

## Prudential indicators – South Oxfordshire DC

### 1 Affordability

#### 1.1 Ratio of financing costs to net revenue stream

This indicator compares the net interest payable less investment income receivable to the overall net revenue spending of the council. Because the council has a high level of investment income and lower cost of borrowing this indicator is negative and remains so throughout the period.

<b>Indicator A-1</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
<b>Ratio of financing costs to net revenue stream</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
Non – HRA	(24.8%)	(18.3%)	(14.1%)	(6.3%)	(4.1%)

#### 1.2 Net income from commercial investments to net revenue stream

This indicator estimates the proportion of its commercial investment income to its net revenue stream, as an indicator of the Council's exposure to risk in relation to the potential loss of commercial investment income.

<b>Indicator A-2</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
<b>Ratio of net income from commercial investments to net revenue stream</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
Non – HRA	4.0%	4.2%	4.5%	4.7%	4.8%

### 2 Prudence

#### 2.1 Gross borrowing and the capital financing requirement

It is prudent to ensure that borrowing is only used to fund capital (as opposed to revenue) expenditure. The indicator to measure whether this is achieved is to demonstrate that external borrowing 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.

<b>Indicator P-1</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>actual</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Capital financing requirement</b>	0	0	0	7.5	22.5
<b>Gross borrowing</b>	0	0	0	7.5	15

In this instance the capital financing requirement is shown as zero for 2022/23 but increases as borrowing begins to be undertaken in future years. The head of finance reports that the authority had no difficulty meeting this requirement in 2021/22.

The proposed 23/24 capital programme includes £27.5 million debt financing for capital projects. The forecast capital financing requirement for 2025/26 is £22.5 million.

## 2.2 Capital expenditure

The first indicator shows the total capital expenditure plans of the council's approved plus provisional programme including capital growth proposals put forward.

<i>Indicator P-2</i>	2022/23 estimate £000	2023/24 estimate £000	2024/25 estimate £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000
<b>Estimates of capital expenditure</b>	33,206	26,983	18,802	15,823	3,954	2,454

The second indicator records actual capital expenditure for the previous financial year.

<i>Indicator P-3</i>	2021/22 estimate £000	2021/22 actual £000
<b>Actual capital expenditure</b>	9,021	2,607

## 2.3 Borrowing need

This indicator reflects the authority's underlying need to borrow for a capital purpose, its Capital Financing Requirement (CFR). This borrowing may not need to take place externally, and the council may judge it prudent to make use of cash that it has already invested for long term purposes.

<i>Indicator P-4</i>	31/3/2023 estimate £m	31/3/2024 estimate £m	31/3/2025 estimate £m	31/3/2026 estimate £m	31/3/2027 estimate £m	31/03/2028 estimate £m
<b>Estimate of CFR</b>						
Non-HRA	0	0	7.5	22.5	27.5	27.5
<b>Estimate of movement in year</b>						
Non-HRA	0	0	7.5	15	5	0

The capital financing requirement as at 31 March each year is derived from specific balances within the balance sheet, and adjustments are made for capital expenditure, and the resources applied to finance the expenditure. The authority's capital expenditure is resourced immediately from capital receipts, reserves, grants, contributions and directly from revenue, the CFR is forecast to remain zero until 2024/25. The actual CFR for 31 March 2022 is shown below.

<i>Indicator P-5</i>	31/3/2021 actual £000
<b>Actual capital financing requirement</b>	
Non-HRA	0
<b>Actual movement in year</b>	
Non-HRA	0