

Prudential and Treasury Indicators

1. Prudential and Treasury Indicators

1.1 The following show the updated Prudential and Treasury Indicators for Q1 2025/26.

1.2 Affordability of Capital Plans

(a) Indicator 1 – Capital Expenditure

“The local authority will make reasonable estimates of the total capital expenditure that it plans to incur during the forthcoming financial year. This prudential indicator will be referred to as estimates of capital expenditure and shall be expressed in the following manner:

Estimate of total capital expenditure to be incurred in the forthcoming year.

These estimates are in line with the General Fund, HRA and Capital Monitoring Reports considered by Cabinet in year. There is no subjectivity to this indicator.

	2025/26 Estimate
	£m
Non-HRA	131.555
HRA	95.702
Total	227.257

(b) Indicator 2 – Ratio of Financing Costs to Net Revenue Stream

“The local authority will estimate for the forthcoming financial year the ratio of financing costs to net revenue stream. This prudential indicator shall be referred to as estimates of the ratio of financing costs to net revenue stream and shall be expressed in the following manner:

**Estimates of financing costs / estimate of net revenue stream *
100 %**

Shows the revenue costs (the capital financing costs less investment income earned) associated with funding previous and future capital spending, as a percentage of total revenue spending. Again, as in the previous indicator, these estimates are in line with the General Fund, HRA and Capital Monitoring Reports considered by Council in February 2025. There is no subjectivity to this indicator.

	2025/26 Estimate
	%
Non-HRA	6.7
HRA	33.9

(c) Indicator 3 – Capital Financing Requirement

“The local authority will make reasonable estimates of the total of the capital financing requirement at the end of the forthcoming financial year. This prudential indicator will be referred to as the estimates of capital financing requirement and shall be expressed as follows:

Estimate of capital financing requirements to be incurred in the forthcoming year.

The Capital Financing Requirement measures the Council's underlying need to borrow for a capital purpose i.e. that element of previous and proposed capital spending which has been/will be funded from borrowing. In order to ensure borrowing is maintained within sustainable limits, the Prudential Code requires that net external borrowing does not 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. The Executive Director of Corporate Resources (S151 Officer) can confirm that this requirement will be met.

	2025/26 Estimate
	£m
Non-HRA – General	665.828
Non-HRA – PFI/Leases	213.999
HRA	255.992
CFR Total	1,135.819
Borrowing	1,090.844

(d) Indicator 4 – Incremental impact of Capital Investment Decisions on Council Tax and Housing Rents

“The local authority will forecast the total budgetary requirements for the authority arising from proposed changes to the capital programme and calculate the addition or reduction to the council tax/housing rents that would result.

This calculation shall be undertaken for the forthcoming year.

This prudential indicator will be referred to as estimates of the impact of the new capital investment decisions on the council tax/average weekly housing rents, and shall be expressed in the following manner:

£xx.xx (Paragraph 39 of the code)

The indicator seeks to demonstrate the additional costs, to be funded from the Council Tax and Housing Rents, of the Council's capital spending plans.

Again, these estimates are in line with the General Fund, HRA and Capital Monitoring Reports considered by Council in February 2025.

	2025/26 Estimate
	£
Non-HRA (Council Tax)	5.22
HRA (average weekly rent)	2.13

1.3 Treasury Management

(a) Acceptance of the CIPFA TM Code

The Council formally adopted the CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes on 25th February 2010.

(b) Indicator 5 – Authorised Limit for External Debt

“The local authority will set for the forthcoming financial year an authorised limit for its total external debt, excluding investments, separately identifying borrowing from other long term liabilities. This prudential indicator will be referred to as the authorised limit and shall be expressed in the following manner:

Authorised limit for external debt = authorised limit for borrowing + authorised limit for other long term liabilities

With regard to external debt the Council is required to identify limits consistent with the Revenue Budget and Capital Programme. The Authorised Limit is based on a prudent, but not worst case scenario, with additional headroom to allow for unusual cash movements. The authorised limit will be the statutory limit determined under Section 3 (1) of the Local Government Act 2003.

OFFICIAL

The indicator is calculated by taking the results from indicator six, Operational boundary for external debt, plus the amount of capital spend forecast to be financed from grants and capital receipts. This would cover the unlikely event of contractually committed spend not being financed from grants/contributions and/or capital receipts as planned and having to be financed from borrowing.

