## APPENDIX G

# CHORLEY BOROUGH COUNCIL CAPITAL STRATEGY

### Introduction

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to provide a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with corporate objectives and take account of stewardship, value for money, prudence, sustainability and affordability.

### Purpose

2. The capital strategy sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward an impact on the achievement of corporate strategy priorities.

3. The capital strategy sets out a framework for the self-management of capital finance and examines the following areas:

    - Capital expenditure
    - Treasury Management
    - Income Generating Activity
    - The future ambition of the council's capital programme

4. The capital strategy is to be approved annually by Full Council alongside the budget setting papers

### Changes to the Strategy

5. The performance indicators included in the strategy are updated and included below with commentary.

6. The only other proposed updates to the strategy for the 2022/23 budget will be changes to the governance of new capital proposals, two changes have been identified:

    - Due to the restrictions now imposed regarding borrowing from PWLB, a new pro forma must be completed when a project requests funding through borrowing. This will be signed off by the S151 Officer and will ensure the Council meets the requirements of the Government that Council's do not borrow solely for yield.
    - A more thorough evaluation of business cases is being developed to ensure the Council fully evaluates the rewards and risks of new investments. This was a requirement of our external auditors. It will also ensure the correct procurement route is being followed, legal implications are correctly considered and project milestones are identified.

**Capital Expenditure**

7. The Council's Capital Programme forms part of the Council's overall financial strategy to deliver some of its key objectives contained in the Corporate Priorities. The Capital Programme must be affordable and based upon prudence. The current local government financial position and the need to make revenue savings will impact on the Council's ability to finance further capital spending unless additional funding is secured from external sources. The Capital Programme is constructed based upon the following objectives.

**The resources available will be targeted at areas that deliver corporate priorities as described in the annual Corporate Strategy**

**Borrowing will be managed to ensure the future impact on revenue is minimised**

**The council will consider the purchase and/or development of assets to generate a sustainable revenue stream to counteract against the risk of future reductions in grant funding and year to year fluctuations in locally sourced funding; however only where this investment supports the regeneration of the Borough.**

**Borrowing solely for the purpose of generating yield is no longer permissible.**

**The council will consider working with partners to assist them to meet both their objectives and the council's objectives; this must have no impact on revenue budgets. This support may include granting loans to organisations at a rate that generates a greater return to the council.**

**The council will continue to identify land to assist in delivering its affordable housing targets.**

**The council will look to maximise opportunities to attract external finance to sustain its programme of work.**

## Governance

8. Democratic decision-making and scrutiny provide overall political direction and ensure accountability for investment in the capital programme. These processes include:

    - Full Council approves the Council's Corporate Strategy that is refreshed every year, this strategy features numerous capital projects that are then built into the council's budget setting process.
    - The Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the executive before submission to the Full Council.
    - Full Council approves the capital programme as well as the Treasury Management and Investment Strategy. The revenue implications of these strategies are included in the annual budget and Medium-Term Financial Strategy, all of which is approved by Full Council.
    - Executive Cabinet receives quarterly revenue and capital monitoring reports, approves variations (or recommends approvals to Full Council) and considers new bids for inclusion in the capital programme.
    - Portfolio holders are assigned projects in line with their responsibilities
    - Overview and Scrutiny can call in Cabinet reports, receive and scrutinise reports
    - All projects progressing to the capital programme follow the constitution and financial regulations, this includes adjustments to the projects as they progress
    - The capital programme is subject to internal and external audit.

9. The definition of 'capital' will be determined by the Chief Finance Officer, having regard to government regulations and accounting requirements. Further information regarding the governance of the capital programme is given in Appendix 4 of the Constitution titled Financial Regulations & Financial Procedure Rules as approved by Full Council on 23 July 2019.

## New Capital Proposals

10. A new proposed scheme must be assigned a project manager. Standardised project initiation documentation is used based upon Prince 2 project management methodologies. As a result, new projects focus on the benefits it can deliver through the measurable project outcomes, not just time and cost.

11. Business cases are created and scrutinised by the finance team to ensure all financing, capital and revenue expenditure and income implications have been considered across the lifecycle of the investment with appropriate levels of sensitivity analysis surrounding key assumptions. If required, external expertise will be sought to provide specialist support such as VAT and governance advice. Outline risk registers are included and scrutinised by internal audit, finance and the service managers.

