

Capital and Investment Strategy 2024/25 to 2033/34

Executive Summary

The Capital and Investment Strategy outlines the council's approach to capital investment over the next ten years and incorporates the requirements of the CIPFA Prudential Code for Local Authorities.

The Prudential Code for Capital Finance in Local Authorities 2021 requires that for each financial year, a local authority should prepare at least one Investment Strategy containing the disclosures and reporting requirements specified in the guidance. The Strategy must be approved by full Council.

The definition of an investment covers all the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.

The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

The Prudential Code requires authorities to look at capital plans, investments, and debt in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long-term financing implications and potential risks to the authority.

The Prudential Code sets out that in order to demonstrate that the authority takes capital expenditure, investment and borrowing decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy. The capital strategy should set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcome. In line with the Code's requirements the following annexes are also included in this strategy:

Minimum Revenue Provision Policy Statement for 2024/25 (Annex 1)
Prudential Indicators for Capital Finance (Annex 2)

The Capital and Investment Strategy supports the Council's Financial Strategy, which sets out the approach the Council will take to ensure it is financially sustainable over the medium and long term. It also supports the Council's more detailed objectives of service strategies and plans. Integrated and aligned strategies and plans are imperative to financial resilience and stability as the

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impact of actions or decisions on one or more of these strategies will have an impact on the others.

Long term context

The Council's Strategic Plan has set out a clear vision for the county, centred around strong local communities, healthy places to live, and a zero-carbon economy that benefits everyone. The strategic plan has nine priorities with a set of objectives for each. This capital and investment strategy articulates how the Council's capital investment will help achieve this vision and the nine priorities.

The Council's capital investment will support the following Strategic Plan objectives:

'Greener' objectives

- Implement together with partners the county's 'pathways to zero carbon' route map, a comprehensive plan for **decarbonising** Oxfordshire.
- **Bring our own buildings, operations** and supply chains to **net zero by 2030**, and support the retrofit of residential homes to improve energy efficiency.
- Support and promote a shift towards **active travel** (walking, cycling and use of public transport), reducing the need for private cars and accelerate the transition to electric vehicles by **expanding charging capacity** across the county.
- Work with partners to continue to **build a greener, more resilient and fairer renewable energy network**.
- Deliver our **LED street lighting replacement programme** to further reduce the energy, visual and environmental impacts of street lighting.
- Deliver the countywide **20mph programme** in line with our agreed policy.
- **Prioritise active travel** and public transport **on the existing and planned highway network** to support healthy lifestyles and address inequalities in transport.
- Develop a countywide nature recovery strategy, including a tree and woodland plan that involves taking part in the Queen's Green Canopy programme, and support the development of a new local nature partnership for Oxfordshire.
- Ensure our **public rights of way network** is safe and effectively maintained.

'Fairer' objectives:

- Implement the delivery plan for Oxfordshire's **digital inclusion** strategy together with partners, including how assistive technology can support vulnerable groups to access services and lead a better quality of life
- **Provide technology to improve processes** around signposting, self-assessment and information about sources of help for local residents

'Healthier' objectives:

- Maximise access to the opportunities provided by **libraries, museums, nature and green spaces** and other services to support the health and wellbeing of residents.
- Help people to **live independently** and support themselves through personal and **local facilities**, using the Oxfordshire Way approach
- Deliver our **children's home programme** to provide more places in Oxfordshire
- Increase activity that supports pupils with special educational needs and disabilities to have their needs met in mainstream school settings and **deliver our special school capacity expansion programme**

The Capital programme also supports statutory functions such as school placements and urgent health and safety capital maintenance works.

A ten-year Capital Programme sets out how the Council will use capital expenditure to deliver these council priorities. The Capital Programme is updated quarterly and fully refreshed annually as part of the Budget and Business Planning Process to ensure that it remains aligned to the latest priorities, reflects the latest cost projections and profile for delivery, and incorporates the current funding position.

Current schemes within the capital programme are challenged at project gateways to ensure the project's objectives and benefits align with the Council's current strategic plan.

Capital prioritisation framework

There are a number of external factors increasing the risk to the future deliverability and cost of capital schemes in the council's capital programme. There are also challenges arising from the availability of workforce – both skilled and unskilled and construction materials. Inflation is impacting on contract values and the ability to maintain an agreed price. These pressures place further demands on council resources and the ability to meet the Council's ambitions, expected outcomes and benefits.

