

# Supplementary Papers

## Cabinet

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

on Friday 9 February 2018 at 2.00 pm

Open to the public including the press

11. Revenue budget 2018/19 and capital programme to 2022/23 (Pages 2 - 4)

Appendix E to the head of finance's report attached.

## 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 no long term borrowing until 2019/20, this indicator is negative but turns positive as budgeted financing costs payments exceed budgeted investment income.

<b>Indicator A-1</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Ratio of financing costs to net revenue stream</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
Non – HRA	(3.4%)	(3.0%)	(2.1%)	0.0%	0.3%

#### 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.

<b>Indicator A-2</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Incremental impact of capital investment decisions on council tax</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Band D council tax	(0.17)	0.00	0.00	0.00	0.01

This demonstrates the potential increase/(decrease) 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.

<b>Indicator P-1</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>actual</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>	<b>Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Capital financing requirement</b>	0	0	0	6	8
<b>Gross borrowing</b>	0	0	0	6	2

In this instance the capital financing requirement is shown as zero until 2018/19. An estimated £5.8 million of potential capital borrowing is shown in 2019/20 and an

additional £1.9 million in 2020/21. 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 2016/17, 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 2018/19 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>	2017/18 estimate £000	2018/19 estimate £000	2019/20 estimate £000	2020/21 estimate £000	2021/22 estimate £000	2022/23 estimate £000
<b>Estimates of capital expenditure</b>	7,845	14,411	11,465	3,172	1,574	1,604

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

<i>Indicator C-2</i>	2016/17 estimate £000	2016/17 actual £000
<b>Actual capital expenditure</b>	6,901	5,023

#### **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>	31/3/2018 estimate £000	31/3/2019 estimate £000	31/3/2020 estimate £000	31/3/2021 estimate £000	31/3/2022 estimate £000	31/03/23 estimate £000
<b>Estimate of capital financing requirement</b>						
Non-HRA	0	0	5,800	7,700	7,480	7,260
<b>Estimate of movement in year</b>						
Non-HRA	0	0	5,800	1,900	(220)	(220)

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 31/3/2019 onwards when borrowing is budgeted to fund capital projects. This borrowing requirement reduces as principal.

The actual CFR for 31 March 2017 is shown below.

	<b>31/3/2017</b>
<b>Indicator C-4</b>	<b>actual</b>
	<b>£000</b>
<b>Actual capital financing requirement</b>	
Non-HRA	0
<b>Actual movement in year</b>	
Non-HRA	0