

## PRUDENTIAL INDICATORS & CAPITAL EXPENDITURE

### Capital expenditure

This prudential indicator is a summary of the Authority's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve capital expenditure forecasts set out in table 1:

**Table 1: Capital expenditure forecast 2025/26 - 2028/29**

Capital Expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund (excluding regen)	32.7	51.7	87.8	42.9	10.2
Regeneration	22.5	30.2	62.8	49.8	55.6
Exceptional financial Support (EFS)	30.4	60.0	77.0	93.0	93.0
<b>Total General fund</b>	<b>85.6</b>	<b>141.9</b>	<b>227.6</b>	<b>185.7</b>	<b>158.8</b>
HRA	75.0	161.5	141.0	128.8	127.7
<b>Total</b>	<b>160.6</b>	<b>303.4</b>	<b>368.6</b>	<b>314.5</b>	<b>286.5</b>

### Financing of Capital Expenditure

Table 2 below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

**Table 2: Financing of Capital expenditure forecast 2025/26 - 2028/29**

Financing of capital expenditure £m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate	Total
Capital Receipts	16.6	60.8	9.9	13.5	5.4	<b>106.2</b>
Capital Grants	26.4	44.8	144.1	36.1	25.4	<b>276.8</b>
Revenue & Reserves	17.2	12.3	15.7	13.4	14.1	<b>72.7</b>
<b>Net financing need for the year (borrowing)</b>	<b>100.4</b>	<b>185.5</b>	<b>198.9</b>	<b>251.6</b>	<b>241.6</b>	<b>978.0</b>

The net financing need for regeneration programme activities included in the above table against expenditure is shown below:

**Table 3: Regeneration Programme forecast 2025/26 - 2028/29**

<b>Financing of capital expenditure £m</b>	<b>2024/25 Actual</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>	<b>2028/29 Estimate</b>
Capital Expenditure	22.5	30.2	62.8	49.8	55.6
Other Sources of Financing	0.2	0.5	19.1	7.5	0.0
<b>Regen Net financing need for the year (borrowing)</b>	<b>22.3</b>	<b>29.7</b>	<b>43.7</b>	<b>42.3</b>	<b>55.6</b>
<b>Total Net Financing need for the year</b>	<b>100.4</b>	<b>185.5</b>	<b>198.9</b>	<b>251.6</b>	<b>241.6</b>
<b>Regeneration Percentage of total net financing need</b>	<b>22.2%</b>	<b>16.0%</b>	<b>21.9%</b>	<b>16.8%</b>	<b>23.0%</b>

### **The Authority's borrowing need (the Capital Financing Requirement)**

The second prudential indicator is the Authority's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Authority's indebtedness and so it's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for (e.g. by capital grants), through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (OLTL) which relates to PFI schemes and finance leases.

The Authority is asked to approve the CFR projections below:

**Table 4: Capital financing requirement forecast 2025/26 - 2028/29**

<b>£m</b>	<b>2024/25 Actual</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>	<b>2028/29 Estimate</b>
General Fund Service Spending	156.3	170.2	190.7	195.3	197.3
Regeneration	90.6	117.9	158.0	195.6	245.8
Exceptional Financial support	30.4	88.9	161.4	246.0	326.0
Right of Use Assets (IFRS16)	8.7	3.3	0.0	0.0	0.0

Housing	430.9	500.5	550.2	651.0	729.1
<b>Total CFR</b>	<b>716.9</b>	<b>880.8</b>	<b>1,060.3</b>	<b>1,287.9</b>	<b>1,498.2</b>
<b>Movement in CFR</b>		<b>163.9</b>	<b>179.5</b>	<b>227.6</b>	<b>210.3</b>

<b>Movement in CFR represented by</b>					
Net financing need for the year (Table 2 above)		185.5	198.9	251.6	241.6
Less: MRP		(14.2)	(17.0)	(20.4)	(25.8)
Less Receipts set aside		(7.4)	(2.5)	(3.5)	(5.5)
<b>Movement in CFR</b>		<b>163.9</b>	<b>179.4</b>	<b>227.7</b>	<b>210.3</b>

### The Operational Boundary

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

**Table 5: Operational boundary 2025/26 - 2028/29**

<b>Operational Boundary £m</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>	<b>2028/29 Estimate</b>
Debt	920.8	1,100.2	1,327.9	1,538.2
Other long-term liabilities	30.0	30.0	30.0	30.0
<b>Total</b>	<b>950.8</b>	<b>1,130.2</b>	<b>1,357.9</b>	<b>1,568.2</b>

### The Authorised Limit for External Debt

This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Authority. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

**Table 6: Authorised limit 2025/26 - 2028/29**

<b>Authorised Limit £m</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>	<b>2028/29 Estimate</b>
Debt	970.8	1,150.2	1,377.9	1,588.2
Other long-term liabilities	50.0	50.0	50.0	50.0
<b>Total</b>	<b>1,020.8</b>	<b>1,200.2</b>	<b>1,427.9</b>	<b>1,638.2</b>

The Authority's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing. The forecast future borrowing requirement assumes existing levels of reserves, working capital and liquidity buffer whilst factoring in borrowing for capital expenditure and capitalisation directive.