In response to these pressures, a prioritisation framework has been developed to ensure future capital expenditure and investment decisions not only align to the strategic plan objectives but that they continue to be affordable.

Capital Programme Principles:

- a. For **all** projects, the funding cannot exceed the budget allocation. Where cost increases occur, value engineering and/or de-scoping will be required (or additional external funding secured)
- b. any new inclusion of projects and/or approval of exceptions/change requests will require an equivalent reduction in schemes or funding (one in, one out principle)

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- c. all projects demonstrate benefits realisation, clearly setting out direct and indirect benefits linked to the nine corporate priorities.
- d. where schemes fall outside these categories but are well progressed (ie have approved full business case) and have RAG status of green for deliverability* can be considered for inclusion, where funding is available
- e. schemes with major proportion (80% or more) of the capital from external sources which will be lost if the project fails to go ahead but subject to consideration of future revenue requirements can be considered.
- f. Major Infrastructure schemes align to OXIS prioritisation and the Local Transport and Connectivity plan.
- g. All projects undertake equality and climate impact assessments (and carbon accounting when methodology is available), considering impact on deprivation, health and wellbeing in any given area.
- h. Projects that do not demonstrate alignment to these priorities will be stopped/paused.
- i. All mainstream school expansions/new schools be managed within basic need grant and available S106 contributions supported by the basic need programme and growth contingency provision.

Capital Programme Prioritisation Categories

Category 1 Projects:

That enable compliance with our minimum statutory duties relating to health and safety and schools. For projects in this category, there is still a need to justify the cost level.

Category 2 Projects:

That generate revenue savings (and/or cost avoidance) through the delivery of the new business strategy or service transformation proposals (inc children's homes and supported living). For projects in this category, there is still a need to explore whether or not they could be self-financing, for example through prudential borrowing.

Category 3 Projects:

That facilitate (*ie majority of the scheme*) the climate action or active travel commitments of the Council, as articulated in the strategic plan

As well as supporting the delivery of the Council's strategic plan, the capital programme is also informed by service strategies and plans (a list of the key strategies are included in Annex 4). These strategies are informed by the latest population forecasts, changes in demography, and changes in service demands.

Infrastructure and Assets

The council owns and manages a range of infrastructure and property assets including maintained schools, offices, roads, bridges, park and ride sites and waste recycling centres.

Effective asset management is one of the key contributing factors to attaining the county's vision to lead positive change by working in partnership to make Oxfordshire a greener, fairer and healthier county.

Approach to Capital Investment

Capital expenditure is defined as spending that creates an asset for the Council (e.g., buildings, vehicles and equipment), and spending which meets the definition in regulations specified under the Local Government Act 2003. This includes spend on non-current assets that are not owned by the Council such as academies and the award of capital grants and funding agreements.

The approach aims to ensure that:

- Capital expenditure contributes to the achievement of the council's priorities set out in the Strategic Plan including commitment to put action to address the climate emergency at the heart of the council's work and to explore opportunities for social value;
- An affordable and sustainable capital programme is agreed;
- Use of resources and value for money is maximised;
- A clear framework for making capital investment decisions is provided;
- A corporate approach to the use of capital resources is maintained;
- Sufficient assets to provide services (as set out in service specific strategies, see annex 4) are acquired, or built, and maintained;
- Invest to save initiatives to make efficiencies within the Council's revenue budget are encouraged;
- Investment in existing assets to enhance their value, including acquisition of land, is supported;
- An appraisal and prioritisation process for new schemes is robust

Capital Financing Principles

The Council's capital programme financing principles are:

- Non ringfenced capital grants are treated as a corporate resource and used flexibly.
- Capital receipts are treated as a corporate resource and used across the capital programme flexibly.
- The Council will continue to be proactive in ensuring, as far as possible, that all additional capital investment needs arising from new developments are funded from developer contributions.
- Ringfenced resources are used for the purposes for which they are issued.
- Prudential borrowing will only be considered where:
 - i. there is a robust invest to save model; or

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- ii. the council has a significant unmet capital need.
- Community Infrastructure Levy (CIL) funds be secured and directed to the most appropriate capital schemes to help deliver infrastructure to support the development of their area.
- The Council will hold 3% capital contingency in reserves. This contingency is for unforeseen emergency works. Project and programme level contingency is determined and agreed for each project (by gateway) and is agreed within its budget provision.

