. These life periods will be determined by the Director of Finance and Assets & Treasurer, with regard to the statutory guidance and advice from professional valuers.