	2025/26 Estimate
	£m
Operational debt indicator (indicator 6)	1,135.128
Possible additional capital spend financed from borrowing (grants/receipts not received)	88.736
Total Amount	1,223.864
Rounded for indicator	1,224.000

(c) Indicator 6 – Operational Boundary for External Debt

“The local authority will also set for the forthcoming financial year an operational boundary for its total external debt, excluding investments, separately identifying borrowing from other long term liabilities. This prudential indicator will be referred to as the operational boundary and shall be expressed in the following manner:

Operational boundary for external debt = operational boundary for borrowing + operational boundary for other long term liabilities.

The Operational Boundary for external debt is based on the same estimates which underpin the Authorised Limit but does not include the additional headroom included within the Authorised Limit. The Operational Boundary provides an important tool for in year monitoring.

The code goes on to say “It will probably not be significant if the operational boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant and should lead to further investigation and action as appropriate”

The Operational Limit for external debt has been calculated as the current amount of debt, plus additional borrowing, plus ten per cent of the year’s net revenue budget for cash flow purposes in the event of expenditure being higher than income at points during the year.

OFFICIAL

	2025/26 Estimate
	£m
Debt	773.758
Additional borrowing	103.087
10% Net budget requirement	42.660
Other liabilities (PFI/Leases)	215.623
Calculated Operational Limit	1,135.128

The Council’s external debt is forecast to be £1,091 million at the 31 March 2026, all of which related to borrowing for capital purposes.

(d) Indicator 7 – Fixed and Variable Rate Exposure

“The local authority will set for the forthcoming financial year upper limits to its exposure to the effects of changes in interest rates. These prudential indicators will relate to both fixed interest rates and variable interest rates and be referred to respectively as the upper limits on fixed interest rates and variable interest rate exposures.

The upper limits on fixed interest rates and variable interest rates exposures may be expressed either as absolute amounts or as percentages. They may be related either to the authority’s net interest on, or to its net principal sum outstanding on, its borrowings/investments.” (Paragraph 67 and 68)

The indicator seeks to ensure that the Council limits its exposure to the risk of interest rate changes and the consequent impact on the investment income and interest payments on loans, by restricting the proportion of variable rate borrowing.

	2024/25 Actual	2025/26 Estimate
	%	%
Limits on fixed interest rates based on net debt – Upper Limit	90	100
Limits on variable interest rates based on net debt – Upper Limit	75	75

(e) Indicator 8 – Upper and Lower Limits for the maturity structure of borrowings

“The local authority will set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowings. The prudential indicators will be referred to as the upper and lower limits respectively for the maturity structure of borrowing and shall be calculated as follows:

Amount of projected borrowing that is fixed and variable rate maturing in each period expressed as a percentage of total projected borrowing that is fixed and variable rate.

Where the periods in question are

- **Under 12 months**
- **12 months and within 24 months**
- **24 months and within 5 years**
- **5 years and within 10 years**
- **10 years and above”**

(paragraph 74 of the code)

The indicator also seeks to ensure the Council controls its exposure to the risk of interest rate changes by limiting the proportion of debt maturing in any single period. Ordinarily debt is replaced on maturity and therefore it is important that the Council is not forced to replace a large proportion of loans at a time of relatively high interest rates.

	Upper Limit	Lower Limit
	%	%
Under 12 Months	35	0
12 months and within 24 months	30	0
24 months and within 5 years	50	0
5 years and within 10 years	75	0
10 years and above	90	0

(f) Indicator 9 – Upper limit for maturity structure of investments

“Where a local authority invests, or plans to invest, for periods longer than 364 days, the local authority will set an upper limit for each forward financial year period for the maturing of such investments. These prudential indicators will be referred to as prudential limits for principal sums invested for periods longer than 364 days and shall be calculated as follows:

Total principal invested to final maturities beyond the period end.”
(paragraph 77 of the code)

Under the Prudential Regime Councils are free to invest for periods of greater than 1 year. This indicator sets restrictions on the proportion of investments committed for longer periods in order to limit the risks associated with being unable to meet unexpected cash flows and/or being able to take advantage of future increases in interest rates.

OFFICIAL

	Upper Limit
	%
Under 12 Months	100
12 months and within 24 months	25
24 months and within 3 years	20
3 years and within 4 years	15
4 years and within 5 years	10
5 years and above	10