The Capital Programme

The council plans for a ten-year capital programme to ensure that schemes and programmes can be developed, delivered and funded over the medium term in line with the supporting strategies.

The **capital programme (the firm programme)** is made up of schemes that have been agreed to address identified need. These schemes have an approved initial business case, articulating a clear case for change, a defined scope, an indicative budget/investment and an agreed indicative timeline including a 'go live' date. The Capital Programme is a ten-year rolling programme.

Pipeline capital schemes support our priorities, have an agreed need, a confirmed alignment with the prioritisation framework and a basic mandate. These are our priority schemes but are subject to further development and an approved initial business case. Schemes in the Pipeline are subject to optioneering and feasibility assessment and have only estimated costs. These schemes may change in both scope and value before being agreed through the capital governance process and brought forward into the firm programme reflecting changes in the underlying need and value for money assessment. Once approved, these schemes will be included within the firm capital programme.

Pre-pipeline schemes have also been identified. These schemes are at a very early stage and in some cases, it is not yet clear if they meet a predicted need and/or align to the prioritisation framework. Others have identified a need and align to the prioritisation framework, but due to budget constraints, are currently unfunded and remain in the pre-pipeline.

Proposed Programme for 2024/25 – 2033/34

The proposed programme is based on the latest capital programme 2024/25 to 2033/34 as reported to Cabinet in the Capital Programme Monitoring Report in December 2023, including recommendations set out in the budget report. Proposed changes to the programme are set out in Section 5.3. Section 5.4 sets out the detailed draft Capital Programme for 2024/25 to 2033/34 by year and programme area. Some of the changes set out below reflect the addition of

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2033/34 to the programme and extend the existing programme into that year. Section 5.4.1 sets out the current allocation of Housing & Growth Deal grant funding.

The table below sets out the proposed programme by strategy and the split between the Firm Programme (£646.8m) and Pipeline Programme (£633.6m).

Strategy / Programme	Current Year 2023/24 £m	Proposed Firm Programme (2 years) £m	Proposed Pipeline* Programme £m	Total Programme £m
Pupil Places Plan	39.2	88.8	120.6	248.6
Major Infrastructure	80.0	347.4	273.9	701.3
Highways Asset Management Plan	56.0	93.6	119.2	268.8
Property Strategy	17.9	61.7	12.4	92.0
IT, Digital & Innovation Strategy	5.8	9.0	1.9	16.7
Passported Funding	8.4	9.0	4.4	21.8
Vehicles and Equipment	2.2	9.3	16.1	27.6
Total Estimated Capital Programme Expenditure	209.5	618.8	548.5	1,376.8
Earmarked Reserves	0.0	28.0	85.0	113.0
Total Estimated Capital Programme	209.5	646.8	633.6	1,489.8

The proposed 'firm programme' for 2024/25 has been established using the agreed prioritisation framework. A full list of schemes proposed to be added to the firm programme can be found in Cabinet Section 5.3 and Labour & Co-operative Group Section 5.3.

Category 1 schemes that enable compliance with the council's minimum statutory duties relating to health and safety, include an investment of £0.7m (in addition to the £0.7m previously agreed in February 2023) to carry out essential repairs at Redbridge Household Waste and Recycling Centre. Condition surveys carried out across our corporate estate have identified some remedial works that must be carried out over the next few years at an estimated cost of £2m. Investing in our Fire Stations to ensure that we are complying with current health and safety legislation, will commence with a proposed investment of £1.3m, which is in addition to the £6.3m to deliver essential works resulting from the development of Rewley Road Fire Station. A further £0.5m is proposed to enable fire fighters to safely decontaminate breathing apparatus.

In line with the Council's ambition to reach Net Zero by 2030, an investment of £2.6m has been proposed to begin a programme of works to decarbonise the council's corporate estate. The investment is to match a grant funding bid

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submitted in late 2023, with a decision due in early 2024. Rationalising buildings and reducing the council's corporate estate including Oxford City Centre accommodation remains a key priority. Additional funding of £2.3m is proposed to be included within the existing Office Rationalisation & Co-location Programme, to address accessibility and energy management issues in the buildings identified as our future workplaces.

