

## Appendix 1 – Capital Prudential Indicators 2025/26 Outturn report

Please note: The CFR and Capital expenditure figures have not yet been finalised. These figures have been marked in grey.

### 1. Introduction

This appendix is structured to update members on:

- The council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

Please note that all balances for 2025/26 are subject to change pending the publication of the draft Statement of Accounts.

### 2. Capital Expenditure

This provides a summary of the council's capital expenditure plans. It reflects the revised budget for 25/26 from the Capital Prudential Indicators Q3 report, the actual spend for 25/26 as well as the estimated position for 26/27 and 27/28.

Table A1: Capital Expenditure

	Revised Budget 25/26 £m	Actual 25/26 £m	Estimate 26/27 £m	Estimate 27/28 £m
Service Loans				
Capital Projects	7.6	7.6	17.9	6.5
New Finance Lease and PFI				
New Projects				
<b>Total Capital Expenditure</b>	<b>7.6</b>	<b>7.6</b>	<b>17.9</b>	<b>6.5</b>
Financed by:				
Capital Receipts (Asset Disposals)			(5.1)	
Capital Receipts (Loan Principal)				
Revenue Contributions				
Grants and other contributions (existing projects)	(5.0)	(5.0)	(3.2)	(10.2)
Finance Lease and PFI liabilities				
<b>Total financing</b>	<b>(5.0)</b>	<b>(5.0)</b>	<b>(8.3)</b>	<b>(6.4)</b>
<b>Net financing need for year*</b>	<b>2.6</b>	<b>2.6</b>	<b>9.6</b>	<b>(3.7)</b>

\* Subject to change pending draft Statement of Accounts

This indicator shows that the council's capital expenditure is supported by capital receipts or grants and that the amounts that require financing from the revenue budget are proportionate and affordable.

### 3. Capital Financing Requirement

The Capital Financing Requirement (CFR) shows the difference between the Authority's capital expenditure and the revenue or capital resources set aside to finance that spend.

The CFR will increase where capital expenditure takes place and will reduce as the Authority makes Minimum Revenue Provision (MRP) or otherwise sets aside revenue or capital resources to finance expenditure.

Table A2: Capital Financing Requirement

	Revised Budget 25/26 £m	Actual 25/26 £m	Estimate 26/27 £m	Estimate 27/28 £m
Opening CFR	235.5	235.5	233.8	238.7
Capital Spend	7.6	7.6	17.9	6.5
Resources used	(5.0)	(5.0)	(8.3)	(10.2)
MRP	(4.2)	(4.3)	(4.7)	(4.6)
<b>Closing CFR</b>	<b>233.9</b>	<b>233.8</b>	<b>238.7</b>	<b>230.4</b>

\* Subject to change pending draft Statement of Accounts

Each year the council sets a prudent MRP policy that will set aside revenue resources to finance capital expenditure over the life of the assets. This indicator details how capital spend, resources used and the MRP adjust the CFR closing balance.

#### 4. Gross Debt and the Capital Financing Requirement

An authority should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes.

The Authority should ensure that gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and the next two financial years. If the level of gross borrowing is below the Authority's capital borrowing need – the CFR – it demonstrates compliance with the requirement of this Indicator.

Table A3: Gross Debt & Capital Financing Requirement

	Revised Budget 25/26 £m	Actual 25/26 £m	Estimate 26/27 £m	Estimate 27/28 £m
CFR	233.9	233.8	238.7	230.4
Gross borrowing	149.0	144.0	153.0	143.0
<b>Under / (over) borrowing</b>	<b>84.9</b>	<b>89.8</b>	<b>85.7</b>	<b>87.4</b>

\* Subject to change pending draft Statement of Accounts

This indicator shows that the council is under borrowed, and so that debt is only being used to support capital expenditure. Under borrowing indicates that the council has been prudent and used internal borrowing to reduce the interest cost that is associated with external borrowing.

#### 5. Operational Boundary and Authorised Limit

The Operational Boundary is the limit beyond which external debt is not normally expected to exceed.

Unlike the Authorised Limit, the Operational Boundary is not an absolute limit, but it reflects the Council's expectations of the level at which external debt would not ordinarily be expected to exceed.

