

PRUDENTIAL INDICATORS Revised 2005/06 & 2006/07

Indicator 1: The local authority will make reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and at least the following two financial years.

Capital Programme	2005/06	2006/07	2007/08	2008/09
Gross (adjusted for slippage)	£5,661,000	£4,133,000	£2,260,000	£1,779,000
Net of Grants and Contributions	£3,972,000	£3,332,000	£1,943,000	£1,491,000

Indicator 2: The local authority will make reasonable estimates of the total capital financing requirement at the end of the forthcoming financial year and the following two years.

	2005/06	2006/07	2007/08	2008/09
Capital Financing Requirement	(£784,000)	(£784,000)	£676,000	£2,114,000

The capital financing requirement is a measure of the Council's underlying need to borrow money long term. There is no requirement to borrow when the figures above are negative. At the end of each financial year the actual capital financing requirement will be calculated directly from the Council's balance sheet.

Local authorities have available to them a number of ways of financing capital investment. In all cases cash will be paid out, the term "financing" does not refer to the payment of cash but the resources that are used to pay for schemes. A number of financing options are available to local authorities, these include;

- The application of useable capital receipts
- A direct charge to revenue
- Application of a capital grant
- Contributions received from another party

Capital expenditure that is not financed by one of these methods will increase the Capital Financing Requirement (CFR) of the Council or reduce the negative CFR as the case may be.

Indicator 3: The local authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding financial year plus the estimates of any additional capital financing requirement for the current and next two financial years.

	2005/06 £,000	2006/07 £,000
Gross borrowing	2,600	3,000
Investments	(8,000)	(8,000)
Net borrowing	(5,400)	(5,000)
Capital Financing Requirement	1,460	2,898

This indicator is to show that, apart from short-term cash flow movements, the Council's net borrowing is for capital purposes only. The gross borrowing shown is for a short-term period only at year-end and is repaid early in the new financial year. The reason for measuring the requirement over a three-year period is to give the Council flexibility in borrowing with the aim of reducing borrowing costs.

Indicator 4: The local authority will set for the forthcoming financial year and the following two financial years a prudential limit for its external debt, gross of investments, separately identifying borrowing from other long term liabilities. The prudential indicator shall be referred to as Authorised limit for external debt.

	2005/06	2006/07	2007/08	2008/09
Authorised limit	£6,000,000	£6,000,000	£6,000,000	£6,000,000

This limit represents the maximum amount the Council may borrow at any point in time in the year and has to be set at a level the Council considers to be "prudent".

Indicator 5: The local authority will also set for the forthcoming financial year and the following two years an operational boundary for its total external debt.

	2005/06	2006/07	2007/08	2008/09
Operational limit	£4,000,000	£4,000,000	£4,000,000	£4,000,000

The operational boundary is a measure of the most money the Council would expect to borrow at any time during the year. The code recognises that circumstances might arise when the boundary might be exceeded temporarily but suggests a sustained or regular pattern of borrowing above this level should be investigated as a potential symptom of a more serious financial problem.

Indicator 6: After the year end the closing balance for actual gross borrowing plus other long term liabilities will be obtained directly from the authority's balance sheet.

The closing balance for gross borrowing for 2004/05 was nil.

Indicator 7: Has the local authority adopted the CIPFA Code of Practice for Treasury Management in Public Services?

This indicator is linked to the concept of Prudence and ensures the council's investment decisions are being made in line with the CIPFA code of practice. The Authority has adopted this code of practice.

Indicator 8: The local authority will set for the forthcoming year and the following two years, upper limits for its exposure to variable interest rate risk.

The upper limit has been set at 65% of amounts borrowed.

Indicator 9: The local authority will set for the forthcoming year and the following two years, upper limits for its exposure to fixed interest rate risk.

The upper limit has been set at 100% of amounts borrowed.

Indicator 10: The local authority will set for the forthcoming year both upper and lower limits with respect to the maturity structure of its borrowing.

Borrowing	2005/06		2006/07		2007/08		2008/09	
Maturity	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper
Up to 1 year	0%	100%	0%	100%	0%	100%	0%	100%
1 – 2 Years	0%	100%	0%	100%	0%	100%	0%	100%
2 – 5 Years	0%	100%	0%	100%	0%	100%	0%	100%
5 – 10 Years	0%	100%	0%	100%	0%	100%	0%	100%
Over 10 Years	0%	100%	0%	100%	0%	100%	0%	100%

The Council is currently a net investor, but will need to borrow during the course of the period. The limits have been set as extremes but can be reviewed during the course of period in accordance with the capital strategy for 2006.

Indicator 11: Where a local authority invests for periods longer than 364 days the authority will set an upper limit for each forward financial period for the maturing of such investments.

Investing	2005/06	2006/07	2007/08	2008/09
Maturity	Upper	Upper	Upper	Upper
Up to 1 year	£10,000,000	£8,000,000	£5,000,000	£3,000,000
1 – 2 Years	£10,000,000	£5,000,000	£0	£0
2 – 5 Years	£5,000,000	£0	£0	£0
5 – 10 Years	£0	£0	£0	£0
Over 10 Years	£0	£0	£0	£0

Indicator 12: The local authority will estimate for the forthcoming financial year and the following two financial years the ratio of financing costs to net revenue stream.

	2005/06	2006/07	2007/08	2008/09
Financing costs to net revenue stream	(3.87%)	(2.67%)	(1.89%)	(0.96%)

The indicator has been calculated as net loss of interest on investments (interest from investments less interest paid) plus any revenue consequences of capital schemes divided by the net General Fund revenue budget.

Indicator 13: The local authority will estimate for the forthcoming year and the following two financial years the incremental impact of capital investment decisions on the Council Tax.

	2005/06	2006/07	2007/08	2008/09
Incremental impact of capital investment decisions on Council Tax	£4.75	£5.01	£3.97	£3.85