Funding has been allocated for the following schemes in Prioritisation Category 3 (Climate Action or Active Travel): Traffic Congestion Improvements (£6.0m), East Oxford Mini – Holland Project (£6.0m) and Phase 4 of the School Streets programme (£0.5m)

In January 2024 Cabinet approved Option 2 of the Oxford City Centre Accommodation Strategy. Subsequent to that decision this has been entered into the Capital Programme so that work on the strategy can progress.

£10.2m has been allocated to continue the rolling programme of works to invest in highways and structures with a further £5.0m for Highways Maintenance added as part of Labour & Co-operative Section 5.3.

A paper was approved at Cabinet in January 2024, for the inclusion of a new 120-place Special Educational Needs and Disabilities (SEND) School and this has been entered into the Capital Programme.

The Capital Programme is fully funded over the ten - year period. The table below sets out the resources expected to be used to deliver the capital programme.

Financing	Total Programme £m
Section 106 and Community Infrastructure Levy	208.0
Grants and contributions	814.2
Prudential Borrowing	272.3
Capital receipts	119.2
Revenue Contribution	36.9
Subtotal	1,450.6
Capital Reserves	39.2
Total Financing	1,489.8

When necessary and where funding is available, the Capital Programme can fund schemes in advance of receiving specific funding by utilising other resources within the wider programme on an interim basis.

There are a number of schemes already in the capital programme that require forward funding to progress. £1.55m investment is proposed to progress the Traffic Filters scheme and £4m funding for the further development of the Zero

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Emissions Zone in Oxford. Forward funding of £4m is also proposed to develop the NW Bicester A4095 scheme and £0.8m to progress the feasibility phase of the A40 Underpass. Both of the latter schemes are expected to unlock future Section 106 funding from developers.

Any further requests for forward funding would need to be considered and agreed by the s151 officer.

Property Investment Strategy

The Council's property investment objective is to support growth, regeneration and help deliver the Council's strategic priorities.

The council uses the following two broad investment categories:

- a) Maximise use of and value (both financial and social) of Council owned assets (land and buildings) linked to the council's Property Strategy, and
- b) Investments for service delivery are taken or held primarily and directly for the delivery of public services (including regeneration and local infrastructure.
 - i. Service investments may or may not involve financial returns; however, obtaining those returns will not be the primary purpose of the investment.

In addition, property investments are made in accordance with Treasury Management Strategy, including cash, money market funds, property funds, bond funds and equities.

In accordance with the prudential code, the Council does not make investments for commercial purposes.

Capital Governance Arrangements

The Prudential Code sets out that the responsibility for decision making and on-going monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, sits with full council. However, detailed implementation and monitoring may be delegated to a committee.

Council and the Cabinet are the key democratic decision-making bodies as per the Council's constitution. The Council approves the key policy documents and the capital programme as part of the Council's Policy and Budgetary Framework. The Cabinet recommends priorities, policy direction and the capital programme to the Council for approval. The Cabinet also approves new inclusions to the capital programme in line with the scheme of delegation and the financial procedure rules.

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Delegations to officers are set out in full in Section 5 of the Council's Financial Regulations and all officers are bound by the scheme of delegation.

The capital programme is supported by robust governance arrangements that are in place to effectively manage and monitor the Council's expenditure, review and manage any operational risks across the programme and to enable a strong decision-making framework and structure. Processes to support the management of the Capital Programme are under continuous review to identify areas for improvement.

There are five capital programme boards: Environment & Climate, Major Infrastructure, Innovation, Digital & Customer, Property and Highways which report into the Strategic Capital Board (SCB). SCB meets monthly and is chaired by the Chief Executive, supported by the Executive Director of Resources and Section 151 Officer, the Executive Director of People and the Corporate Director for Environment & Place. Issues and pressures escalated from the capital programme boards and wider strategic risks are managed through this board, escalating to Cabinet if necessary.