Table A4: Estimated Debt, Operational Boundary and Authorised Limit

	Revised Budget 25/26 £m	Actual 25/26 £m	Estimate 26/27 £m	Estimate 27/28 £m
External Borrowings	149.0	144.0	153.0	143.0
<b>Operational Boundary</b>	<b>200.0</b>	<b>200.0</b>	<b>199.0</b>	<b>198.0</b>
<b>Authorised Limit</b>	<b>310.0</b>	<b>310.0</b>	<b>270.0</b>	<b>265.0</b>

\* Subject to change pending draft Statement of Accounts

The council continues to have debt below its operational boundary, indicating that the council is effectively managing its debt and cashflows.

## 6. Financing cost to Net Revenue Stream

This Indicator shows the trend in the cost of capital (borrowing and other long-term obligation costs) against the net revenue stream. Funding includes income such as Council tax, Business Rates as well as New Homes Bonus and Revenue Support Grant but excludes income from investments.

Table A5: Ratio of Financing costs to Net Revenue stream

	Revised Budget 25/26 £m	Actual 25/26 £m	Estimate 26/27 £m	Estimate 27/28 £m
Interest costs on existing borrowing	4.5	4.5	4.4	4.6
MRP	4.2	4.3	4.7	4.6
<b>Total Financing Costs</b>	<b>8.7</b>	<b>8.8</b>	<b>9.1</b>	<b>9.2</b>
Funding	26.2	25.7	32.3	29.9
Non-specific grant income	3.7	3.7	0.0	0.0
<b>Net Revenue Stream</b>	<b>29.9</b>	<b>29.4</b>	<b>32.3</b>	<b>29.9</b>
<b>Ratio of Financing costs</b>	<b>29.1%</b>	<b>29.9%</b>	<b>28.2%</b>	<b>30.8%</b>

\* Subject to change pending draft Statement of Accounts

This indicator shows that the ratio of financing costs to net revenue streams is high, however what this doesn't consider is that a large proportion of the council's financing costs are offset by the interest from on-lending to the Council's subsidiaries, and income generated by the commercial assets acquired as part of the regeneration programme. See item 7 below for detail on this.

## 7. Net Income from Service Investment Income to Net Revenue Stream

The next indicator is the Net income from Commercial and Service investments Income to Net Revenue Stream. This Indicator shows the financial exposure of the Authority to the loss of its non-treasury investment income.

The Council does not hold any commercial investments. All investments that are not treasury-related are service investments, the majority of which relate to housing and regeneration.

Table A6: Ratio of Investment Income to Net Revenue stream

	Revised Budget 25/26 £m	Actual 25/26 £m	Estimate 26/27 £m	Estimate 27/28 £m
Income from long term investments	4.0	4.1	4.1	4.1
Income from assets	4.6	4.7	5.5	5.5
<b>Total Investment income</b>	<b>8.6</b>	<b>8.8</b>	<b>9.6</b>	<b>9.6</b>
Funding	26.2	25.7	32.3	29.9
Non-specific grant income	3.7	3.7	0.0	0.0
<b>Net Revenue Stream</b>	<b>29.9</b>	<b>29.4</b>	<b>32.3</b>	<b>29.9</b>
<b>Ratio of investment income</b>	<b>28.9%</b>	<b>29.9%</b>	<b>29.7%</b>	<b>32.1%</b>

\* Subject to change pending draft Statement of Accounts

The last two ratios dovetail, as much of the debt was incurred with the expectation of non-treasury investment income that would in part offset the financing costs. Deducting the Ratio of net income from Service Investments from the Ratio of Financing costs reveals the affordability ratio.

Table A7: Affordability Ratio

	Revised Budget 25/26	Actual 25/26	Estimate 26/27	Estimate 27/28
Ratio of Financing costs	29.1%	29.9%	28.2%	30.8%
Ratio of Investment income	28.9%	29.9%	29.7%	32.1%
<b>Affordability ratio</b>	<b>0.2%</b>	<b>0.0%</b>	<b>(1.5%)</b>	<b>(1.3%)</b>
	£m	£m	£m	£m
<b>Affordability ratio in £</b>	<b>0.10</b>	<b>0.00</b>	<b>(0.50)</b>	<b>(0.40)</b>

\* Subject to change pending draft Statement of Accounts

The affordability ratio shows that while the council broke even in 2025/26 it is expected to make a small surplus in the following two financial years.

The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable, and sustainable.

The council will continue to monitor this ratio and report to senior management and members. Should the affordability ratio move adversely, the council will need to review whether this is sustainable and what actions may be required to mitigate the impact to the taxpayer as part of its budget management and Medium-Term Financial Strategy.