

## Appendix Four –2025/26 Outturn Prudential Indicators

### Legislative Update

In December 2021, CIPFA published its revised Prudential Code and Treasury Management Code of Practice following concerns around the commercial activity undertaken by several local authorities and the affordability of borrowing plans.

The Code required authorities to not borrow to invest primarily for financial return and all capital expenditure undertaken must be related to the functions of the authority. The Council has not undertaken any activities to invest for a yield or have any commercial plans within the capital programme.

The Code required the Prudential Indicators (which are approved as part of the Council's Treasury Management Strategy) to be reported quarterly (from semi-annually) as part of the financial updates and will be a recurring addition to the quarterly financial reports.

### Prudential Indicators

The Council has a significant borrowing requirement and balance and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

Prudential indicators have been calculated using the capital programme data as at quarter four of 2025/26 (Outturn). Revised capital programme budgets at quarter four for future years have been provided.

| Capital Expenditure & Financing at Q4 2025/26 (£m) | 2024/25 | 2025/26 | 2026/27   | 2027/28   | 2028/29   | Total 2024/25 to 2028/29 |
|----------------------------------------------------|---------|---------|-----------|-----------|-----------|--------------------------|
|                                                    | Actual  | Actual  | Estimated | Estimated | Estimated |                          |
| Corporate Landlord                                 | 11.6    | 11.9    | 15.6      | 12.6      | 2.7       | 54.5                     |
| Housing GF                                         | 71.0    | 50.1    | 9.7       | 21.1      | 17.5      | 169.4                    |
| Schools                                            | 22.1    | 20.5    | 29.3      | 9.3       | 5.3       | 86.5                     |
| Regeneration                                       | 34.6    | 73.5    | 92.3      | 46.5      | 16.6      | 263.5                    |
| Public Realm                                       | 18.0    | 22.9    | 10.2      | 3.7       | 6.0       | 60.9                     |
| South Kilburn                                      | 20.4    | 12.3    | 36.8      | 23.7      | 11.4      | 104.6                    |
| St Raphael's                                       | 0.2     | 0.4     | 6.9       | 12.5      | 0.0       | 20.0                     |
| Housing HRA                                        | 60.9    | 18.3    | 88.8      | 11.6      | 0.4       | 180.0                    |

|                                  |              |              |              |              |             |              |
|----------------------------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <b>Total Capital Expenditure</b> | <b>238.8</b> | <b>209.9</b> | <b>289.5</b> | <b>141.1</b> | <b>59.9</b> | <b>939.2</b> |
|                                  |              |              |              |              |             |              |
| <b>Financed By:</b>              |              |              |              |              |             |              |
| Grants                           | 52.0         | 65.6         | 38.3         | 11.3         | 6.1         | 173.4        |
| Section 106                      | 11.9         | 29.2         | 37.7         | 25.4         | 14.4        | 118.6        |
| Capital Receipts                 | 17.3         | 1.2          | 11.3         | 34.4         | 2.1         | 66.3         |
| Earmarked Reserves               | 1.2          | 1.1          | 4.3          | 1.0          | 1.0         | 8.6          |
| Major Repairs Reserve            | 16.6         | 11.2         | 17.2         | 0.0          | 0.0         | 45.0         |
| Revenue Contributions            | 11.4         | 0.5          | 4.6          | 1.6          | 0.6         | 18.7         |
| Borrowing                        | 128.3        | 101.1        | 176.1        | 67.4         | 35.8        | 508.7        |
| <b>Total Capital Financing</b>   | <b>238.8</b> | <b>209.9</b> | <b>289.5</b> | <b>141.1</b> | <b>59.9</b> | <b>939.2</b> |

### (a) Capital Financing Requirement (CFR)

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement. This is the amount of the Capital Programme that is funded by borrowing. The Council's maximum external borrowing requirement for 2025/26 is shown in the table below. The indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and to consider the impact on Council tax and in the case of the HRA, housing rent levels.