12. New proposals along with the business cases are reported to Senior Management Team (SMT) to ensure schemes are compliant with the council's overall strategic objectives. The role of SMT is to ensure that new proposals are not considered in

isolation but rather considered alongside existing schemes and other new proposals. In doing this SMT ensures the council's corporate priorities are driving future capital investment. For example, the council's Medium-term Financial Strategy includes the ambition to create future efficiency savings, contract savings and income generation, as well as benefit residents and local communities. Projects that are brought forward to SMT must meet one or more of these objectives.

**Affordability, Prudence and Sustainability**

13. The Prudential Code requires that the Authority shall ensure that all capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt and consideration of risk and the impact on the Council's overall fiscal sustainability.

14. The Authority is required to make reasonable estimates of the total capital expenditure that it plans to incur in the forthcoming financial year and at least the following two financial years.

15. The capital programme will be reprofiled at Quarter 3 in 2021/22 and the current position is outlined in Table 1; subject to approval at Full Council on 23 February 2022.

Table 1: Capital Programme 2021/21 to 2023/24

| Directorate | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m | Total £m |
|---|---|---|---|---|---|
| A strong local economy | 11.579 | 9.451 | 1.300 | 0.300 | **22.630** |
| An ambitious council that does more to meet the needs of residents and the local area | 2.805 | 1.570 | 0.000 | 0.000 | **4.375** |
| Clean, safe and healthy homes and communities | 12.107 | 12.724 | 0.875 | 0.875 | **26.581** |
| Involving residents in improving their local area and equality of access for all | 2.112 | 0.489 | 0.000 | 0.000 | **2.601** |
| **Total Capital Expenditure** | **28.602** | **24.235** | **2.175** | **1.175** | **56.187** |
| Developer Contributions (s106 & CIL) | 2.780 | 4.353 | 0.000 | 0.000 | **7.133** |
| Grants | 9.527 | 1.776 | 0.775 | 0.775 | **12.852** |
| Capital Receipts | 0.300 | 1.000 | 0.000 | 0.000 | **1.300** |
| Reserves & Revenue Contribution | 0.815 | 1.795 | 0.000 | 0.000 | **2.611** |
| New Homes Bonus | 0.210 | 0.000 | 0.000 | 0.000 | **0.210** |
| Prudential Borrowing | 14.970 | 15.311 | 1.400 | 0.400 | **32.081** |
| **Total Financing** | **28.602** | **24.235** | **2.175** | **1.175** | **56.187** |

16. The Capital Expenditure Prudential Indicator (Table 1) is the platform from which most Prudential Indicators of the Council are formed; this Prudential Indicator (PI) is grounded in the Council's capital programme and is a stated affordability indicator within the Prudential Code.

17. The predominantly high value projects within any capital programme means capital expenditure is a significant source of risk for any Council; the nature of these projects means they are often subject to cost variations, slippage or changes in specification.

18. Having established through the governance process that the capital programme is affordable, the monitoring of agreed against actual is a key element of risk management which this PI is designed to assist with; quarterly monitoring, using this PI as it's cornerstone, will help sign-post where schemes are straying from expectation either in regard to cost or timeframe

19. A typical measure of affordability is to compare the council's capital financing costs (interest and MRP) to the net revenue stream (council tax, business rates, revenue support grant and new homes bonus income). An increasing percentage would mean a greater proportion of the council's funding being used to meet its debt. Table 2 provides a modified version of this ratio that also includes the net income generated through investing in income generating assets. It is correct to include this income in the net income stream as borrowing has been used to part-fund these investments. An analysis of this ratio is given below:

