

Supplementary Papers

Council

to be held in the The Ridgeway, The Beacon, Portway, Wantage, OX12 9BY
on Wednesday 15 February 2017 at 7.30 pm

Open to the public including the press

12. Revenue budget 2017/18 and capital programme to 2021/22 – appendix E prudential indicators (Pages 2 - 4)

- (a)
- (b)

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. This indicator is negative in the initial years of the MTFP but turns positive as budgeted interest payments exceed budgeted investment income.

<i>Indicator A-1</i>	2017/18	2018/19	2019/20	2020/21	2021/22
Ratio of financing costs to net revenue stream	estimate	estimate	estimate	estimate	estimate
Non – HRA	(2.2%)	(0.6%)	0.3%	0.5%	0.5%

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.

<i>Indicator A-2</i>	2017/18	2018/19	2019/20	2020/21	2021/22
Incremental impact of capital investment decisions on council tax	estimate	estimate	estimate	estimate	estimate
	£	£	£	£	£
Band D council tax	0.52	0.64	1.13	0.41	0.10

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 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.

<i>Indicator P-1</i>	2015/16	2016/17	2017/18	2018/19
	actual	estimate	estimate	estimate
	£m	£m	£m	£m
Capital financing requirement	0	0	5	12
Gross borrowing	0	0	5	12

In this instance the capital financing requirement is shown as zero until 2017/18. An estimated £4.6 million of potential capital borrowing is shown in 2017/18 and an

additional £7.1 million in 2018/19. 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 2015/16, 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 2017/18 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>	2016/17 estimate £000	2017/18 estimate £000	2018/19 estimate £000	2019/20 estimate £000	2020/21 estimate £000	2021/22 estimate £000
Estimates of capital expenditure	8,565	16,606	8,858	6,050	2,788	1,604

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

<i>Indicator C-2</i>	2015/16 estimate £000	2015/16 actual £000
Actual capital expenditure	4,029	2,619

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>	31/3/2017 estimate £000	31/3/2018 estimate £000	31/3/2019 estimate £000	31/3/2020 estimate £000	31/3/2021 estimate £000	31/3/2022 estimate £000
Estimate of capital financing requirement						
Non-HRA	0	4,585	11,670	15,583	15,138	14,693
Estimate of movement in year						
Non-HRA	0	4,585	7,085	3,913	(445)	(445)

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 CFR remains zero except for 31/3/2018 onwards when borrowing is budgeted to fund capital projects. This borrowing requirement reduces as principal.

The actual CFR for 31 March 2016 is shown below.

	31/3/2016
<i>Indicator C-4</i>	actual
	£000
Actual capital financing requirement	
Non-HRA	0
Actual movement in year	
Non-HRA	0