

Appendix F – Key Prudential Indicators 2024/25

Capital Financing Requirement (CFR)

The CFR essentially measures the Council's underlying borrowing need. Any capital expenditure which is being financed from prudential borrowing will increase the CFR, whereas the annual MRP charge reduces it. The size of the CFR is a major driver of the amount required to be charged to council tax as MRP

The Council's CFR is expected to increase by only £7.9m between 1 April 2024 and 31 March 2027, from £1,079.251m to £1,087.208m. This reflects the combination of:

- reductions to planned capital expenditure,
- less reliance on borrowing to support the capital programme, and
- the assumption that the Capitalisation Direction of £147.9m will be fully funded from capital receipts.

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
CFR at 31 March				
General Fund	895.207	899.456	879.238	855.808
HRA	184.044	198.946	218.451	231.400
Capitalisation Direction	0.000	0.000	7.200	0.000
Total CFR	1,079.251	1,098.402	1,104.889	1,087.208
Annual change				
General Fund		4.249	(20.218)	(23.430)
HRA		14.902	19.505	12.949
Capitalisation Direction		0.000	7.200	(7.200)
Total change	0.000	19.151	6.487	(17.681)
Reason for change				
Net financing		45.356	27.584	18.824
Capitalisation Direction		36.700	67.200	43.900
Less repayment of debt from asset sales		(36.700)	(60.000)	(50.853)
Less MRP		(26.205)	(28.297)	(29.551)
Net financing	0.000	19.151	6.487	(17.680)

External Debt vs the Capital Financing Requirement

The table below confirms that the Council's gross debt is not expected to exceed the total CFR for the current year (2023/24) and future years:

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Gross Projected Debt	733.215	777.095	810.216	820.214
CFR	1,079.251	1,098.402	1,104.889	1,087.208
Under/(Over) Borrowing	346.036	321.307	294.673	266.994

Affordability of capital investment plans

The objective of the affordability indicator is to ensure that the level of investment in capital assets proposed remains within sustainable limits and, in particular, highlights the impact of capital financing costs (i.e. MRP and interest) on the Council's "bottom line". The estimates of financing costs include current commitments and the proposals in the capital strategy.

The affordability is the total of financing costs expressed as a percentage of net revenue streams ie:

- for GF budgets, the total of Council Tax, business rates and government grants, and
- for HRA budgets, annual rental income.

These ratios are shown below.

	2023/24 Forecast £000s	2024/25 Estimate £000s	2025/26 Estimate £000s	2026/27 Estimate £000s
General Fund	9.4%	9.4%	9.0%	8.1%
HRA	45.0%	45.2%	45.5%	45.5%