

## Prudential indicators – Vale of White Horse DC

### 1 Affordability

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

These indicators compare the financing costs 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 a relatively low borrowing requirement in later years this indicator is negative and remains so throughout the period.

<b>Indicator A-1</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</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	(21.1%)	(12.9%)	(10.8%)	(9.5%)	(8.7%)

#### 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>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</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	0.4%	0.4%	0.4%	0.4%	0.4%

### 2 Prudence

#### 2.1 Gross debt 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>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</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	5.5	9
<b>Gross borrowing</b>	0	0	0	5.5	3.5

In this instance the capital financing requirement is shown as zero in 2023/24 and 2024/25 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 2022/23.

The proposed 2024/25 to 2028/29 capital programme includes £13 million borrowing for capital projects. The forecast capital financing requirement for 2025/26 is £5.5 million.

## 2.2 Capital expenditure

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

<i>Indicator P-2</i>	2023/24 estimate £000	2024/25 estimate £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000	2028/29 estimate £000
<b>Estimates of capital expenditure</b>	15,956	21,071	8,872	5,701	5,947	2,297

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

<i>Indicator P-3</i>	2022/23 estimate £000	2022/23 actual £000
<b>Actual capital expenditure</b>	6,749	7,937

Slippage from the previous financial year led to the capital programme for 2022/23 totalling £16.425 million as at 31 March 2023 – the actual expenditure for the year thus represented an underspend against that latest budget.

## 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>	31/3/2024 estimate £000	31/3/2025 estimate £000	31/3/2026 estimate £000	31/3/2027 estimate £000	31/3/2028 estimate £000	31/03/2029 estimate £000
<b>Estimate of capital financing requirement</b>						
Non-HRA	0	0	5,500	9,000	12,500	13,000
<b>Estimate of movement in year</b>						
Non-HRA	0	0	5,500	3,500	3,500	500

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 borrowing. The CFR is forecast to remain zero until 2025/26. The actual CFR for 31 March 2022 is shown below.

<b>Indicator P-5</b>	<b>31/3/2023 actual £000</b>
<b>Actual capital financing requirement</b>	
Non-HRA	0
<b>Actual movement in year</b>	
Non-HRA	0