

Capital and Investment Strategy 2025/26 to 2034/35

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 2025/26 (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

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.

Capital Programme Prioritisation Categories

- Schemes that facilitate compliance with minimum statutory duties relating to health & safety, schools, and delivery of business-critical services
- Schemes that generate revenue, are self-funding or facilitate cost avoidance strategies

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- Schemes that contribute to the improvement of the highway network, including road safety measures, flood prevention work and pothole prevention measures such as surface dressings
- Schemes that encourage and facilitate active travel and improve market towns
- Schemes that enhance energy efficiency and promote the adoption of sustainable and environmentally responsible solutions
- Schemes which are partly funded by Section 106 developer contributions but require additional funding to progress

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;

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- 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
 - 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.

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Funded 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 funded 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.

Unfunded pipeline schemes have also been identified. These schemes are at a very the 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 pending funding becoming available. This can include future property investment projects that deliver regeneration and / or growth.

Proposed Programme for 2025/26 – 2034/35

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 2024; it includes latest approvals and amendments to budget provisions and funding allocations, and 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 2025/26 to 2034/35 by year and programme area. Some of the changes set out below reflect the addition of 2034/35 to the programme and extend the existing programme into that year.

The table below sets out the proposed programme by strategy and the split between the Firm Programme (£757.8m) and Funded Pipeline Programme (£537.0m).

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| Strategy / Programme | Current Year 2024/25 £m | Proposed Firm Programme (2 years) £m | Proposed Funded Pipeline Programme £m | Total Programme £m |
|--|----------------------------|---|--|-----------------------|
| Pupil Places Plan | 32.6 | 96.3 | 105.6 | 234.5 |
| Major Infrastructure | 116.3 | 395.3 | 185.7 | 697.3 |
| Highways Asset Management Plan | 64.4 | 116.4 | 127.0 | 307.8 |
| Property Strategy | 28.8 | 67.8 | 17.1 | 113.7 |
| IT, Digital & Innovation Strategy | 7.8 | 4.3 | 0.6 | 12.7 |
| Passported Funding | 8.9 | 9.6 | 2.3 | 20.8 |
| Vehicles and Equipment | 2.9 | 7.1 | 17.7 | 27.7 |
| Total Estimated Capital Programme Expenditure | 261.7 | 696.8 | 456.0 | 1,414.5 |
| Earmarked Reserves | 0.0 | 61.0 | 81.0 | 142.0 |
| Total Estimated Capital Programme | 261.7 | 757.8 | 537.0 | 1,556.5 |

The proposed 'firm programme' for 2025/26 to 2026/27 has been developed in accordance with the priority categories outlined earlier in this document. A full list of schemes proposed to be added to the draft Capital Programme can be found in Section 5.3.

Prioritisation categories have been outlined earlier in this document. The total additional capital proposals that require corporate funding total £103.330m. Schemes that comply with minimum statutory duties relating to health and safety, schools, and the delivery of business-critical services include an investment of £4.9m proposed for Redbridge Household Waste and Recycling Centre. The programme of work will stabilise the site and provide a modern upgraded facility. This is in addition to the £1.4m already invested to carry out urgent Health and Safety Repairs.

To ensure health and safety compliance across the council's corporate property estate, a £1.7m investment is proposed. This will complete the programme of work, with £2.8m already committed. Improving our IT infrastructure remains critical to business continuity and so an investment of £2.5m is proposed, with a significant portion of this investment dedicated to enhancing the Council's cyber security measures.

An investment of £38.6 million is proposed over a two-year period to maintain the highway network, including public rights of way infrastructure. The investment will ensure measures are taken to prevent potholes, stop drains from overflowing and improve the maintenance of footways and cycleways. Additionally, £16.0m is proposed over the same period for repairing and maintaining bridges at risk of

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structural failure, combined with preventative maintenance measures. This, along with annual grant funding, represents a total investment of approximately £100m over two years (2025/26 to 2026/27), which is necessary to maintain the highway network in a steady state condition.

A £1.9m investment is proposed to provide adapted housing within the community, enabling adults with complex needs to move into supported homes. This will improve outcomes and the quality of life for those residents in a cost-effective manner. A fund of £0.5m is proposed, which will enable additional capacity to support children in our care by funding home improvement loans to existing foster carers. This will enable a greater number of children to live locally whilst reducing expenditure on children's placements.

