Appendix 4: Quarter Two 2026/27 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 based on revised capital budgets and forecasts in line with the Council's Quarter 2 monitoring report

Capital Expenditure & Financing at Q2 2026/27 (£m)	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**Total 2025/26-2030-31**
	Actual	**Estimated**	**Estimated**	**Estimated**	**Estimated**	**Estimated**	
Corporate Assets	34.8	51.6	39.3	25.2	17.2	3.5	**171.6**
South Kilburn	12.3	53.6	35.3	19.4	12.0	6.9	**139.4**
Regeneration	73.5	67.7	22.2	31.9	28.8	5.0	**229.1**
Schools	20.5	17.2	48.3	19.5	5.0	0.0	**110.5**
Affordable Housing Supply (including I4B)	50.5	45.3	91.2	78.7	43.3	0.0	**309.1**
Housing HRA & Management	18.3	32.5	52.5	24.0	23.0	5.0	**155.3**
Total Capital Expenditure	**209.9**	**267.7**	**288.9**	**198.7**	**129.3**	**20.4**	**1,114.9**
Financed By:							
Grants	65.6	50.9	45.7	23.0	11.9	8.5	**205.5**
Section 106 & CIL	29.2	57.4	35.9	32.8	29.1	2.3	**186.7**

Capital Receipts	1.2	16.3	37.4	6.0	0.4	0.0	**61.3**
Earmarked Reserves	1.1	3.6	0.4	0.3	0.1	0.7	**6.2**
Major Repairs Reserve	11.2	13.9	18.9	13.0	13.0	0.0	**70.0**
Revenue Contributions	0.5	0.6	0.6	0.8	0.6	1.5	**4.5**
Borrowing	101.1	125.2	150.0	122.8	74.2	7.4	**580.8**
Total Capital Financing	**209.9**	**267.7**	**288.9**	**198.7**	**129.3**	**20.4**	**1,114.9**

(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 2026/27 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.

CFR Movement at Q2 2026/27 (£m)	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
	Actual	**Estimated**	**Estimated**	**Estimated**	**Estimated**	**Estimated**
Opening CFR	**1,353.8**	**1,412.3**	**1,519.4**	**1,650.8**	**1,753.0**	**1,806.4**
Capital Expenditure	209.9	267.7	288.9	198.7	129.3	20.4
External Resources	(94.8)	(108.2)	(81.6)	(55.8)	(41.0)	(10.8)
Internal Resources	(14.0)	(34.3)	(57.2)	(20.1)	(14.1)	(2.2)
MRP excluding PFI and leases	(16.5)	(18.0)	(18.7)	(20.6)	(20.8)	(22.5)
Capital Loans Repaid	0.0	0.0	0.0	0.0	0.0	0.0
Accounting Adjustments PFI/Leases	(26.1)	0.0	0.0	0.0	0.0	0.0
Closing CFR	**1,412.3**	**1,519.4**	**1,650.8**	**1,753.0**	**1,806.4**	**1,791.3**

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 capital purposes, 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 2026/27.

Gross Debt & the Capital Financing Requirement at Q2 2026/27 (£m)	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
	Actual	**Estimated**	**Estimated**	**Estimated**	**Estimated**	**Estimated**
External Loans	1,074.1	1,163.2	1,260.7	1,359.0	1,418.4	1,424.3

PFI & Leases	61.7	60.0	60.0	60.0	60.0	60.0
Total External Debt Liabilities	**1,135.8**	**1,223.2**	**1,320.7**	**1,419.0**	**1,478.4**	**1,484.3**
Internal Borrowing	276.5	296.3	330.1	334.0	328.1	307.0
Capital Financing Requirement	**1,412.3**	**1,519.4**	**1,650.8**	**1,753.0**	**1,806.4**	**1,791.3**

(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.

Liability Benchmark at Q2 2026/27 (£m)	**2025/26 Actual**	**2026/27 Estimated**	**2027/28 Estimated**	**2028/29 Estimated**	**2029/30 Estimated**	**2030/31 Estimated**
CFR	1,412.3	1,519.4	1,650.8	1,753.0	1,806.4	1,791.3
LOBO Loans	59.5	39.5	30.0	15.0	10.0	0.0
Non-LOBO Loans	1,014.6	1,123.7	1,230.7	1,344.0	1,408.4	1,424.3
Balance Sheet Resources	(453.7)	(434.5)	(434.5)	(434.5)	(434.5)	(434.5)
Net Loan Requirement	**1,054.1**	**1,143.2**	**1,240.7**	**1,339.0**	**1,398.4**	**1,404.3**
Plus Liquidity Allowance	20.0	20.0	20.0	20.0	20.0	20.0
Liability Benchmark	**1,074.1**	**1,163.2**	**1,260.7**	**1,359.0**	**1,418.4**	**1,424.3**

(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.