Table 2: Capital Financing/Net Revenue Stream

| | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| **MRP and Interest** | **3.405** | **3.662** | **3.701** |
| Council Tax | (7.472) | (7.441) | (7.514) |
| Business Rates including grants for reliefs | (5.229) | (5.305) | (5.382) |
| Lower Tier Services Grant Allocation | (0.709) | 0.000 | 0.000 |
| New Homes Bonus | (0.886) | 0.000 | 0.000 |
| **Funding** | **(14.296)** | **(12.746)** | **(12.896)** |
| Net Income* - Market Walk | (1.765) | (1.776) | (1.775) |
| Other Property including land and garages | (0.553) | (0.556) | (0.558) |
| Net Income* – Primrose Retirement | (0.307) | (0.303) | (0.301) |
| Net Income* – Strawberry Fields Digital Office | (0.146) | (0.292) | (0.289) |
| Net Income* – Logistics House | (1.646) | (1.645) | (1.644) |
| Net Income* – Strawberry Meadows | (0.141) | (0.725) | (0.725) |
| Net Income* – Tatton | (0.179) | (0.330) | (0.330) |
| Net Income* - Whittle Surgery | (0.173) | (0.173) | (0.173) |
| **Net Income from Asset Investments** | **(4.910)** | **(5.800)** | **(5.796)** |
| **Adjusted Net Revenue Stream** | **(19.206)** | **(18.546)** | **(18.691)** |
| **Capital Financing/Net Revenue Stream** | **23.82%** | **28.73%** | **28.70%** |

*Excludes borrowing costs that are included in the first line of the table

20. Table 2 gives a proposed performance indicator regarding the affordability of the council's capital strategy. It should be noted however that this indicator will increase due to reductions in Government funding such as the elimination of New Homes Bonus and Services Grant allocation in 2023/24.

21. Table 2 highlights that the annual cost of borrowing is due to be **£3.701m by 2024/25**. It also outlines the additional income (net of running costs) that most of this borrowing will generate, income is expected to increase from **£4.910m in 2022/23 to £5.796m in 2024/25**. Included in the income figures are estimated income levels for future investments such as the development of units at Strawberry Meadows as well as investment at Tatton. All forecast income is set at a prudent level. The opportunities and risks regarding the council's investment in income generating assets is analysed further in the 'Income Generating Activity' section of this report.

**Prudence**

22. The Code also states that "In order to ensure that over the medium term net debt will only be for a capital purpose, the local authority should ensure that net debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years." This is a key indicator of prudence.

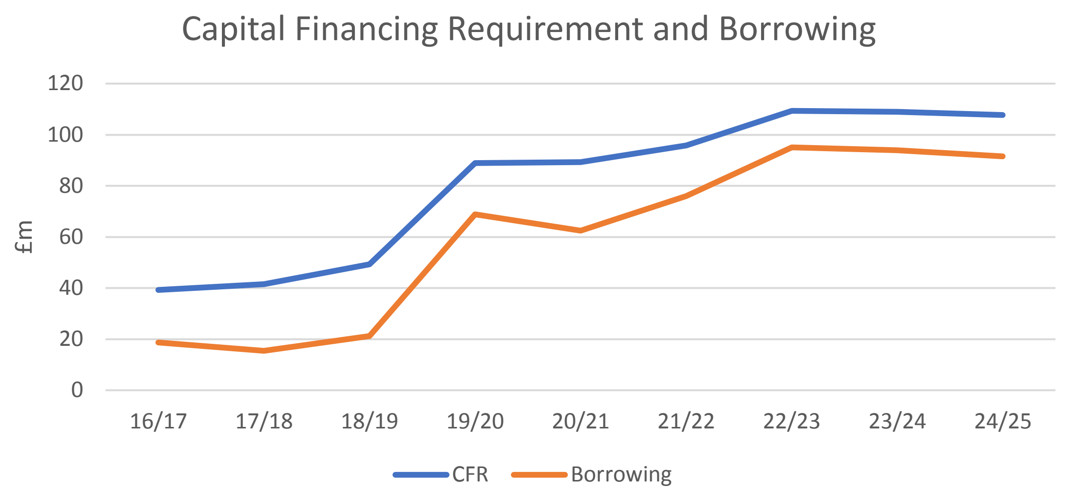
Table 3: Capital Financing Requirement 2020/21 to 2023/24

| | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| **Opening Capital Financing Requirement** | **103.027** | **116.842** | **116.460** |
| Increase in capital financing requirement | 15.311 | 1.400 | 0.400 |
| Provision made for debt repayments | (1.495) | (1.782) | (1.845) |
| **Closing Capital Financing Requirement** | **116.843** | **116.460** | **115.015** |

23. As such there is a requirement to ensure that net debt (the sum of borrowing and other long-term liabilities, net of investments) in 2022/23 does not, except in the short term, exceed £116.843.