Several schemes are proposed to encourage active travel and improve market towns. The total investment proposed for these schemes is £15.2m. In addition to £8.2m of combined Growth Deal and Section 106 funds, an investment of £11.1m is proposed for the Watlington Relief Road. This project will divert traffic away from the town centre, improving air quality, providing safe walking and cycling routes. A new investment fund of £1.8m is proposed to fund schemes that encourage active travel in rural areas through the delivery of actions identified in Local Walking and Cycling Improvement Plans.

The Council is committed to meeting its net zero target by 2030. An investment of £11.5m is proposed, which is in addition to previous funding allocations. As well as implementing decarbonisation measures such as removing fossil-fuelled heating, the programme is addressing a maintenance backlog of broken, end-of-life components with more environmentally sustainable options: this accounts for approximately 39% of the investment.

The Schools' Energy Efficiency Recycling Fund is to be further expanded with an investment of £0.3m proposed, which is in addition to the £1.6m already committed. This will enable more schools to benefit from implementing energy-saving measures such as solar PV, battery storage, and LED lighting, improving learning environments for students and delivering cost savings for schools.

A £4.0m investment is to be made to support local improvements such as footway extensions, highway layout changes, pedestrian crossings, and bus stop improvements. Schemes such as these already have Section 106 funding allocations, but additional funds are required to deliver these projects. This will result in the release of £22.5m of held Section 106 funds.

Funding includes £65m of additional prudential borrowing to help finance the new capital proposals to be included within the capital programme. This additional borrowing creates an ongoing annual revenue cost of £4.2m and will increase the total prudential borrowing amount to £276.3m over the ten - year period. The use of prudential borrowing will increase the Council's Capital Financing Requirement. The Council is required under statute to set aside a Minimum Revenue Provision to pay down the Capital Financing Requirement.

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The Capital Programme is over programmed over the ten - year period by £11.1m. 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 | 203.0 |
| Grants and contributions | 838.0 |
| Prudential Borrowing | 276.3 |
| Capital receipts | 128.8 |
| Revenue Contribution | 20.4 |
| Subtotal | 1,466.5 |
| Capital Reserves | 78.9 |
| Total Financing | 1,545.4 |

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. Any advancements would need to be considered and agreed by the s151 officer. At present, the capital Programme has approved approx. £40m of forward funded schemes. Not all expenditure has been incurred and therefore the actual value incurred will be lower as it is forecasted that some of the income is expected to be received before all the expenditure associated with the forward funded schemes are incurred. This excludes any cashflow implications arising from the Speedwell and Oxford Rewley Road Fire Station developments.

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 in land and buildings (including through acquisition) primarily and directly for the delivery of public services and place shaping (including in support of specific regeneration, growth and local infrastructure objectives).

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.

Green Investment Strategy

The Council's key strategic objective through its Green Investment Strategy is to support the delivery of net zero for Oxfordshire.

The Council's emerging green Investment Strategy supports the participation of the Council as a more active participant in identifying and creating investable opportunities, and as a direct or indirect investor into green investment opportunities.

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.

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, the Director for Economy & Place, the Director of Environment & Highways and the Director of Property and Assets. Issues and pressures escalated from the capital programme boards and wider strategic risks are managed through this board, escalating to Cabinet in line with established governance procedures.

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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

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 variations that impact the 'go live' date

Minimum Revenue Provision Policy Statement for 2025/26

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 2025 capital programme which will be approved by Council on 11 February 2025 as part of the Business and Budget Planning Report.
3. The capital expenditure figures for beyond 2025/26 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 2025/26 and the following two financial years. The Council must also approve the actual expenditure for 2023/24 and revised forecast expenditure for 2024/25. The table shows the actual capital expenditure for 2023/24 and how that was financed. It also shows the estimated capital expenditure and financing from 2024/25 to 2028/29.