Authorised Limit at Q2 2026/27 (£m)	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
Authorised Limit	1,800.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0
Operational Boundary	1,600.0	1,800.0	1,800.0	1,800.0	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 One of 2026/27. .

(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.

Upper Limits on one-year revenue impact of a 1% movement in interest rates on Maturing Debt at Q2 2026/27(£m)	**2026/27**	**2026/27**
	Approved Limit	**Actual**
Upper limit on one-year revenue impact of a 1% rise in interest rates	5.0	1.1
Compliance with limits:		Yes
Upper limit on one-year revenue impact of a 1% fall in interest rates	(5.0)	(1.1)
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 replace 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 Q2 2026/27 (£m)	**Upper Limit**	**Lower limit**	**2026/27**	**2026/27**	**2026/27**	**2026/27**	**2026/27**
			Actual Borrowing 31.07.2026	**Actual Borrowing 31.07.2026**	**Forecast Borrowing at 31.03.2027**	**Forecast Borrowing at 31.03.2027**	**Compliance with limits**
	%	**%**	**£m**	**%**	**£m**	**%**	
Under 12 months	40.0	0.0	111.5	10.4%	198.1	17.0%	Yes
12 months & within 24 months	40.0	0.0	15.0	1.4%	26.2	2.3%	Yes
24 months and within 5 years	40.0	0.0	59.4	5.5%	54.1	4.7%	Yes
5 years and within 10 years	60.0	0.0	250.8	23.4%	248.9	21.4%	Yes

10 years and within 20 years	75.0	0.0	260.3	24.3%	260.3	22.4%	Yes
20 years and within 30 years	75.0	0.0	196.7	18.3%	196.7	16.9%	Yes
30 years and within 40 years	75.0	0.0	73.9	6.9%	73.9	6.3%	Yes
Over 40 years	75.0	0.0	105.0	9.8%	105.0	9.0%	Yes
Total			**1,072.6**	**100.0%**	**1,163.2**	**100.0%**	

(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 Q2 2067/27 (£m)	**Actual**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
	2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
Financing Costs (Interest & MRP) (£m)	38.9	41.9	45.9	51.9	51.9	51.9
Net Revenue Stream (£m)	431.4	501.8	535.2	568.6	589.6	611.6
Proportion of net revenue stream (%)	**9.0%**	**8.3%**	**8.6%**	**9.1%**	**8.8%**	**8.5%**

Financing costs can be further broken down as follows.

Capital Financing Costs at Q2 2026/27 (£m)	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
	Actual	**Estimated**	**Estimated**	**Estimated**	**Estimated**	**Estimated**
Total Interest Payable & Expenses	41.1	47.2	56.5	63.2	68.2	70.7
Total Interest Receivable	(24.1)	(25.8)	(26.2)	(26.6)	(26.9)	(27.1)
Net Interest	17.0	21.4	30.3	36.6	41.3	43.6
MRP (Excluding PFI/leases)	16.5	18.0	18.7	20.6	20.8	22.5
Total Interest & MRP	**33.5**	**39.4**	**49.0**	**57.2**	**62.1**	**66.1**
Net impact of internal useable reserves and growth	5.4	2.5	(3.1)	(5.3)	(10.2)	(14.2)
Total Capital Financing Costs	**38.9**	**41.9**	**45.9**	**51.9**	**51.9**	**51.9**

(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.

Upper Limit for Total Principal Sums invested over 364 Days at Q2 2026/27 (£m)	2025/26	2026/27	2026/27
	Actual	Approved	Actual
Upper Limit for Total Principal Sums Invested Over 364 Days	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.

Credit Risk Indicator at Q2 2026/27	2025/26	2026/27	2026/27
	Actual	Approved	Actual
Portfolio average credit rating	A+	A	A+

(j) Liquidity

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.