24. The increase in debt outlined in Table 3 must be considered alongside the additional borrowing costs and income generated. Below are two charts that analyse this further.

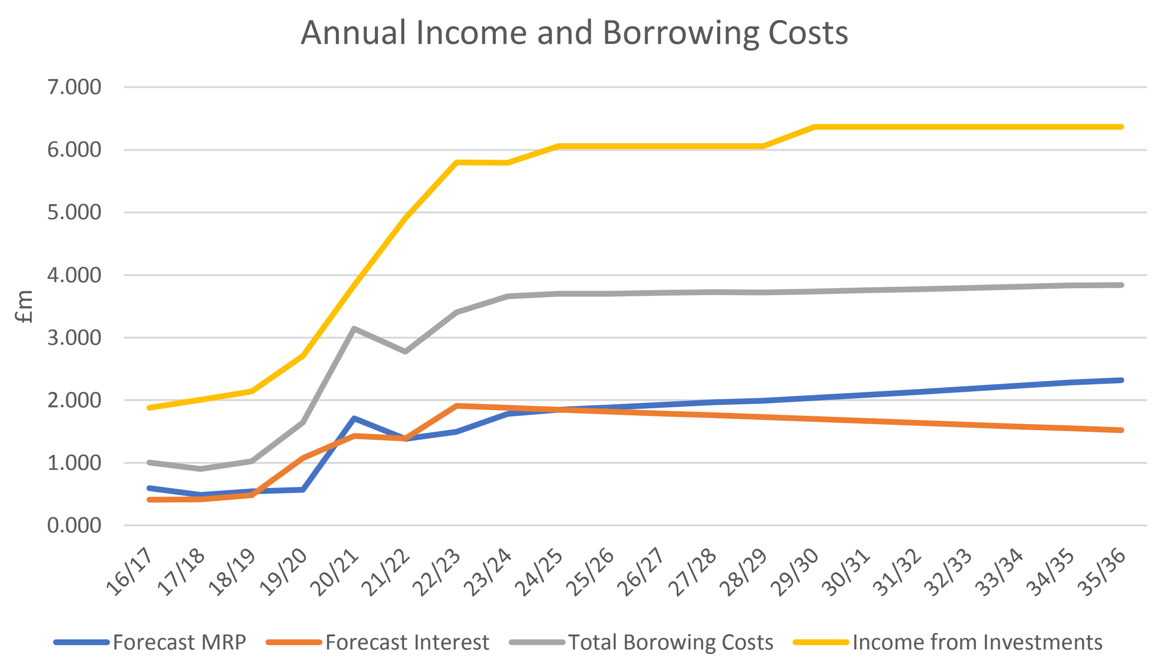
Chart 1: Council Debt – Capital Financing Requirement




25. The council's capital financing requirement in 2016/17 was approximately £40m with £23m of this relating to the purchase of Market Walk Shopping Centre. The requirement then gradually rises as developments such as Market Walk Extension, Primrose Gardens and Strawberry Fields begin construction. Finally, the CFR rises to over £100m, mainly due to the £33m purchase of the Logistics House site as well as borrowing to fund other large capital projects that will generate income for the council.

26. As demonstrated by Chart 1 the council has been significantly underborrowed in recent years and is forecast to continue this over the medium term. Future borrowing is expected to take place in the coming year that will reduce the gap between the CFR and actual borrowing.

Chart 2: Annual Income and Annual Borrowing Costs



27. The increase in debt is mirrored by an increase in borrowing however Chart 2 also emphasises how income from investments grows as well. The income from investments is net of running costs and so the gap between the total borrowing and income can be viewed as the council's annual return from borrowing. The gap between these lines grows from £1m to over £2m, this is due to the increase in rent that is expected from the lease of the Logistics House site. This increase is the minimum inflationary increase built into the 15-year lease and is therefore deemed a prudent estimate.

28. It is proposed that the gap between total borrowing and income is included as a performance indicator in the capital strategy. As other councils do not publish this data it will not be possible to benchmark this performance indicator however the council can monitor this over time to provide assurance regarding the overall affordability of its investments. Table 4 highlights income from investments will continue to exceed borrowing costs by an increasing margin.

