

Supplementary Papers

Scrutiny Committee

held in the Meeting Room 1, 135 Eastern Avenue, Milton Park, Milton, OX14
4SB

on Thursday, 11 February 2016 at 7.00 pm

Open to the public including the press

7. Vale Council 0216 Revenue Budget 2016-17 and Capital Programme to 2020-21
(Pages 2 - 4)

Attached is Appendix E to the report of the head of finance.

Prudential indicators – Vale of White Horse 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	2016/17	2017/18	2018/19	2019/20	2020/21
Ratio of financing costs to net revenue stream	estimate	estimate	estimate	estimate	estimate
Non – HRA	(3.0%)	(4.3%)	(5.3%)	(6.0%)	(5.5%)

1.2 Estimated incremental impact of capital investment decisions on the council tax

This indicator estimates the incremental impact of capital investment decisions on the council tax by comparing the likely council tax based on the current capital programme and the likely council tax based on the proposed capital programme.

Indicator A-2	2016/17	2017/18	2018/19	2019/20	2020/21
Incremental impact of capital investment decisions on council tax	estimate	estimate	estimate	estimate	estimate
	£	£	£	£	£
Band D council tax	0.33	0.77	0.06	0.05	0.05

This demonstrates the potential increase in band D council tax if this was viewed in isolation. However the MTFP shows that the capital expenditure proposals, when viewed alongside the revenue proposals, are sustainable over the medium term, in accordance with the assumptions included in the MTFP.

2 Prudence

2.1 Net 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 net 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. For this council this means that the value of investments should be equal to or higher than the capital financing requirement.

Indicator P-1	2014/15	2015/16	2016/17	2017/18
	actual	estimate	estimate	estimate
	£000	£000	£000	£000
Capital financing requirement	(0)	(0)	(0)	(8,300)
Average level of investments	31,500	30,000	34,000	30,000

In this instance the capital financing requirement is shown as zero until 2017/18. An estimated £8.3 million of potential capital borrowing is shown in 2017/18. If required this borrowing will comply with the councils treasury management strategy and with the prudential code of practice.

The head of finance reports that the authority had no difficulty meeting this requirement in 2014/15, 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 2016/17 budget.

3 Capital expenditure

3.1 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 C-1</i>	2015/16 estimate £000	2016/17 estimate £000	2017/18 estimate £000	2018/19 estimate £000	2019/20 estimate £000	2020/21 estimate £000
Estimates of capital expenditure	5,554	11,589	10,974	6,524	2,194	1,449

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

<i>Indicator C-2</i>	2014/15 estimate £000	2014/15 actual £000
Actual capital expenditure	5,164	1,994

3.2 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 C-3</i>	31/3/2016 estimate £000	31/3/2017 estimate £000	31/3/2018 estimate £000	31/3/2019 estimate £000	31/3/2020 estimate £000	31/3/2021 estimate £000
Estimate of capital financing requirement						
Non-HRA	0	0	8,300	8,134	7,968	7,802
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 except for 31/3/2018 onwards when borrowing may be required to fund capital projects. This borrowing requirement reduces as principal is repaid each year.

The actual CFR for 31 March 2015 is shown below.

<i>Indicator C-4</i>	31/3/2015
	actual
	£000
Actual capital financing requirement	
Non-HRA	0
Actual movement in year	
Non-HRA	0