

APPENDIX C

PRUDENTIAL AND OTHER INDICATORS 2024-25 and 2025-26

The Prudential Indicators are required to be set and approved by Council in accordance with CIPFA's Prudential Code for Capital Finance in Local Authorities.

Table 1 shows the 2024-25 actual capital expenditure, the capital programme approved by Council on 26 February 2025 and the projected capital expenditure for the current financial year which has incorporated slippage of schemes from 2024-25 together with any new grants and contributions or changes in the profile of funding for 2025-26.

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2024-25 Actual £m	2025-26 Estimate (Council Feb 25) £m	2025-26 Projection £m
Council Fund services	29.331	124.863	76.743
Right of Use Assets	3.925	-	0.351
TOTAL	33.256	124.863	77.094

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (the 'net financing requirement' - borrowing, leasing and Private Finance Initiative). The planned financing of the expenditure has been projected as follows:

Table 2: Capital financing

	2024-25 Actual £m	2025-26 Estimate (Council Feb 25) £m	2025-26 Projection £m
External sources	20.706	72.610	37.406
Own resources	2.858	34.907	25.107
Net Financing Requirement	9.692	17.346	14.581
TOTAL	33.256	124.863	77.094

The net financing requirement is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as the Minimum Revenue Provision (MRP). As well as MRP, the Council makes additional voluntary revenue contributions to pay off Prudential or Unsupported Borrowing. The total of these are shown in Table 3 below:

Table 3: Replacement of debt finance

	2024-25 Actual £m	2025-26 Estimate (Council Feb 25) £m	2025-26 Projection £m
Minimum Revenue Provision (MRP)	1.200	1.149	1.198
Additional Voluntary Revenue Provision (VRP)	1.870	2.243	2.429
Total MRP & VRP	3.070	3.392	3.627
Other MRP on Long term Liabilities	1.239	1.232	1.359
Total Own Resources	4.309	4.624	4.986

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 by the MRP amount within the year. Based on the above figures for expenditure and financing, the Council's actual CFR is as follows based on the movement on capital expenditure during the year:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	2024-25 Actual £m	2025-26 Estimate – Capital Strategy £m	2025-26 Projection £m
Capital Financing Requirement			
Opening CFR excluding PFI & other liabilities	162.745	166.329	165.442
Opening PFI & other leases CFR	12.974	14.975	15.670
Total opening CFR	175.719	181.304	181.112
Movement in CFR excluding PFI & other liabilities	(0.981)	13.954	10.954
Movement in PFI and other long term leases CFR	6.356	(1.232)	(1.359)
Total movement in CFR	5.375	12.722	9.595
Closing CFR	181.094	194.026	190.707
Movement in CFR represented by:			
Net financing need for year (Table 2 above)	9.604	17.346	14.581
Minimum and voluntary revenue provisions	(3.070)	(3.392)	(3.627)
MRP on PFI and other long term leases (Table 3)	(1.159)	(1.232)	(1.359)
Total movement	5.375	12.722	9.595

The capital borrowing need (Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This is known as Internal Borrowing. Projected levels of the Council's total outstanding debt, which comprises of borrowing, PFI and Other Long Term Liabilities, are shown below compared with the Capital Financing Requirement:

Table 5: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2024-25 Actual £m	2025-26 Estimate (Council Feb 25) £m	2025-26 Projection £m
Debt (incl. PFI & leases)	119.412	103.428	112.152
Capital Financing Requirement	181.094	194.026	190.707

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen, the Council expects to comply with this in the medium term.

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.

Table 6: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2024-25 Actual £m	2025-26 Estimate (Council Feb 25) £m	2025-26 Projection £m
Authorised limit – borrowing	170.000	170.000	170.000
Authorised limit – other long term liabilities	25.000	25.000	25.000
Authorised Limit Total	195.000	195.000	195.000
Operational boundary – borrowing	120.000	140.000	140.000
Operational boundary – other long term liabilities	20.000	20.000	20.000
Operational Boundary Limit Total	140.000	160.000	160.000
Total Borrowing and Long Term Liabilities	119.460	103.428	112.152

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. 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 rates and general government grants

Table 7: Prudential Indicator: Proportion of financing costs to net revenue stream

	2024-25 Actual £m	2025-26 Estimate (Council Feb 25) £m	2025-26 Projection £m
Capital Financing Central	5.142	5.065	6.456
Other Financing costs	0.945	0.869	1.078
TOTAL FINANCING COSTS	6.087	5.934	7.534
Proportion of net revenue stream	1.94%	1.55%	1.99%

This shows that in 2025-26, it is forecast that 1.99% of the Council's net revenue income will be spent on paying back the costs of capital expenditure.

The net revenue stream is calculated as the income from Welsh Government Revenue Support Grant plus Council Tax and Non-Domestic Rates, less Police and Community Council precepts.

The table below shows the Prudential Indicator of estimates of net income from commercial and service investments to net revenue stream.

Table 8: Prudential Indicator: Net Income from Commercial and Service Investments to Net Revenue Stream

	2024-25 Actual £m	2025-26 Estimate £m	2025-26 Projection £m
Net Revenue Budget	361.283	383.226	383.226
Income from Commercial Investments	0.459	0.459	0.459
% Ratio	0.13%	0.12%	0.12%

The income receivable from the commercial property portfolio is not deemed to be a financial resilience risk in terms of being 'disproportionate' to the Council's overall income.