

Prudential indicators – South Oxfordshire DC

1 Affordability

1.1 Ratio of financing costs to net revenue stream

These indicators compare 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 no long term borrowing this indicator is negative and remains so throughout the period.

| Indicator A-1 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Ratio of financing costs to net revenue stream | estimate | estimate | estimate | estimate | estimate |
| Non – HRA | (8.5%) | (8.1%) | (8.5%) | (6.3%) | (5.7%) |

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.

| Indicator P-1 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--------------------------------------|----------------|-----------------|-----------------|-----------------|
| | actual | estimate | estimate | estimate |
| | £m | £m | £m | £m |
| Capital financing requirement | 0 | 0 | 0 | 0 |
| Gross borrowing | 0 | 0 | 0 | 0 |

In this instance the capital financing requirement is shown as zero; this reflects the on-going debt-free status of the council.

The head of finance reports that the authority had no difficulty meeting this requirement in 2020/21, nor are there any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in the 2022/23 budget.

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.

| Indicator P-2 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | estimate | estimate | estimate | estimate | estimate | estimate |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Estimates of capital expenditure | 10,960 | 33,399 | 13,999 | 10,548 | 2,513 | 2,513 |

Appendix E

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

| <i>Indicator P-3</i> | 2020/21 estimate £000 | 2020/21 actual £000 |
|-----------------------------------|-----------------------------|---------------------------|
| Actual capital expenditure | 4,101 | 2,260 |

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> | 31/3/2022 estimate £000 | 31/3/2023 estimate £000 | 31/3/2024 estimate £000 | 31/3/2025 estimate £000 | 31/3/2026 estimate £000 | 31/03/2027 estimate £000 |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|
| Estimate of CFR | | | | | | |
| Non-HRA | 0 | 0 | 0 | 0 | 0 | 0 |
| Estimate of movement in year | | | | | | |
| Non-HRA | 0 | 0 | 0 | 0 | 0 | 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. As all the authority's capital expenditure is resourced immediately from capital receipts, reserves, grants, contributions and directly from revenue, the CFR remains zero throughout.

The actual CFR for 31 March 2021 is shown below.

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