

Recommended Prudential Indicators

1. Introduction

1.1 This appendix details the recommended prudential indicators for general fund borrowing and HRA borrowing. The authorised limit is a cap on borrowing, but all other indicators are estimates, which will be subject to routine reporting to Scrutiny Committee.

2. Proposed Indicators of Affordability

2.1 The ratio of financing costs to net revenue budget:

	2007/08 Estimate %	2008/09 Estimate %	2009/10 Estimate %	2010/11 Estimate %
General Fund	6.3	7.6	8.6	9.0
HRA	16.65	16.34	15.84	15.29

2.2 The level of unsupported borrowing for the general fund:

	2007/08 Estimate £000s	2008/09 Estimate £000s	2009/10 Estimate £000s	2010/11 Estimate £000s
Unsupported borrowing brought forward	19,572	31,010	52,871	93,075
New Unsupported borrowing	15,786	25,414	45,499	25,249
Less Unsupported borrowing repaid	(4,348)	(3,553)	(5,295)	(6,101)
Total Unsupported borrowing carried forward	31,010	52,871	93,075	112,223

2.3 The level of unsupported borrowing for the HRA:

	2007/08 Estimate £000s	2008/09 Estimate £000s	2009/10 Estimate £000s	2010/11 Estimate £000s
Unsupported borrowing brought forward	20,487	23,865	23,841	23,777
New Unsupported borrowing	4,233	1,000	1,000	1,000
Less Unsupported borrowing repaid	(855)	(1,024)	(1,064)	(1,104)
Total Unsupported borrowing carried forward	23,865	23,841	23,777	23,673

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- 2.4 The estimated incremental impact on council tax and average weekly rents of capital investment decisions proposed in the general fund budget and HRA budget reports over and above capital investment decisions that have previously been taken by the Council are:

	2007/08 Estimate £	2008/09 Estimate £	2009/10 Estimate £	2010/11 Estimate £
Band D council tax (1,113.74)	0.00	0.00	21.10	40.50
HRA rent	0.09*	0.02**	0.07**	0.07**

* Based on 2007/08 average weekly rent of £52.07.

** Based on 2008/09 recommended weekly rent of £54.86.

3. Indicators of Prudence

- 3.1 The forecast level of capital expenditure to be incurred for the period 2008/09 to 2010/11 (based upon the Council capital programme, and the proposed budget and estimates for future years) are:

	2007/08 Estimate £000s	2008/09 Estimate £000s	2009/10 Estimate £000s	2010/11 Estimate £000s
Children & Young People	29,403	17,370	16,394	15,000
Housing	6,855	6,051	5,991	5,991
Transport	22,358	16,127	8,740	8,402
Regeneration	29,669	8,900	3,900	3,900
Other	12,459	9,000	38,000	35,249
Total General Fund	100,744	57,448	73,025	68,542
HRA	23,607	20,800	21,230	20,830
Total	124,351	78,248	94,255	89,372

- 3.2 The capital financing requirement measures the authority's underlying need to borrow for a capital purpose, as opposed to all borrowing:

	2007/08 Estimate £000s	2008/09 Estimate £000s	2009/10 Estimate £000s	2010/11 Estimate £000s
General Fund	261,176	285,652	328,137	347,259
HRA	205,087	210,563	215,999	221,395

- 3.3 The general fund capital financing requirement split between unsupported and supported borrowing:

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	2007/08 Estimate £000s	2008/09 Estimate £000s	2009/10 Estimate £000s	2010/11 Estimate £000s
General fund capital financing requirement – supported borrowing	230,166	232,781	235,062	235,036
General fund capital financing requirement – unsupported borrowing	31,010	52,871	93,075	112,223
Total general fund capital financing requirement	261,176	285,652	328,137	347,259

3.4 CIPFA’s Prudential Code for capital finance specifies the requirement that over the medium-term net borrowing will only be for capital purposes, and that authorities should ensure that net borrowing does not, except in the short-term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next 2 financial years. Based upon current capital commitments and proposals in this budget, there are not anticipated to be any difficulties for the current or future years.

3.5 The Council is required to set an “authorised limit” on borrowing which cannot be exceeded. This is a statutory limit under the Local Government Act 2008:

	2008/09 £m	2009/10 £m	2010/11 £m
Borrowing	463	468	479
Other forms of liability	37	36	35

3.6 The proposed “operational limit” on borrowing and other forms of long-term liability, which requires a subsequent report to scrutiny committee if exceeded:

2008/09	£370m
2009/10	£370m
2010/11	£370m

4. Indicators of Sustainability

4.1 It is recommended that the Council sets an upper limit on its fixed and variable interest rate exposures for the period 2006/07 to 2008/09, as a percentage of the total debt net of investments, as follows:

	2008/09 %	2009/10 %	2010/11 %
Fixed interest rate	150	150	150
Variable interest rate	45	45	45

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- 4.2 It is recommended that the Council sets upper limits for the remaining length of outstanding loans:

	Upper Limit %
Under 12 months	30
12 months and within 24 months	40
24 months and within 5 years	60
5 years and within 10 years	60
10 years and above	100

- 4.3 It is recommended that lower limits are:

Less than 5 years	10%
Over 5 years	10%

- 4.4 The upper limit for principal sums invested for more than 364 days is £90m for 2008/09 and subsequent years. In the present investment climate, such investments would only be made in Government backed securities.