Table 4: Borrowing in Excess of Investment Income

| | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| **MRP and Interest** | **3.405** | **3.662** | **3.701** |
| **Net Income from Asset Investments** | **(4.910)** | **(5.800)** | **(5.796)** |
| **Net Income in excess of Borrowing Costs** | **(1.505)** | **(2.138)** | **(2.094)** |

**Income Generating Activity**

29. This section outlines the investment in assets that has been made or will be made in the coming years that are forecast to generate net revenue to the council in the medium to long term. These investments however are made for purposes other than purely generating a yield including economic regeneration, job creation, improvements to housing standards and improving residents' enjoyment of the town centre.

30. The council has many assets that generate net income, these are summarised below.

Table 5: Summary of Net Income from Existing Assets

| Directorate | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|---|---|---|---|
| Market Walk Shopping Centre | (0.851) | (0.862) | (0.861) |
| Other Property including land and garages | (0.553) | (0.556) | (0.558) |
| Strawberry Fields | 0.023 | (0.124) | (0.121) |
| Primrose Gardens | (0.129) | (0.125) | (0.123) |
| Logistics House | (0.434) | (0.433) | (0.432) |
| Strawberry Meadows | 0.000 | (0.352) | (0.352) |
| Tatton | (0.179) | (0.330) | (0.330) |
| Whittle Surgery | (0.026) | (0.026) | (0.026) |
| **Total Net Income** | **(2.150)** | **(2.808)** | **(2.803)** |
| **Gross Directorate Budgets Chorley Council** | **16.627** | **17.286** | **17.281** |
| **% Net Income to Gross Directorate Budgets** | **12.93%** | **16.24%** | **16.22%** |

31. The council's gross directorate budgets are funded by up to 16% through the income generated by these assets. This percentage will increase as the council is investing in new income generating assets to broaden its investment portfolio and mitigate the impact that austerity is having on the services received by its residents. The performance indicator has increased since February 2021 due to increased income being realised in the future from Strawberry Meadows and Tatton projects.

32. It is important therefore to analyse the risk associated with the income assumed in the budget.

**Occupancy Levels**

33. The occupancy levels assumed in income figures Table 5 are deemed prudent based on the current information regarding these sites, they are summarised below:

Table 6: Budgeted Occupancy Rates

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|---|
| Market Walk Shopping Centre | 90% | 95% | 95% | 95% |
| Market Walk Extension | 85% | 90% | 95% | 95% |
| Primrose Gardens | 100% | 100% | 100% | 100% |
| Strawberry Fields | 85% | 90% | 95% | 95% |
| Logistics House | 100% | 100% | 100% | 100% |

- The existing Market Walk Shopping Centre is forecast to be 90% occupied in 2021/22, however occupancy is predicted to increase in 2022/23 onwards. The budget is updated throughout the year to manage any changes in rents from lease renewals. Any large in-year decreases in rent will be managed by the income equalisation reserve that stands at £466k in 2021/22. To date the net income budget has been reduced to account for reductions in rent that have been negotiated during the pandemic.

- Primrose Garden’s occupancy is expected to remain at 100%.

- The occupancy rates at Strawberry Fields Digital Office Park are forecast to increase as internal remodelling takes place, making smaller units which are more attractive to business start-ups.

- The council has a 15 year of the Logistics House site and the current tenant has a very strong financial standing. As such the occupancy rate is assumed to be 100%, the council will set aside £450k reserve to manage the site.

34. The interest rates assumed in the models are based on current PWLB rates accessible to the council. As the majority of the schemes are now operational, an increase in interest rates will not affect the returns on these investments. Increases in interest rates will however change the forecast borrowing in future years. The borrowing forecast assumes an additional £16m of borrowing over the coming four years. A 1% increase in the PWLB rate would increase borrowing costs by £160k per annum

35. When completed all assets are brought into the council’s year-end valuation cycle. All assets are valued at least every 5 years however assets will be valued if there is reason to believe its value may have changed by a material amount. The following assets are valued every year:

- Market Walk Shopping Centre and Extension
- Primrose Gardens Retirement Village
- Strawberry Fields Digital Office Park
- Logistics House site

36. These assets will be valued to allow the council to compare the values of each asset to the level of outstanding debt per asset. Officers take advice from qualified RICS surveyors regarding all valuations.