Liquidity Risk Indicator at Q2 2026/27 (£m)	2025/26	2026/27	2026/27
	Actual	Minimum Balance	Actual
Total cash available within 3 months	43.8	20.0	52.2

(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 2026/27, whilst treasury investments are managed under the Treasury Management Strategy 2026/27.

Total Investment Exposure Indicator as at Q2 2026/27(£m)	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Actual	Estimated	Estimated	Estimated	Estimated	Estimated
Treasury management cash investments	43.8	40.0	20.0	20.0	20.0	20.0
Service investments	31.0	30.4	29.7	28.9	28.1	27.3
Commercial investments: Property	0.0	0.0	0.0	0.0	0.0	0.0
Total Investments	**74.8**	**70.4**	**49.7**	**48.9**	**48.1**	**47.3**
Commitments to lend	0.0	0.0	0.0	0.0	0.0	0.0
Total Exposure	**74.8**	**70.4**	**49.7**	**48.9**	**48.1**	**47.3**

Service investments are further broken down in the tables below.

Loans & Investments for service purposes: Category of borrower at Q2 2026/27 (£m)	2025/26	2026/27	2026/27	2027/28	2028/29	2029/30	2030/31
	Actual	Approved Limit	Estimated	Estimated	Estimated	Estimated	Estimated
i4b Holdings Ltd Subsidiary Loans*	179.2	500.0	186.8	194.5	202.6	211.2	211.2
i4b Holdings Ltd Subsidiary Equity**	43.9		45.9	47.9	49.9	51.9	51.9
First Wave Housing Ltd Subsidiary Loans	33.4		32.9	32.5	32.0	31.5	31.1
Total	**256.5**	**500.0**	**265.6**	**274.9**	**284.6**	**294.6**	**294.1**

**new £32m capital loan and £8m equity loan included in 2026/27 onwards split accordingly subject to changes*

Service Investments Other Loans £m at Q2 2026/27 (£m)	2025/26	2026/27	2026/27	2027/28	2028/29	2029/30	2030/31
	Actual	Approved Limit	Estimated	Estimated	Estimated	Estimated	Estimated
Local Businesses	0.0	10.0	0.0	0.0	0.0	0.0	0.0
Schools, Academies and Colleges	17.1	55.0	16.9	16.7	16.4	16.2	15.9
West London Waste Authority	13.9	20.0	13.5	13.0	12.5	11.9	11.4
Local Charities	0.0	10.0	0.0	0.0	0.0	0.0	0.0

Housing Associations	0.0	50.0	0.0	0.0	0.0	0.0	0.0
Local Residents	0.0	5.0	0.0	0.0	0.0	0.0	0.0
Total	**31.0**	**150.0**	**30.4**	**29.7**	**28.9**	**28.1**	**27.3**

(l) 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.

Investments Funded by Borrowing at Q2 2026/27 (£m)	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
	Actual	**Estimated**	**Estimated**	**Estimated**	**Estimated**	**Estimated**
I4B Loans	179.2	186.8	194.5	202.6	211.2	211.2
I4B Equity	43.9	45.9	47.9	49.9	51.9	51.9
First Wave Housing (FWH)	33.4	32.9	32.5	32.0	31.5	31.1
Schools, Academies and Colleges	17.1	16.9	16.7	16.4	16.2	15.9
West London Waste Authority	13.9	13.5	13.0	12.5	11.9	11.4
Total Service investments	**287.5**	**296.0**	**304.6**	**313.5**	**322.7**	**321.4**
Total Funded by Borrowing	**287.5**	**296.0**	**304.6**	**313.5**	**322.7**	**321.4**

(m) Investment Rate of Return

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

Investments net rate of return at Q2 2026/27	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
	Actual	**Estimated**	**Estimated**	**Estimated**	**Estimated**	**Estimated**
Treasury management investments	**3.82%**	**3.75%**	**3.75%**	**3.75%**	**3.75%**	**3.75%**
Service investments	**2.60%**	**3.00%**	**3.00%**	**3.00%**	**3.00%**	**3.00%**

(n) Other Investment Indicators

Other investment indicators at Q2 2026/27 (£m)	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
	Actual	**Estimated**	**Estimated**	**Estimated**	**Estimated**	**Estimated**
External Debt (Loans)	1,074.1	1,163.2	1,260.7	1,359.0	1,418.4	1,424.3
Net Service Expenditure	431.4	501.8	535.2	568.6	589.6	611.6
Debt to net service expenditure ratio	2.5	2.3	2.4	2.4	2.4	2.3