

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.

Indicator A-1	2025/26	2026/27	2027/28	2028/29	2029/30
Ratio of financing costs to net revenue stream	estimate	estimate	estimate	estimate	estimate
Non – HRA	(17.2%)	(13.1%)	(9.8%)	(6.2%)	(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.

Indicator A-2	2025/26	2026/27	2027/28	2028/29	2029/30
Ratio of net income from commercial investments to net revenue stream	estimate	estimate	estimate	estimate	estimate
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.

Indicator P-1	2023/24	2024/25	2025/26	2026/27	2027/28
	actual	estimate	estimate	estimate	estimate
	£m	£m	£m	£m	£m
Capital financing requirement	0	3.0	8.3	10.2	13.0
Gross borrowing	0	3.0	5.3	2.0	3.5

In this instance the capital financing requirement is shown as zero in 2023/24 but increases as borrowing begins to be undertaken. The head of finance reports that the authority had no difficulty meeting this requirement in 2023/24.

The proposed 2025/26 to 2029/30 capital programme includes £14.8 million borrowing for capital projects. The forecast capital financing requirement for 2025/26 is £5.3 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.

Indicator P-2	2024/25 estimate £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000	2028/29 estimate £000	2029/30 estimate £000
Estimates of capital expenditure	25,312	17,528	7,656	7,267	3,886	2,804

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

Indicator P-3	2023/24 estimate £000	2023/24 actual £000
Actual capital expenditure	16,236	11,855

Slippage from the previous financial year led to the capital programme for 2023/24 totalling £16.236 million as at 31 March 2024 – 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.

Indicator P-4	31/3/2025 estimate £000	31/3/2026 estimate £000	31/3/2027 estimate £000	31/3/2028 estimate £000	31/3/2029 estimate £000	31/03/2030 estimate £000
Estimate of capital financing requirement						
Non-HRA	3,000	8,300	10,153	13,032	12,665	12,035
Estimate of movement in year						
Non-HRA	3,000	5,300	1,853	2,879	(368)	(630)

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 actual CFR for 31 March 2024 is shown below.

<i>Indicator P-5</i>	31/3/2024 actual £000
Actual capital financing requirement	
Non-HRA	0
Actual movement in year	
Non-HRA	0