

## APPENDIX C

### Q1 2025/26 - Prudential and Treasury Management Indicators

- 1.1 The table below shows the Capital Financing Requirement (CFR), which is the underlying need to incur borrowing for a capital purpose. It also shows the indicative debt position over the period. This is termed the Operational Boundary which the council would not normally expect to exceed. Actual debt levels may be lower due to the use of surplus cash balances, timing of capital expenditure and the availability of capital receipts and other sources of non-debt finance. Regulations require that the council's external debt level cannot exceed the Authorised Limit set out on the following pages.
- 1.2 Two additional indicators are reported in this appendix in accordance with updates to the Prudential Code effective from 1 April 2023. The council is now required to disclose its actual and estimated net income from commercial and service investments as a proportion of its net revenue stream. This indicator is important in the context of understanding the contribution commercial income makes to the council's net budget, recognising that the council has a significant portfolio of investment properties. The council's Capital Strategy defines the activities which the council classifies as being commercial in nature. This includes car parking and bereavement services, as well as income from investment properties.
- 1.3 This indicator needs to be understood with reference to the environment in which these commercial activities operate. The loans made by the council will typically be project-specific and therefore will not return a constant level of income. The performance of services provided in a competitive marketplace will be subject to variation linked to factors particular to that market. By necessity, the budget setting process evaluates the impact of the current economic conditions on the performance of its commercial activities. Consequently, year-on-year changes in relation to an indicator should not, in isolation, be treated as a cause for concern providing the change is consistent with the council's budget estimates and therefore managed appropriately in the context of medium-term financial planning.
- 1.4 The other additional mandatory indicator, which was first reported as part of the mid-year Treasury report in September 2022, is known as the Liability Benchmark. This indicator is presented in graph form with separate graphs being produced for the General Fund and the HRA. The format used shows the relationship between the following key elements over the life of the Council's debt portfolio:

- a) Existing loan debt outstanding: the council's existing loans, including future borrowing for the Park Street project which has been agreed in advance, that are still outstanding in future years.
- b) CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and forecast MRP.
- c) Borrowing requirement: this will show separately for the HRA and the General Fund the additional amount which needs to be borrowed to deliver the council's current capital programme. All borrowing is undertaken in the name of the Council but the General Fund and HRA need to account separately for the interest payable associated with borrowing undertaken.
- d) Liability benchmark: this reflects the total amount of borrowing required after taking account of the council's liquidity needs.
- e) Investment benchmark: this reflects the amount the council should invest based on projected cash balances after reflecting the current capital programme and borrowing assumptions. An investment benchmark exists where borrowing exceeds balances required to fund the capital programme. The investment benchmark is expressed as a negative amount. The amount the council has available to invest will reduce as the borrowing agreed is used to fund new schemes identified in future capital plans approved as part of the budget setting process. This will be reflected in updates to the liability benchmark presented in future iterations of this document.

1.5 It is important to note that the liability benchmark is based on the projected 10-year capital programme and therefore excludes capital expenditure based on future schemes yet to be identified. The effect of this is to show a peak in the council's General Fund CFR in March 2026 by which time the council is expected to have significant unfinanced expenditure within its CFR. This principally relates to CIP projects and the redevelopment of Park Street. The CFR will continue to reduce as the council repays the Park Street borrowing and when loans from the council to CIP are repaid. There will, however, be other capital schemes which come forward for approval in the coming years.

1.6 The liability benchmark is intended to be a live indicator which informs the council's decisions about timing and duration of borrowing, hence it informs the borrowing strategy set out in section 3 above. The current liability benchmark indicates that there may be some capacity for the General Fund to provide short-term borrowing to the HRA to meet its borrowing requirement for finite periods. This will be kept under review.

