

## The Prudential Indicators 2008/09 – 2010/11

### The Capital Expenditure Plans

The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. This total expenditure can be paid for immediately by resources such as capital receipts, capital grants etc. However, where these resources are insufficient any residual expenditure will form a borrowing need.

The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:

£'000	2007/08 Actual	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
Capital Expenditure	£'000	£'000	£'000	£'000	£'000
Non-HRA	<b>6562</b>	<b>28253</b>	<b>22872</b>	<b>13920</b>	<b>2008</b>
Financed by:					
Capital receipts	<b>(2,864)</b>	<b>(24,202)</b>	<b>(16,769)</b>	<b>(9,112)</b>	<b>(476)</b>
Capital grants	<b>(1,719)</b>	<b>(3,145)</b>	<b>(3,253)</b>	<b>(375)</b>	<b>(375)</b>
Revenue	<b>(1,979)</b>	<b>(906)</b>	<b>(2,850)</b>	<b>(4,433)</b>	<b>(1,157)</b>
Net financing need for the year	-	-	-	-	-

### The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments.

As the Council has a negative Capital Financing Requirement there is no requirement to calculate a Minimum Revenue Provision for 2009/2010.

Draft CLG Regulations are currently issued for comment which, if implemented, will require full Council to approve an MRP Statement. This will need to be approved in advance of each year.

The Council is asked to approve a NIL CFR projection as below:

£'000	2007/08 Actual	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated
<b>Capital Financing Requirement</b>				
Total CFR	-	-	-	-
Movement in CFR	-	-	-	-

<b>Movement in CFR represented by</b>				
Net financing need for the year (above)	-	-	-	-
MRP/VRP and other financing movements	-	-	-	-
Movement in CFR	-	-	-	-

### **The Use of the Council's resources and the Investment Position**

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £'000	2007/08 Actual	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated
Fund balances	(1,949)	(2,000)	(2,000)	(2,000)
<b>Capital receipts</b>	<b>(85,126)</b>	<b>(60,924)</b>	<b>(44,154)</b>	<b>(35,043)</b>
Earmarked reserves	(12,476)	(11,122)	(8,625)	(8,625)
Total Core Funds	(99,551)	(74,046)	(54,779)	(45,668)
Working Capital*	(1,695)	(1,695)	(1,695)	(1,695)
Expected Investments	(101,246)	(75,741)	(56,474)	(47,363)

\* Working capital balances shown are estimated year end; these may be higher mid year

### **Limits to Borrowing Activity**

Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits

For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2008/09 and the following two financial years.

£'000	2007/08	2008/09	2009/10	2010/11
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	Actual	Estimated	Estimated	Estimated
Gross Borrowing	-	-	-	-
Investments	(101,246)	(75,741)	(56,474)	(47,363)
Net Borrowing	(101,246)	(75,741)	(56,474)	(47,363)
CFR	-	-	-	-

The Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

A further two prudential indicators control or anticipate the overall level of borrowing. These are:

- The Authorised Limit for External Debt – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council.
- The Operational Boundary for External Debt – This indicator is based on the expected maximum external debt during the course of the year; it is not a limit.

The Council is asked to approve the following Authorised Limit and Operational Boundary:

<b>Authorised limit £'000</b>	2007/08 Actual	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated
Borrowing	10,000	10,000	10,000	10,000
Other long term liabilities	500	500	500	500
Total	10,500	10,500	10,500	10,500
<b>Operational £'000 Boundary</b>	2007/08 Actual	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated
Borrowing	-	-	-	-
Other long term liabilities	-	-	-	-
Total	-	-	-	-

### Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. The Council is asked to approve the following indicators:

Actual and Estimates of the ratio of financing costs to net revenue stream – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Since becoming debt free the indicator is negative because the Council has no borrowing but carries substantial investments.

%	2007/08 Actual	2008/09 Estimated	2009/10 Estimated	2010/11 Estimated
Non-HRA	-	-	-	-

Estimates of the incremental impact of capital investment decisions on the Council Tax – This indicator identifies the revenue costs associated with **new schemes** introduced to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans.

### Incremental impact of capital investment decisions on the Band D Council Tax

£	Proposed Budget 2009/10	Forward Projection 2010/11	Forward Projection 2011/12
Council Tax - Band D	£7.52	£4.43	£3.17

### Treasury Management Prudential Indicators and Limits on Activity

There are four further treasury prudential indicators the Council is asked to approve:

£m	2009/10	2010/11	2011/12
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	94%	92%	90%
Limits on variable interest rates based on net debt	40%	46%	50%
Maturity Structure of fixed interest rate borrowing 2009/10			
		Lower	Upper
Under 12 months		0%	100%
12 months to 2 years		0%	0%
2 years to 5 years		0%	0%
5 years to 10 years		0%	0%
10 years and above		0%	0%
Maximum principal sums invested > 364 days			
Principal sums invested > 364 days	£m 31	£m 26	£m 24