| <b>CFR Movement at Q4 2025/26 (£m)</b> | <b>2024/25</b> | <b>2025/26*</b> | <b>2026/27</b>   | <b>2027/28</b>   | <b>2028/29</b>   |
|----------------------------------------|----------------|-----------------|------------------|------------------|------------------|
|                                        | <b>Actual</b>  | <b>Actual</b>   | <b>Estimated</b> | <b>Estimated</b> | <b>Estimated</b> |
| <b>Opening CFR</b>                     | <b>1,254.5</b> | <b>1,353.8</b>  | <b>1,412.3</b>   | <b>1,570.4</b>   | <b>1,619.2</b>   |
| Capital Expenditure                    | 238.8          | 209.9           | 289.5            | 141.1            | 59.9             |
| External Resources                     | (63.9)         | (94.8)          | (76.0)           | (36.7)           | (20.6)           |
| Internal Resources                     | (46.5)         | (14.0)          | (37.4)           | (37.0)           | (3.6)            |
| MRP                                    | (24.9)         | (16.5)          | (18.0)           | (18.6)           | (19.1)           |
| Capital Loans Repaid                   | (0.8)          | 0.0             | 0.0              | 0.0              | 0.0              |
| Accounting Adjustments                 | (3.3)          | (26.1)          | 0.0              | 0.0              | 0.0              |
| <b>Closing CFR</b>                     | <b>1,353.8</b> | <b>1,412.3</b>  | <b>1,570.4</b>   | <b>1,619.2</b>   | <b>1,635.8</b>   |

*\*2025/26 draft accounts*

External resources consist of grants and Developer contributions. Internal resources consist of use of reserves, capital receipts and revenue contributions.

### (b) Gross Debt and the Capital Financing Requirement

To ensure that over the medium term, debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The table below shows that the Council expects to comply with this recommendation during 2025/26.

| <b>Gross Debt &amp; the Capital Financing Requirement at Q4 2025/26 (£m)</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b>   | <b>2027/28</b>   | <b>2028/29</b>   |
|------------------------------------------------------------------------------|----------------|----------------|------------------|------------------|------------------|
|                                                                              | <b>Actual</b>  | <b>Actual</b>  | <b>Estimated</b> | <b>Estimated</b> | <b>Estimated</b> |
| External Loans                                                               | 900.0          | 1,074.1        | 1,174.0          | 1,235.2          | 1,274.6          |
| PFI & Leases                                                                 | 70.6           | 61.7           | 60.0             | 60.0             | 60.0             |
| <b>Total External Debt Liabilities</b>                                       | <b>970.6</b>   | <b>1,135.8</b> | <b>1,234.0</b>   | <b>1,295.2</b>   | <b>1,334.6</b>   |
| Internal Borrowing                                                           | 383.2          | 276.5          | 336.5            | 324.0            | 301.2            |
| <b>Capital Financing Requirement</b>                                         | <b>1,353.8</b> | <b>1,412.3</b> | <b>1,570.4</b>   | <b>1,619.2</b>   | <b>1,635.8</b>   |

### **(c) Liability Benchmark**

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

| <b>Liability Benchmark at Q4 2025/26 (£m)</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b>   | <b>2027/28</b>   | <b>2028/29</b>   |
|-----------------------------------------------|----------------|----------------|------------------|------------------|------------------|
|                                               | <b>Actual</b>  | <b>Actual</b>  | <b>Estimated</b> | <b>Estimated</b> | <b>Estimated</b> |
| <b>CFR</b>                                    | <b>1353.8</b>  | <b>1412.3</b>  | <b>1570.4</b>    | <b>1619.2</b>    | <b>1635.8</b>    |
| Less: Balance Sheet Resources                 | (496.1)        | (453.6)        | (453.6)          | (453.6)          | (453.6)          |
| Net Loan Requirement                          | 857.7          | 958.7          | 1,116.8          | 1,165.6          | 1,182.2          |
| Plus Liquidity Allowance                      | 20.0           | 20.0           | 20.0             | 20.0             | 20.0             |
| <b>Liability Benchmark</b>                    | <b>877.7</b>   | <b>978.7</b>   | <b>1,136.8</b>   | <b>1,185.6</b>   | <b>1,202.2</b>   |

### **(d) Authorised limit and Operational Boundary for External Debt**

The Operational Boundary for External Debt is based on the Council's estimate of most likely i.e. prudent, but not worst-case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring.

Other long-term liabilities comprise finance leases, Private Finance Initiative contracts and other liabilities that are not borrowing but form part of the Council's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

| <b>Authorised Limit at Q4 2025/26 (£m)</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> | <b>2028/29</b> |
|--------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Authorised Limit                           | 1,700.0        | 1,800.0        | 1,800.0        | 2,000.0        | 2,000.0        |
| Operational Boundary                       | 1,500.0        | 1,600.0        | 1,600.0        | 1,800.0        | 1,800.0        |

The Corporate Director for Finance and Resources confirms that there were no breaches to the Authorised Limit and the Operational Boundary during Quarter four of 2025/26.