37. The council holds a £4.3m unallocated general fund reserve that is in place to manage unforeseen expenditure or a fall in forecast income. The council's major projects, such as the existing Market Walk shopping centre, include a maintenance budget to manage day-to-day as well as larger scale repairs and maintenance.

**Risk Appetite**

38. A key element of the Capital Strategy is to define what Chorley Council's risk appetite. Chorley Borough Council is exposed to a number of investment and commercial risks:
    - **Financial risk** relating to the investment of cash, market volatility, currency markets, etc
    - **Economic risk** relating to whether the local / national economy is growing or contracting
    - **Counterparty risk** relating to investments, loans to third parties and business transactions
    - **Operational risk** arising from transactions
    - **Strategic risk** relating to the decisions taken by the council in pursuit of its corporate objectives, i.e. the purchase of major new assets.
    - **Reputational risk** relating to the adverse impact of the council's dealings
    - **Environmental** and **social risks** arising from the adverse impact of investments
    - **Governance risk** relating to the transparency and accountability of decisions and decision-makers.

39. The Council has no appetite for **reputational, governance** and **foreign currency risk**. Its approach to other risks is as follows:

    - **Financial** – subject to full due diligence and appropriate external advice the council will have a moderate risk appetite for investment / expenditure on a range of asset classes, property and longer-term investments. Security and liquidity will be appropriate for the type of investment made. Income generation will prevail over capital appreciation. The Council will have no appetite for volatile or emerging market sector investments.

    - **Economic –** The council will have a high-risk appetite for appropriate investments / expenditure in the Borough, it has no risk appetite for investments outside the Borough. The council will have a low appetite for interest rate risk exposure. The key challenge for 2022/23 will be to restore economic activity and commercial income in the wake of the ongoing Covid-19 pandemic. "Growth" remains an ambition, however "recovery" is the primary focus.

- **Counterparty** – the council will have a high appetite for highly rated counterparties and financial institutions and a low appetite for unsecured non-investment debt. All investments will be subject to careful due diligence and an assessment of the Council's corporate priorities and liquidity profile.

- **Operational –** the council will have a low risk appetite for all operational risk arising from factors such as: price errors, administrative errors, IT security, etc. Specific business risks are identified at business unit level and business continuity plans identify and mitigate as appropriate. There is no appetite for fraud, regulatory breaches and exceeding approved limits.

- **Strategic** – The council will have a high appetite for investments which further its corporate priorities, increase revenue streams and / or facilitate the efficient and effective delivery of core service objectives,

- **Environmental and social** – the council will have no appetite for environmental and social risk.

### Knowledge and Skills

40. The council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills. The council establishes project teams from all the professional disciplines from across the council as and when required. External professional advice is taken where required and will always be sought in consideration of any major commercial property investment decision.

41. Internal and external training is offered to members to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions taken by the Director of Finance.

### Significant Schemes Currently Being Delivered

42. **Astley Hall and Park Development –** Approximately £1.8m has been invested in the total site resulting in major improvements to the building that will improve the visitor experience when it opens in April 2022. This includes the creation of a museum shop to help the site become more sustainable.

43. **Play and Open Spaces** - The £3m budget has been reprofiled to better reflect forecast expenditure across 2021/22 and 2022/23. The council also committed an additional £92k of expenditure ("Spruce the Parks"), funded through S106 and reserves, to further improve sites such as new play equipment, enhanced lighting, safety surfacing and wildflower planting at different sites throughout the borough. In the 2022/23 budget an additional £200k has been identified to make improvements to sites within the Borough that are not owned by the council.

44. **Whittle Surgery –** work on the site is almost complete and will provide a brand new £3.2m doctors surgery to improve the capacity for health services in the area. In addition, a new £300k parish building will also be developed on the site. The project will generate a small net income to the council from the GP surgery as well as rental from the parish council.

45. **Tatton Development –** Works on site for a new extra care facility are due to complete in late 2023. A detailed update on this scheme went to Council on 20 July 2021 increasing the budget to £16.150m which is part funded through the successful bid to the Lancashire Enterprise Partnership (LEP) for an additional £5.2m funding from Government.