A comprehensive capital investment handbook has been published for staff guidance and support. This handbook sets out the governance, roles and responsibilities including an overview of the governance structure, terms of reference for each governance level, and a description of key roles and responsibilities. It also includes a reporting framework, set of KPIs, and aggregation method for how reporting will be established by exception. The handbook includes a high-level and detailed approval process and description of each stage of capital project delivery, from Stage 0 to Stage 4. It sets out key meetings and documentation required for each step, including specific guidance around capital expenditure, and how key aspects, such as Council strategic outcomes, and the capital and investment strategy, can inform the prioritisation process.

Measuring the delivery of this Strategy

The overall performance of the Council-wide Capital Programme will be reported to the Cabinet on a quarterly basis.

This will include an overview of the performance across each of the capital programmes with a specific focus on:

- The most significant variances (in terms of timeline, scope, and budget);
- The most significant risks and issues (e.g. those with the largest potential impact etc.);
- The most significant successes; and,
- Overall benefit realisation and strategic alignment to Council outcomes

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In line with the Council's financial regulation, the Cabinet will also take decisions on any changes to the existing programme on any proposed variation that meets the following thresholds:

- *Any new scheme not already in the firm programme, including grant funded schemes*
- *Any cost variation over £1m*
- *Any material scope variation that impacts the projects ability to achieve its overall objective/benefits/savings*
- *Any time variation that impacts the 'go live' date*

Minimum Revenue Provision Policy Statement for 2024/25

1. The Council is required by statute to charge a Minimum Revenue Provision (MRP) to the General Fund Revenue account each year for the repayment of debt. The MRP charge is the means by which capital expenditure which has been funded by borrowing is paid for by council taxpayers.
2. Legislation¹ requires local authorities to draw up a statement of their policy on the annual MRP, for full approval by Council before the start of the financial year to which the provision will relate.
3. The implementation of the International Financial Reporting Standards (IFRS) requirements brought some service concession arrangements on balance sheet and resulted in some leases being reclassified as finance leases instead of operating leases. Part of the service charge or rent payable is taken to reduce the balance sheet liability rather than being charged to revenue accounts. To ensure that this does not result in a one-off increase in the capital financing requirement and in revenue account balances, an amount equal to the amount that has been taken to the balance sheet is included in the annual MRP charge.
4. The Council is recommended therefore to approve the following statement:

For capital expenditure incurred before 1 April 2008, the MRP policy for 2017/18 onwards will be a straight-line charge of the outstanding pre-2008 expenditure as at 1 April 2017 calculated over a 50-year period.

For all unsupported (prudential) borrowing, the MRP policy will be based on the estimated life of the assets for which the borrowing is undertaken (Option 3 – Asset Life Method or Annuity Method).

In the case of finance leases and on-balance sheet Private Finance Initiative (PFI) type contracts, the MRP requirement will be regarded as being met by a charge equal to the element of the rent/charge that goes to write-down the balance sheet liability, including the retrospective element in the first year (Option 3 in modified form).

¹ Statutory Instrument 2008 no. 414 s4

Prudential Indicators for Capital Finance

1. The Prudential Code for Capital Finance in Local Authorities 2021 requires the Council to set and monitor against Prudential Indicators in the following categories:
 - Prudence – Capital Expenditure and External Debt
 - Affordability
 - Treasury Management
2. The indicators have been based on the February 2024 capital programme which will be approved by Council on 20 February 2024 as part of the Business and Budget Planning Report.
3. The capital expenditure figures for beyond 2024/25 will be able to be revised in twelve months' time.

Prudence

Estimates of Capital Expenditure

4. The Council is required to make reasonable estimates of the total of capital expenditure (including earmarked reserves) that it plans to incur during 2024/25 and the following two financial years. The Council must also approve the actual expenditure for 2022/23 and revised forecast expenditure for 2023/24. The table shows the actual capital expenditure for 2022/23 and how that was financed. It also shows the estimated capital expenditure and financing from 2023/24 to 2027/28.

