APPENDIX D

PRUDENTIAL AND OTHER INDICATORS 2025-26 and 2026-27

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 2025-26 actual capital expenditure, the capital programme approved by Council on 25 February 2026 and the projected capital expenditure for the current financial year which has incorporated slippage of schemes from 2025-26 together with any new grants and contributions or changes in the profile of funding for 2026-27.

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2025-26 Actual £m	2026-27 Estimate (Council Feb 26) £m	2026-27 Projection £m
Council Fund services	44.919	121.822	102.161
Right of Use Assets	0.391	-	-
TOTAL	**45.310**	**121.822**	**102.161**

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

	2025-26 Actual £m	2026-27 Estimate (Council Feb 26) £m	2026-27 Projection £m
External sources	34.444	75.554	49.474
Own resources	2.904	24.526	37.012
Net Financing Requirement	7.962	21.742	15.675
TOTAL	**45.310**	**121.822**	**102.161**

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

	2025-26 Actual £m	2026-27 Estimate (Council Feb 26) £m	2026-27 Projection £m
Minimum Revenue Provision (MRP)	3.098	1.281	1.281
Additional Voluntary Revenue Provision (VRP)	2.069	2.687	2.621
Total MRP & VRP	**5.167**	**3.969**	**3.902**
Other MRP on Long term Liabilities	3.180	1.459	1.462
Total Own Resources	**8.347**	**5.428**	**5.364**

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

	2025-26 Actual £m	2026-27 Estimate – Capital Strategy £m	2026-27 Projection £m
Capital Financing Requirement			
Opening CFR excluding PFI & other liabilities	165.442	176.396	169.683
Opening PFI CFR	15.662	14.316	12.873
Total opening CFR	**181.104**	**190.712**	**182.556**
Movement in CFR excluding PFI & other liabilities	4.242	17.773	22.678
Movement in PFI and other long term leases CFR	(2.789)	(1.459)	(1.462)
Total movement in CFR	**1.453**	**16.314**	**21.216**
Closing CFR	**182.557**	**207.026**	**203.772**
Movement in CFR represented by:			
Net financing need for year (Table 2 above)	7.962	21.742	26.580
Minimum and voluntary revenue provisions	(3.329)	(3.969)	(3.902)
MRP on PFI and other long term leases (Table 3)	(3.180)	(1.459)	(1.462)
Total movement	**1.453**	**16.314**	**21.216**

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

	2025-26 Actual £m	**2026-27 Estimate (Council Feb 25) £m**	**2026-27 Projection £m**
Debt (incl. PFI & leases)	**112.572**	**107.516**	**102.929**
Capital Financing Requirement	**182.557**	**207.026**	**203.772**

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

	2025-26 Actual £m	**2026-27 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	140.000	150.000	150.000
Operational boundary – other long term liabilities	20.000	20.000	20.000
Operational Boundary Limit Total	**160.000**	**170.000**	**170.000**
Total Borrowing and Long Term Liabilities	**112.572**	**107.516**	**102.929**

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

	2025-26 Actual £m	**2026-27 Estimate (Council Feb 26) £m**	**2026-27 Projection £m**
Capital Financing Central	7.001	8.259	8.259
Other Financing costs	1.078	1.161	1.161
TOTAL FINANCING COSTS	**8.079**	**9.420**	**9.420**
Proportion of net revenue stream	2.11%	2.46%	2.46%

This shows that in 2026-27, it is forecast that 2.46% 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 Settlement Grant plus Council Tax and NNDR, 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

	2025-26 Actual £m	**2026-27 Estimate £m**	**2026-27 Projection £m**
Net Revenue Budget	384.000	408.149	408.149
Income from Commercial Investments	0.459	0.459	0.459
% Ratio	0.12%	0.11%	0.11%

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.