46. **Strawberry Meadows** – Completion of this £11m project is due to complete in early 2022/23. An update was taken to Council on 16 November 2021. The proposal for the site is that it is all let rather than selling some of the units. There is significant interest across the site, this will encourage investment in local business and local employment whilst also generating a net surplus to the council from its investment.

47. **Public Realm / Town Centre** - As outlined in the budget, Chorley Council will continue its commitment to deliver the town centre masterplan with £4m set aside in the budget to achieve this. The vacant bingo hall and adjacent offices were demolished during 2021/22 to provide additional car parking and future public space.

48. **Westway Playing Fields** – The site opened in 2021 providing a first-class sports facility to Chorley Borough. Total investment of £2.7m was funded through CIL and s106 contributions as well as a £647k grant from the football foundation.

**Chorley Council's Future Capital Investment Ambition**

49. The council's ambition to invest within the borough stretches beyond the time scales of its approved capital programme. The council will invest to deliver efficiency saving, generate additional income to be reinvested in services and invest to support local residents and communities. Future ambitions of the council's capital programme are outlined further below.

**Investment Sites**

50. The council currently has two remaining sites that have been identified as a priority to bring forward for employment, Land East of Wigan Road and Cowling Farm site. Site

investigations and assessments are being undertaken and option appraisals are being developed to model how the sites can be developed. The cost of developing the sites will be met through an income generation reserve.

**Investing to Generate Efficiency Savings**

51. The council's Medium-Term Financial Strategy identifies a further £1.178m revenue budget efficiency savings to be realised by 2024/25. These savings will come through reduced revenue budgets and additional income generation. The council's Corporate Strategy recognises the need to invest in services to deliver these savings. These investments will include the following:

52. The council has approved a capital budget of £1.1m for investment in its **ICT infrastructure**. Capital investment is necessary to keep pace with the changing demands in technology and enable delivery of the councils Shared Digital Strategy and Workplace Strategy. The investment will replace outdated CCTV infrastructure and expand internet connectivity to improve the security of the council's new commercial buildings.

53. Developing the ICT strategy sits alongside other investment by the council in its infrastructure. Through the **WorkSmart** programme the council's ambition is to consolidate its portfolio of offices to reduce costs and improve efficiency across its services. To do this the council set aside £1.3m to modernise its customer services centre and improve the efficiency and commercial income of its office portfolio.

54. The council's Housing Strategy outlined the council's commitment to improve the quality of housing, to meet the changing needs of our residents and to rebalance the housing market. The council manages a wide portfolio of housing including sheltered accommodation, affordable housing and extra care. To build on this success the council continues to invest in **affordable housing** across the borough.

55. **Green agenda** – £500k has been allocated in the 2022/23 budget to deliver the council's ambition to become carbon neutral by 2030.

56. **Leisure Centre** – the council now manages its leisure centres and is investing in renovating sites to improve the customer experience as well as maximising the commercial income to the council. The capital budget includes £1m of CIL funding to enable the council to continue to invest in its leisure services.

57. The investment outlined above emphasises the council's ambition to utilise capital expenditure to drive forward efficiencies as well as commercial opportunities for the benefit of its residents and council tax payers. Further opportunities are and will be considered with funding identified to continue this ambition.

## Recommendations

58. It is recommended that the prudential indicators outlined in Table 7 are approved as part of the 2022/23 budget.

59. It should be noted that these performance indicators are specific to Chorley Council due both to its composition of funding and its unique level of commercial activity. As such these cannot be benchmarked effectively against other council's indicators. The indicators can however be monitored over time. As such it is proposed that these performance indicators will be monitored, reported and, where necessary adjusted, every six months. They will be reported to Governance Committee and Full Council.

Table 7 – Prudential Indicators 2022/23 to 2024/25

| Indicator | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|
| Estimated Capital Expenditure (Table 1) £m | 28.602 | 24.235 | 2.175 |
| Capital Financing/Net Revenue Stream (Table 2) £m | 23.82% | 28.73% | 28.70% |
| Forecast Capital Financing Requirement (Table 3) £m | 116.843 | 116.460 | 115.015 |
| Investment Income in Excess of Borrowing (Table 4) £m | (1.505) | (2.138) | (2.094) |
| % Net Income to Gross Directorate Budgets (Table 5) | 12.93% | 16.24% | 16.22% |