Capital Programme Estimates	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Capital Expenditure	172.2	209.5	320.0	326.8	254.1	157.5
Financed by:						
Prudential Borrowing	41.7	72.4	82.4	50.4	47.8	18.3
Grants and Contributions	127.9	123.6	231.5	235.2	160.5	103.8
Capital Receipts	0	0	0	36.1	21.5	31.0
Revenue	2.6	13.5	5.7	5.1	3.5	4.4
Reserves	0	0	0	0	20.8	0.0
Total Capital Investment	172.2	209.5	320.0	326.8	254.1	157.5

The Capital Financing Requirement

5. Estimates of the end of year Capital Financing Requirement (CFR) for the Authority for the current and future years and the actual Capital Financing Requirement at 31 March 2023 that are recommended for approval are set out in the table below. The actual CFR for 2022/23 was £402.727m. The estimate for 2023/24 is £463.256m and 2024/25 for £530.989m.

Year	Actual/Estimate	£m
2022/23	Actual	402.727
2023/24	Estimate	463.256
2024/25	Estimate	530.989
2025/26	Estimate	563.061
2026/27	Estimate	590.567
2027/28	Estimate	586.826

6. The Capital Financing Requirement measures the authority’s underlying need to borrow for a capital purpose. In accordance with best professional practice the County Council does not associate borrowing with particular items or types of expenditure. The authority has an integrated Treasury Management Strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day-to-day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority’s underlying need to borrow for a capital purpose.

Authorised Limit and Operational Boundary for External Debt

7. The Authority has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Authority and not just those arising from capital spending reflected in the CFR.
8. The Authorised Limit sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Authority. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Authority’s existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

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9. The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).
10. The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst-case scenario with sufficient headroom over and above this to allow for unusual cash movements. The Operational Boundary links directly to the Authority's estimates of the CFR and estimates of other cashflow requirements. The table shows the operational boundary for external debt remains within the authorised limit for external debt throughout the period 2024/25 to 2027/28.

	2023/24 Probable outturn £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Operational Boundary for External Debt					
Borrowing	440.000	530.000	560.000	580.000	590.000
Other long-term liabilities	25.000	25.000	25.000	25.000	25.000
TOTAL	465.000	555.000	585.000	605.000	615.000
Authorised Limit for External Debt					
Borrowing	450.000	540.000	570.000	590.000	600.000
Other long-term liabilities	30.000	30.000	30.000	30.000	30.000
TOTAL	480.000	570.000	600.000	620.000	630.000

Actual External Debt

11. This indicator enables the comparison of Actual External Debt at year end to the Operational Boundary and Authorised Limit. Total external debt as at 31 March 2023 was £321.380m.

Total External Debt as at 31.03.23	£m
External Borrowing	306.383
Other Long-term Liabilities	14.997
Total	321.380

Gross Debt and the Capital Financing Requirement

12. This is a key indicator of prudence. In order to ensure that the medium-term debt will only be for a capital purpose, the local authority should ensure that the gross debt does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.
13. From 2021/22 onwards the CFR has been higher than the level of external borrowing, the balance of which has been funded through internal borrowing. This is forecasted to continue over the medium term, consistent with the approach set out in the Treasury Management Strategy, taking into account current commitments, existing plans and the proposals in the approved budget.

Debt	31.03.23 Actual £m	31.03.24 Revised £m	31.03.25 Estimate £m	31.03.26 Estimate £m	31.03.27 Estimate £m	31.03.28 Estimate £m
External Borrowing	306.383	284.383	281.383	329.383	363.383	360.383
Long Term Liabilities	14.997	14.161	13.217	12.153	10.955	9.607
Total Debt	321.380	298.544	294.600	341.536	374.338	369.990

Affordability

The Ratio of Financing Costs to the Net Revenue Stream

14. 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. The definition of financing costs is set out in the Prudential Code. The ratio of financing costs to the net revenue stream is estimated to remain within 4-6% in each year going forward and was 2.6% in 2022/23.

Year	Actual/ Estimate	Financing Cost £m	Net Revenue Stream £m	Ratio %
2022/23	Actual	15.2	576.4	2.6
2023/24	Estimate	24.7	622.5	4.0
2024/25	Estimate	27.1	661.5	4.1
2025/26	Estimate	30.8	671.4	4.7
2026/27	Estimate	34.0	692.7	5.0

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15. Financing costs include interest payable on borrowing, interest and investment income and the amount required for the minimum revenue provision (MRP).