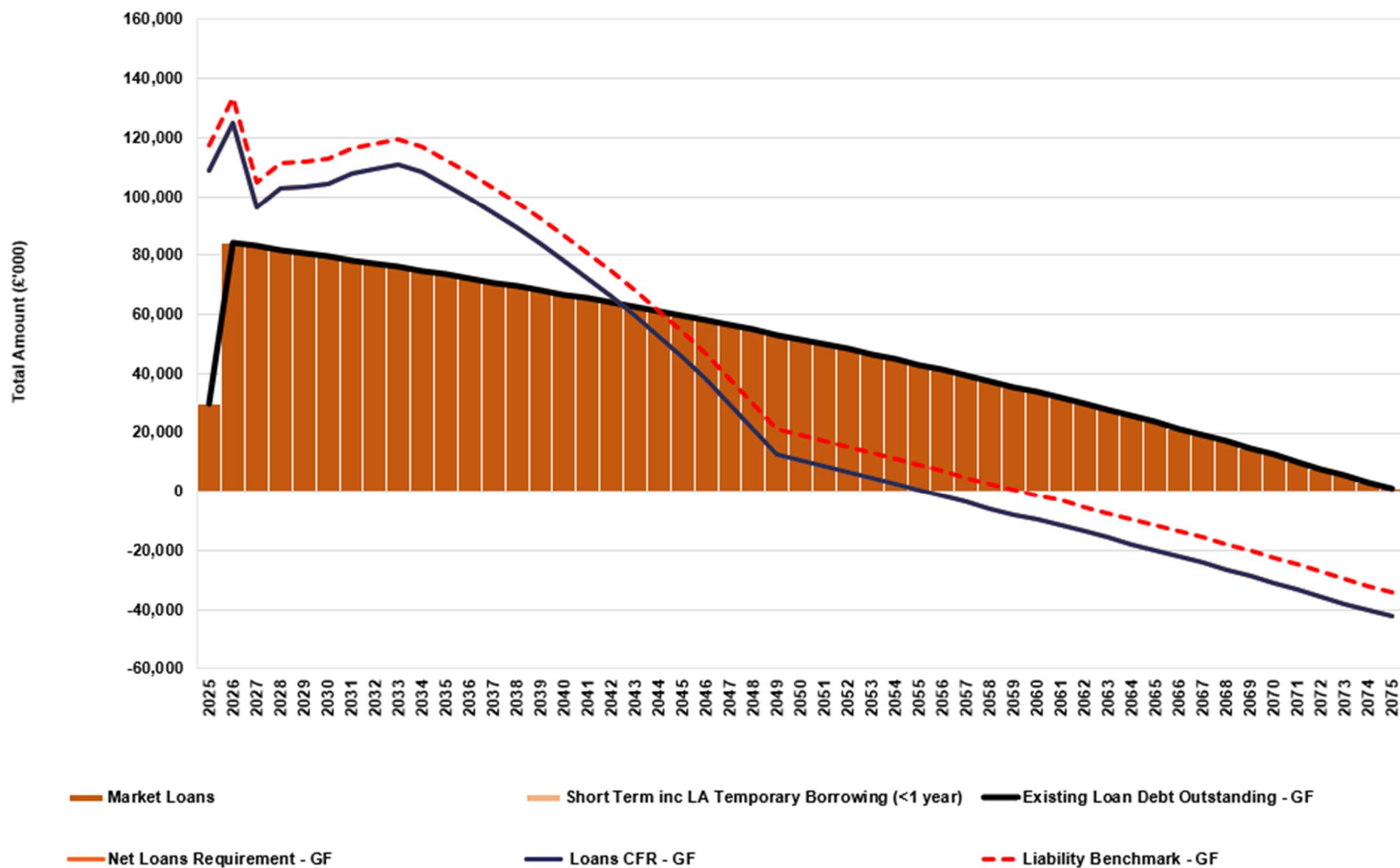
## Prudential and Treasury Management Indicators

Prudential Indicator Estimates (£m)	BSR 2025/26	Q1 2025/26
<b>Capital expenditure</b>		
- GF	76.809*	56.591
- HRA	146.342*	92.727
<b>Total</b>	<b>223.151*</b>	<b>149.318</b>
<b>Capital Financing Requirement (CFR) as at 31 March</b>		
- GF	155.830	124.927
- HRA	328.202	273.674
<b>Total</b>	<b>484.032</b>	<b>398.601</b>
<b>Deposits (average annualised balance)</b>	<b>90.000</b>	<b>90.000</b>
<b>External gross debt as at 31 March</b>	<b>340.793</b>	<b>340.793</b>
<b>Ratio of net financing costs to revenue stream</b>		
- GF %	1.87	1.87
- HRA %	15.30	15.30
<b>Net income from commercial and service investments</b>		
- GF	16.176	14.760
- HRA	0.472	0.472
<b>Ratio of net income from commercial and service investments to net revenue stream</b>		
- GF %	42.21	38.32
- HRA %	0.79	0.79