#### **(e) Upper Limits on one-year revenue impact of a 1% movement in interest rates**

This indicator is set to control the Council's exposure to interest rate risk. The impact of a change in interest rates is calculated on the assumption that maturing loans in the current year will be replaced at current rates.

| <b>Upper Limits on one-year revenue impact of a 1% movement in interest rates on Maturing Debt at Q4 2025/26 (£m)</b> | <b>2025/26</b>        | <b>2025/26</b> |
|-----------------------------------------------------------------------------------------------------------------------|-----------------------|----------------|
|                                                                                                                       | <b>Approved Limit</b> | <b>Actual</b>  |
| Upper limit on one-year revenue impact of a 1% rise in interest rates                                                 | 5.0                   | 0.5            |
| Compliance with limits:                                                                                               |                       | Yes            |
| Upper limit on one-year revenue impact of a 1% fall in interest rates                                                 | (5.0)                 | (0.5)          |
| Compliance with limits:                                                                                               |                       | Yes            |

#### **(f) Maturity Structure of Fixed Rate Borrowing**

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates. The Council uses the option date as the maturity date for its LOBO loans. Loans based on existing debt portfolio as at the reported period.

| Maturity Structure of Fixed Rate Borrowing at Q4 2025/26 | Upper Limit | Lower limit | 2025/26                        |                                |                        |
|----------------------------------------------------------|-------------|-------------|--------------------------------|--------------------------------|------------------------|
|                                                          |             |             | Actual borrowing at 31.03.2026 | Actual borrowing at 31.03.2026 | Compliance with limits |
|                                                          | %           | %           | £m                             | %                              |                        |
| Under 12 months                                          | 40.0%       | 0.0%        | 152.1                          | 14.2%                          | Yes                    |
| 12 months & within 24 months                             | 40.0%       | 0.0%        | 114.8                          | 10.7%                          | Yes                    |
| 24 months and within 5 years                             | 40.0%       | 0.0%        | 106.7                          | 9.9%                           | Yes                    |
| 5 years and within 10 years                              | 60.0%       | 0.0%        | 191.1                          | 17.8%                          | Yes                    |
| 10 years and within 20 years                             | 75.0%       | 0.0%        | 93.8                           | 8.7%                           | Yes                    |
| 20 years and within 30 years                             | 75.0%       | 0.0%        | 198.3                          | 18.5%                          | Yes                    |
| 30 years and within 40 years                             | 75.0%       | 0.0%        | 112.3                          | 10.5%                          | Yes                    |
| Over 40 years                                            | 75.0%       | 0.0%        | 105.1                          | 9.8%                           | Yes                    |
| <b>Total</b>                                             |             |             | <b>1074.1</b>                  | <b>100.0%</b>                  |                        |

### (g) Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

| Financing Costs to Net Revenue Stream at Q4 2025/26 | Actual  | Actual  | Forecast | Forecast | Forecast |
|-----------------------------------------------------|---------|---------|----------|----------|----------|
|                                                     | 2024/25 | 2025/26 | 2026/27  | 2027/28  | 2028/29  |
| Financing Costs (Interest & MRP) (£m)               | 41.5    | 38.9    | 41.9     | 41.9     | 41.9     |
| Net Revenue Stream (£m)                             | 383.3   | 431.4   | 501.8    | 535.2    | 568.6    |
| Proportion of net revenue stream (%)                | 10.8%   | 9.0%    | 8.3%     | 7.8%     | 7.4%     |

Financing costs can be further broken down as follows.

| <b>Capital Financing Costs at Q4 2025/26 (£m)</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b>   | <b>2027/28</b>   | <b>2028/29</b>   |
|---------------------------------------------------|----------------|----------------|------------------|------------------|------------------|
|                                                   | <b>Actual</b>  | <b>Actual</b>  | <b>Estimated</b> | <b>Estimated</b> | <b>Estimated</b> |
| Total Interest Payable & Expenses                 | 35.3           | 41.1           | 47.7             | 53.4             | 52.3             |
| Total Interest Receivable                         | (17.8)         | (24.1)         | (25.8)           | (31.4)           | (31.4)           |
| Net Interest                                      | 17.5           | 17.0           | 22.0             | 22.0             | 20.9             |
| MRP (Excluding PFI)                               | 15.1           | 16.5           | 18.0             | 18.6             | 19.1             |
| <b>Total Interest &amp; MRP</b>                   | <b>32.6</b>    | <b>33.5</b>    | <b>40.0</b>      | <b>40.6</b>      | <b>40.0</b>      |
| Revenue Contributions to Capital Programme        | 8.9            | 0.0            | 0.0              | 0.0              | 0.0              |
| Transfer to earmarked reserves                    | 0.0            | 5.4            | 0.0              | 0.0              | 0.0              |
| <b>Total Capital Financing Costs</b>              | <b>41.5</b>    | <b>38.9</b>    | <b>40.0</b>      | <b>40.6</b>      | <b>40.0</b>      |