The Ratio of Net Income from Commercial and Service Investments to the Net Revenue Stream

16. This is an indicator of affordability and is intended to show the financial exposure of the authority to the loss of income from commercial and service investments. The definition of commercial and service income is set out in the Prudential Code. Based on current activity the ratio of service income compared to the net revenue stream remains at a maximum of 0.05% from 2023/24 to 2025/26.

Year	Actual/ Estimate	Commercial & Service Income (*) £m	Net Revenue Stream £m	Ratio %
2023/24	Estimate	0.000	622.5	0.00
2024/25	Estimate	0.109	661.6	0.02
2025/26	Estimate	0.197	671.4	0.03
2026/27	Estimate	0.280	692.7	0.04

(*) Estimated annual cash yield from the council's £5m Service Investment in the Resonance Supported Homes Fund.

Governance framework and decision making overview

Capital Programme – approval process

<p>Ten year capital programme (annual budget setting)</p>	<p>Initial Business Case</p>	<p>Outline Business Case</p>	<p>Full Business Case</p>
<p>Strategy & development of Capital Programme</p> <ul style="list-style-type: none"> On an annual basis, the ten-year Capital Programme is amended. It should include: <ul style="list-style-type: none"> Firm projects (including those currently being delivered), with agreed budgets High level proposal of the annual programme of work with indicative budgets for each project. This should include an initial business case for each proposed project, with the exception of Major Infrastructure, Pupil Places, and Highways and Structural Maintenance. Pipeline of projects for future years 	<p>Stage 0: Establishing the case for change</p> <ul style="list-style-type: none"> The strategic case for change and the anticipated outcomes of the investment. This should include a data-driven evidence base that demonstrates the need to invest. A long list of options and high level options appraisal based on a SWOT and cost benefit analysis. This should include BAU ('Do nothing') as an option. A short list of options to progress to OBC, identifying the preferred option. A high level implementation plan and indicative budget for the preferred option. 	<p>Stage 1: Options appraisal and feasibility</p> <ul style="list-style-type: none"> A detailed options appraisal based on a detailed cost benefit analysis of each short listed option An agreed procurement strategy (including procurement route, risk allocation and charging mechanism) An implementation plan and final budget for the preferred option This budget is the baseline, according to the financial procedure rules 	<p>Stage 2: Detailed design and procurement</p> <ul style="list-style-type: none"> A summary of the procurement process and evaluation of each shortlisted service provider, presenting the most economically advantageous tender Contract management arrangements and terms and conditions, and confirmation of readiness to enter into the contract and begin delivery Detailed design of the solution, a refined and final project plan and revised budget No separate change request form is required for variations
<p>Indicative budget</p>	<p>Provisional budget</p>	<p>Final budget</p>	<p>Revised budget (a variation)</p>

For projects / programmes that are part of the ten year Capital Programme, they have already been approved by the Strategic Capital Board and Cabinet.

As they progress across the stages, they are managed by the Capital Programme Board and do need to go back to the Strategic Capital Board or Cabinet, unless there is a variation against the previous approved budget.

For new in year projects / programmes, the IBC needs to be initially approved by the relevant governance board, as per the schemes of delegation. From Stage 1, they are managed by the Capital Programme Board and do need to go back to the Strategic Capital Board or Cabinet, unless there is a variation against the previous approved budget.

Strategies that have informed and help us deliver our Capital Strategy

The Capital Programme is informed by, and supports the achievement of, the following county council strategies and plans:

- [Highway Infrastructure Asset Management Strategy 2022](#)
- [Property and Assets Strategy 2022](#)
- [Local Transport and Connectivity Plan 2022](#)
- [Pupil Place Plan 2022/23-2026/27](#)
- [Special Educational Needs and Disability \(SEND\) Sufficiency Plan 2022/23-2026/27](#)
- [Household Waste Recycling Strategy \(2023-2043\)](#)
- [Libraries and Heritage Strategy \(2022\)](#)
- [Climate Action Framework \(2021\)](#)
- [IT & Digital Strategy \(2019-2024\)](#)

It also supports the delivery of the following Oxfordshire wide partnership strategies:

- [Infrastructure Strategy \(OxIS\) | OxLEP \(oxfordshirelep.com\)](#)
- [Local Industrial Strategy | OxLEP \(oxfordshirelep.com\)](#)