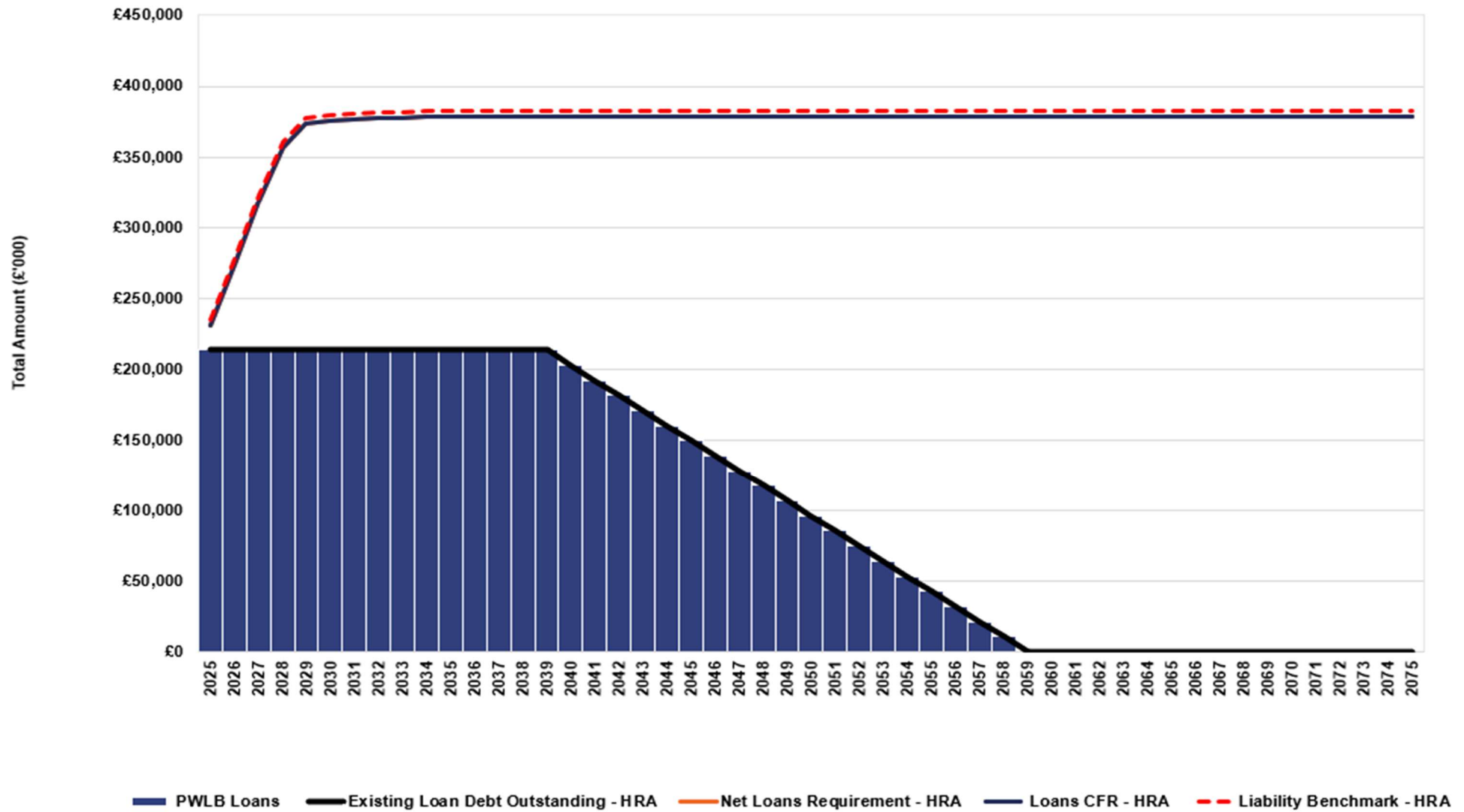
\* Capital expenditure budgets have been updated to reflect rephasing and other changes to the capital programme approved since the BSR

Treasury Indicator Estimates (£m)	BSR 2025/26	Q1 2025/26
<b>Authorised limit</b>		
- Borrowing	600.000	600.000
- Other long-term liabilities	2.000	2.000
<b>Operational boundary</b>		
- Borrowing	494.032	408.601
- Other long-term liabilities	1.500	1.500
<b>Upper limit for total principal sums deposited for over 364 days and up to 5 years</b>	50.000	50.000
<b>Analysis of exposure to fixed and variable interest rates</b>		
- Net interest on fixed rate borrowing/deposits	11.311	11.311
- Net interest on variable rate borrowing/deposits	(1.675)	(1.675)
<b>Maturity structure of new fixed rate borrowing – 5 years and above</b>		
- Upper limit	100%	100%
- Lower limit	100%	100%

## Liability Benchmark - General Fund



## Liability Benchmark - HRA



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