| Capital Programme Estimates | 2023/24 Actual £m | 2024/25 Estimate £m | 2025/26 Estimate £m | 2026/27 Estimate £m | 2027/28 Estimate £m | 2028/29 Estimate £m |
|---------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Capital Expenditure | 175.9 | 261.8 | 333.8 | 423.9 | 235.2 | 80.8 |
| Financed by: | | | | | | |
| Prudential Borrowing | 59.8 | 63.0 | 76.4 | 56.1 | 44.9 | 24.5 |
| Grants and Contributions | 113.9 | 194.8 | 254.2 | 289.4 | 123.5 | 25.8 |
| Capital Receipts | 0 | 0 | 0 | 43.2 | 31.2 | 26.3 |
| Revenue | 2.2 | 4.0 | 3.2 | 2.4 | 5.2 | 0.8 |
| Reserves | 0 | 0 | 0 | 32.8 | 30.4 | 3.3 |
| Total Capital Investment | 175.9 | 261.8 | 333.8 | 423.9 | 235.2 | 80.8 |

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 2024 that are recommended for approval are set out in the table below. The actual CFR for 2023/24 was £450.737m. The estimate for 2024/25 is £500.525m and 2025/26 for £561.306m.

| Year | Actual/Estimate | £m |
|---------|-----------------|---------|
| 2023/24 | Actual | 450.737 |
| 2024/25 | Estimate | 499.525 |
| 2025/26 | Estimate | 559.221 |
| 2026/27 | Estimate | 593.516 |
| 2027/28 | Estimate | 624.690 |
| 2028/29 | Estimate | 629.929 |

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 2025/26 to 2028/29.

| | 2024/25 Probable outturn £m | 2025/26 Estimate £m | 2026/27 Estimate £m | 2027/28 Estimate £m | 2028/29 Estimate £m |
|---|--------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Operational Boundary for External Debt | | | | | |
| Borrowing | 500.000 | 570.000 | 600.000 | 635.000 | 640.000 |
| Other long-term liabilities | 25.000 | 25.000 | 25.000 | 25.000 | 25.000 |
| TOTAL | 525.000 | 595.000 | 625.000 | 660.000 | 665.000 |
| Authorised Limit for External Debt | | | | | |
| Borrowing | 510.000 | 580.000 | 610.000 | 645.000 | 650.000 |
| Other long-term liabilities | 30.000 | 30.000 | 30.000 | 30.000 | 30.000 |
| TOTAL | 540.000 | 610.000 | 640.000 | 675.000 | 680.000 |

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 2024 was £299.327m.

| | |
|---|----------------|
| Total External Debt as at 31.03.24 | £m |
| External Borrowing | 284.383 |
| Other Long-term Liabilities | 14.997 |
| Total | 299.327 |

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 | 31.03.24 Actual £m | 31.03.25 Revised £m | 31.03.26 Estimate £m | 31.03.27 Estimate £m | 31.03.28 Estimate £m | 31.03.29 Estimate £m |
|-----------------------|--------------------------|---------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| External Borrowing | 284.383 | 271.383 | 269.383 | 303.383 | 363.383 | 300.383 |
| Long Term Liabilities | 14.997 | 14.161 | 13.217 | 12.153 | 10.955 | 9.607 |
| Total Debt | 299.380 | 285.544 | 282.600 | 315.536 | 374.338 | 309.990 |

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 4.0% in 2023/24.

| Year | Actual/ Estimate | Financing Cost £m | Net Revenue Stream £m | Ratio % |
|---------|------------------|-------------------------|-----------------------------|------------|
| 2023/24 | Actual | 24.7 | 610.8 | 4.0 |
| 2024/25 | Estimate | 26.4 | 660.4 | 4.0 |
| 2025/26 | Estimate | 28.7 | 705.9 | 4.1 |
| 2026/27 | Estimate | 32.5 | 737.5 | 4.4 |
| 2027/28 | Estimate | 34.6 | 772.0 | 4.5 |

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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 0.04% from 2024/25 to 2027/28.

| Year | Actual/ Estimate | Commercial & Service Income (*) £m | Net Revenue Stream £m | Ratio % |
|---------|------------------|---------------------------------------|--------------------------|---------|
| 2024/25 | Estimate | 0.000 | 660.4 | 0.00 |
| 2025/26 | Estimate | 0.109 | 705.9 | 0.02 |
| 2026/27 | Estimate | 0.197 | 737.5 | 0.03 |
| 2027/28 | Estimate | 0.280 | 772.0 | 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



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 2023/24-2027/28 \(January 2024\)](#)
- [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 \(2019-2024\) Revised strategy due 2025](#)
- [Infrastructure Strategy \(OxIS\) | OxLEP \(oxfordshirelep.com\)](#)
- [Local Industrial Strategy | OxLEP \(oxfordshirelep.com\)](#)