**Table 7: Capital Financing Requirement (CFR) and Borrowing**

£m	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
<b>External Debt</b>					
Debt at 1 April	452.4	607.6	662.0	860.9	1,112.5
Actual/Forecast borrowing in year	155.2	54.4	198.9	251.6	241.7
<b>Actual gross debt at 31 March cumulative</b>	<b>607.6</b>	<b>662.0</b>	<b>860.9</b>	<b>1,112.5</b>	<b>1,354.2</b>
The Capital Financing Requirement	716.9	880.8	1,060.3	1,287.9	1,498.2
<b>Under / (over) borrowing</b>	<b>109.3</b>	<b>218.8</b>	<b>199.3</b>	<b>175.4</b>	<b>144.0</b>
Prior Year Equivalent CFR estimates	716.2	992.8	1,323.4	1,585.9	-

### Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Authority's overall finances. The Authority is asked to approve the following indicators:

#### Ratio of financing costs to net revenue stream

Table 8 identifies the trend in the cost of capital, (borrowing and other long term obligation costs), against service spending, HRA rents and the regeneration programme. The estimates of financing costs include current commitments and the proposals in this budget report.

**Table 8: Ratio of financing costs to HRA rents 2025/26 - 2028/29**

Housing Revenue Account	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
HRA Rental Income	59.0	61.2	65.4	67.8	71.1
Capital Financing Cost	20.7	23.3	26.3	30.0	34.5
<b>Ratio of Financing Costs to HRA Rental Income</b>	<b>35.1%</b>	<b>38.1%</b>	<b>40.1%</b>	<b>44.3%</b>	<b>48.6%</b>

Prior Year Equivalent Ratio	28.5%	32.9%	38.2%	42.5%	-
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Table 9 shows the trend in the capital financing costs of the General Fund, Regeneration and the Exceptional Financial Support (EFS) as a percentage of the authority's council tax yield (income).

**Table 9: Ratio of the General Fund capital financing costs to Council Tax Yield 2025/26 – 2028/29**

<b>Service Spending (excluding Regeneration)</b>	<b>2024/25 Actual</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>	<b>2028/29 Estimate</b>
Council Tax Yield	158.0	164.0	174.0	184.0	195.0
Capital Financing Cost	13.0	13.4	15.2	17.6	18.0
<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>8.2%</b>	<b>8.2%</b>	<b>8.7%</b>	<b>9.6%</b>	<b>9.2%</b>
Prior Year Equivalent Ratio	8.4%	9.3%	10.0%	9.7%	-

<b>Regeneration</b>	<b>2024/25 Actual</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>	<b>2028/29 Estimate</b>
Council Tax Yield	158.0	164.0	174.0	184.0	195.0
Capital Financing Cost	5.4	7.2	9.9	12.8	15.6
<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>3.4%</b>	<b>4.4%</b>	<b>5.7%</b>	<b>7.0%</b>	<b>8.0%</b>
Prior Year Equivalent Ratio	3.3%	4.6%	7.4%	9.8%	-

<b>Exceptional Financial Support</b>	<b>2024/25 Actual</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>	<b>2028/29 Estimate</b>
Council Tax Yield	158.0	164.0	174.0	184.0	195.0
Capital Financing Cost	0.8	4.5	10.8	18.5	27.3
<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>0.5%</b>	<b>2.7%</b>	<b>6.2%</b>	<b>10.1%</b>	<b>14.0%</b>
Prior Year Equivalent Ratio	0.5%	3.3%	8.8%	15.8%	-

<b>Total GF</b>	<b>2024/25 Actual</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>	<b>2028/29 Estimate</b>
Council Tax Yield	158.0	164.0	174.0	184.0	195.0
Capital Financing Cost	19.2	25.1	35.9	49.0	61.0
<b>Ratio of Financing Costs to Net Revenue Stream</b>	<b>12.1%</b>	<b>15.3%</b>	<b>20.6%</b>	<b>26.6%</b>	<b>31.3%</b>
Prior Year Equivalent Ratio	12.2%	17.2%	26.3%	35.3%	-