#### **(h) Upper Limit for Total Principal Sums invested over 364 Days**

The purpose of this limit is to contain exposure to the possibility of loss that may arise because of the Council having to seek early repayment of the sums invested.

| <b>Upper Limit for Total Principal Sums invested over 364 Days at Q4 2025/26 (£m)</b> | <b>2024/25</b>  | <b>2024/25</b> | <b>2025/26</b>          | <b>2025/26</b> |
|---------------------------------------------------------------------------------------|-----------------|----------------|-------------------------|----------------|
|                                                                                       | <b>Approved</b> | <b>Actual</b>  | <b>Approved balance</b> | <b>Actual</b>  |
| Upper Limit for Total Principal Sums Invested Over 364 Days                           | 50.0            | 0.0            | 50.0                    | 0.0            |

#### **(i) Security**

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

| <b>Credit Risk Indicator at Q4 2025/26</b> | <b>2024/25</b>  | <b>2024/25</b> | <b>2025/26</b>  | <b>2025/26</b> |
|--------------------------------------------|-----------------|----------------|-----------------|----------------|
|                                            | <b>Approved</b> | <b>Actual</b>  | <b>Approved</b> | <b>Actual</b>  |
| Portfolio average credit rating            | A               | A+             | A               | A+             |

## (j) Liquidity

| Liquidity Risk Indicator at Q4 2025/26 (£m) | 2024/25                  | 2024/25 | 2025/26                  | 2025/26 |
|---------------------------------------------|--------------------------|---------|--------------------------|---------|
|                                             | Approved minimum balance | Actual  | Approved minimum balance | Actual  |
| Total cash available within 3 months        | 20.0                     | 47.3    | 20.0                     | 43.8    |

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

## (k) Investment Forecast

This indicator demonstrates the Council's investment exposure broken down by category for Treasury and non-treasury investments. Non-Treasury investments are directed under the Council's Investment Strategy 2025/26, whilst treasury investments are managed under the Treasury Management Strategy 2025/26.

| Total Investment Exposure Indicator at Q4 2025/26 (£m) | 2024/25      | 2025/26      | 2026/27      | 2027/28      | 2028/29      |
|--------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
|                                                        | Actual       | Actual       | Estimated    | Estimated    | Estimated    |
| Treasury management cash investments                   | 47.3         | 43.8         | 20.0         | 20.0         | 20.0         |
| Loans and Investments for service purposes             | 252.6        | 256.5        | 296.0        | 295.6        | 295.1        |
| Service investments other                              | 32.9         | 31.0         | 30.4         | 29.7         | 28.9         |
| Commercial investments: Property                       | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Total Investments</b>                               | <b>332.8</b> | <b>331.3</b> | <b>346.4</b> | <b>345.2</b> | <b>344.0</b> |
| Commitments to lend                                    | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Total Exposure</b>                                  | <b>332.8</b> | <b>331.3</b> | <b>346.4</b> | <b>345.2</b> | <b>344.0</b> |

Service investments are further broken down in the tables below.

| Loans & Investments for service purposes: Category of borrower at Q4 2025/26 (£m) | 2024/25 | 2025/26          | 2025/26 | 2026/27   | 2027/28   | 2028/29   |
|-----------------------------------------------------------------------------------|---------|------------------|---------|-----------|-----------|-----------|
|                                                                                   | Actual  | Approved Balance | Actual  | Estimated | Estimated | Estimated |
| i4b Holdings Ltd<br>Subsidiary Loans*                                             | 182.4   | 500.0            | 179.2   | 211.2     | 211.2     | 211.2     |

|                                            |              |              |              |              |              |              |
|--------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| i4b Holdings Ltd<br>Subsidiary Equity**    | 36.4         |              | 43.9         | 51.9         | 51.9         | 51.9         |
| First Wave Housing Ltd<br>Subsidiary Loans | 33.8         |              | 33.4         | 32.9         | 32.5         | 32.0         |
| <b>Total</b>                               | <b>252.6</b> | <b>500.0</b> | <b>256.5</b> | <b>296.0</b> | <b>295.6</b> | <b>295.1</b> |

|                                                                      | 2024/25       | 2025/26                     | 2025/26       | 2026/27          | 2027/28          | 2028/29          |
|----------------------------------------------------------------------|---------------|-----------------------------|---------------|------------------|------------------|------------------|
| <b>Service Investments<br/>Other Loans £m at<br/>Q4 2025/26 (£m)</b> | <b>Actual</b> | <b>Approved<br/>Balance</b> | <b>Actual</b> | <b>Estimated</b> | <b>Estimated</b> | <b>Estimated</b> |
| Local Businesses                                                     | 0.0           | 10.0                        | 0.0           | 0.0              | 0.0              | 0.0              |
| Schools, Academies<br>and Colleges                                   | 17.6          | 55.0                        | 17.1          | 16.9             | 16.7             | 16.4             |
| West London Waste<br>Authority                                       | 14.4          | 20.0                        | 13.9          | 13.5             | 13.0             | 12.5             |
| Local Charities                                                      | 0.0           | 10.0                        | 0.0           | 0.0              | 0.0              | 0.0              |
| Housing Associations                                                 | 0.0           | 50.0                        | 0.0           | 0.0              | 0.0              | 0.0              |
| Local Residents                                                      | 0.0           | 5.0                         | 0.0           | 0.0              | 0.0              | 0.0              |
| <b>Total</b>                                                         | <b>32.0</b>   | <b>150.0</b>                | <b>31.0</b>   | <b>30.4</b>      | <b>29.7</b>      | <b>28.9</b>      |

### (I) Investment Funding

This indicator demonstrates the amount of exposure to borrowing because of investments made for service purposes. These investments are the loans to the Council's subsidiaries i4B Holdings Ltd and First Wave Housing Ltd.

| <b>Investments Funded by Borrowing at Q4<br/>2025/26 (£m)</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b>   | <b>2027/28</b>   | <b>2028/29</b>   |
|---------------------------------------------------------------|----------------|----------------|------------------|------------------|------------------|
|                                                               | <b>Actual</b>  | <b>Actual</b>  | <b>Estimated</b> | <b>Estimated</b> | <b>Estimated</b> |
| I4B Loans                                                     | 182.4          | 179.2          | 211.2            | 211.2            | 211.2            |
| I4B Equity                                                    | 36.4           | 43.9           | 51.9             | 51.9             | 51.9             |
| First Wave Housing (FWH)                                      | 33.8           | 33.4           | 32.9             | 32.5             | 32.0             |
| Schools, Academies and Colleges                               | 17.6           | 17.1           | 16.9             | 16.7             | 16.4             |
| West London Waste Authority                                   | 14.4           | 13.9           | 13.5             | 13.0             | 12.5             |
| <b>Total Service investments</b>                              | <b>284.6</b>   | <b>287.5</b>   | <b>326.4</b>     | <b>325.2</b>     | <b>324.0</b>     |
| <b>Total Funded by Borrowing</b>                              | <b>284.6</b>   | <b>287.5</b>   | <b>326.4</b>     | <b>325.2</b>     | <b>324.0</b>     |

### (m) Investment Rate of Return

This indicator demonstrates the rate of return obtained from the different investment categories.

| Investments net rate of return at Q4 2025/26 | 2024/25 | 2025/26 | 2026/27   | 2027/28   | 2028/29   |
|----------------------------------------------|---------|---------|-----------|-----------|-----------|
|                                              | Actual  | Actual  | Estimated | Estimated | Estimated |
| Treasury management investments              | 4.53%   | 3.82%   | 3.75%     | 3.75%     | 3.75%     |
| Service investments                          | 2.40%   | 2.60%   | 3.00%     | 3.00%     | 3.00%     |

### (n) Other Investment Indicators

| Other investment indicators at Q4 2025/26 (£m) | 2024/25 | 2025/26 | 2026/27   | 2027/28   | 2028/29   |
|------------------------------------------------|---------|---------|-----------|-----------|-----------|
|                                                | Actual  | Actual  | Estimated | Estimated | Estimated |
| External Debt (Loans)                          | 900.0   | 1,074.1 | 1,174.0   | 1,235.2   | 1,274.6   |
| Net Service Expenditure                        | 387.3   | 431.4   | 501.8     | 535.2     | 568.6     |
| Debt to net service expenditure ratio          | 2.3     | 2.5     | 2.3       | 2.3       | 2.2       |