

Prudential Indicators

This annex details the prudential indicators for general fund borrowing and HRA borrowing. The Authorised Limit cannot be exceeded, all other indicators are estimates.

Affordability

1. The actual ratio of financing costs to net revenue stream for 2003/04 and estimates for the current year and for the period 2005/06 to 2007/08 are:

	2003/04 % Actual	2004/05 % Estimate	2005/06 % Estimate	2006/07 % Estimate	2007/08 % Estimate
Non- HRA	3.22	3.17	3.81	4.73	5.38
HRA	24.62	15.34	17.03	18.99	20.28

2. The level of “unsupported” borrowing for the General Fund is as follows (this is a local indicator):

	2004/05 £000 Estimate	2005/06 £000 Estimate	2006/07 £000 Estimate	2007/08 £000 Estimate
Unsupported borrowing brought forward	3,798	8,612	35,437	55,018
New Unsupported borrowing	5,544	29,216	22,165	8,090
Less Unsupported borrowing repaid	(730)	(2,391)	(2,584)	(3,514)
Total Unsupported borrowing carried forward	8,612	35,437	55,018	59,594

3. The level of “unsupported” borrowing relating to the HRA is as follows (this is a local indicator):

	2004/05 £000 Estimate	2005/06 £000 Estimate	2006/07 £000 Estimate	2007/08 £000 Estimate
Unsupported borrowing brought forward	0	6,000	17,760	23,040
New Unsupported borrowing	6,000	12,000	6,000	6,000
Less Unsupported borrowing repaid	0	(240)	(720)	(960)
Total Unsupported borrowing carried forward	6,000	17,760	23,040	28,080

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:

	2005/06 Estimate £	2006/07 Estimate £	2007/08 Estimate £
Band D council tax (£1,007.32)	10.44	30.16	46.47
HRA rent (£47.02)	0.28	1.10	1.55

Prudence

5. The actual capital expenditure incurred in 2003/04 and estimates of capital expenditure to be incurred in the current financial year and for the period 2005/06 to 2007/08 (based upon the Council Capital Programme, and the proposed budget and estimates for future years) are:

	2003/04 £000 Actual	2004/05 £000 Estimate	2005/06 £000 Estimate	2006/07 £000 Estimate	2007/08 £000 Estimate
Education	13,955	17,201	20,924	18,201	54,471
Housing	6,933	8,784	12,437	8,179	8,183
Transport	9,255	10,992	14,826	14,377	12,724
Regeneration	5,484	10,427	18,366	24,040	19,290
Other	9,344	17,800	18,412	15,685	6,960
Total non- HRA	44,971	65,204	84,965	80,482	101,628
HRA	20,342	27,867	36,996	25,529	25,524
Total	65,313	93,071	121,961	106,011	127,152

6. The Capital Financing Requirement measures the authority's underlying need to borrow for a capital purpose. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from the capital spending. By contrast the Capital Financing Requirement reflects the authority's underlying need to borrow for capital purposes.

The actual capital financing requirement in 2003/04 and the estimates for the current financial year and for the period 2005/06 to 2007/08 (based upon the Council's Capital Programme and the proposed budget) are:

	2003/04 £000 Actual	2004/05 £000 Estimate	2005/06 £000 Estimate	2006/07 £000 Estimate	2007/08 £000 Estimate
Non- HRA	170,989	190,332	227,808	256,090	268,231
HRA	160,211	172,020	188,987	199,767	210,307

7. The Capital Financing requirement split between Unsupported and Supported borrowing for the current year and next 3 years is (this is a local indicator):

	2004/2005 £000 Estimate	2005/2006 £000 Estimate	2006/2007 £000 Estimate	2007/2008 £000 Estimate
General Fund Capital Financing Requirement - Supported Borrowing	181,720	192,371	201,072	208,637
General Fund Capital Financing Requirement – Unsupported Borrowing	8,612	35,437	55,018	59,594
Total General Fund Capital Financing Requirement	190,332	227,808	256,090	268,231

8. 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 for the current and next two financial years. The authority has met this requirement in 2003/04 and, based upon current capital commitments and proposals in this budget, there are not anticipated to be any difficulties for the current or future years.
9. The following Authorised Limits for external debt, gross of investments, are recommended for the next 3 years. These limits separately identify borrowing from other long term liabilities, such as finance leases.

The Authorised Limit is based on the Council's current commitments, and fully reflects the impact of proposals made in this budget. The Authorised Limit is also consistent with the Council's approved treasury management policy statement and practices. The Council is also asked to delegate authority to the CFO, within the total Authorised Limit for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities. Any such changes will be reported to the Council meeting following the change.

The estimates are based upon an estimate of the most likely, prudent but not worst case scenario and has been based upon standard risk management policies.

The Authorised Limit contains headroom to enable self financing "spend to save" schemes to be undertaken, based upon a proven business case for investment being carried out and appropriate risk management strategies being in place. The Authorised Limit also includes sufficient headroom for the Council to enter other forms of credit arrangements, such as long term leases, subject to underlying revenue funding being in place to finance such arrangements, which according to general accounting practice must be shown as external borrowing.

In taking its decisions on this budget, the Council is asked to note that the Authorised Limit determined for 2005/06 will be the statutory limit determined under section 3 (1) of the Local Government Act 2003.

	2004/2005 Estimate £000	2005/2006 Estimate £000	2006/2007 Estimate £000	2007/2008 £000 Estimate
Borrowing required for government supported borrowing	304,507	322,166	338,026	346,592
Other long term liabilities	43,233	41,432	39,773	38,182
Unsupported Borrowing - HRA	6,000	17,760	23,040	28,080
- General Fund	8,612	35,437	55,018	59,594
Cashflow/Refinancing headroom	116,105	70,653	55,000	55,000
Total Authorised Limit	478,457	487,448	510,857	527,448

10. The following Operational Boundary for external debt, gross of investments, are recommended for the next 3 years. These limits separately identify borrowing from other long term liabilities, such as finance leases. The proposed Operational Boundary for external debt is based upon the same estimates as the Authorised Limit but reflects directly the CFO's estimate of the most likely, prudent but not worst case scenario, without additional headroom included within the Authorised Limit to allow for unusual cash movements and equates to the maximum external debt projected by this estimate.

	2004/05 £000 Estimate	2005/06 £000 Estimate	2006/07 £000 Estimate	2007/2008 £000 Estimate
Borrowing required for government Supported borrowing	304,507	322,166	338,026	346,592
Internal funds used in lieu of borrowing	-69,421	-67,536	-71,526	-67,515
Other long term liabilities	43,233	41,432	39,773	38,182
Unsupported Borrowing - HRA	6,000	17,760	23,040	28,080
- General Fund	8,612	35,437	55,018	59,594
Cashflow/Refinancing headroom	51,022	39,531	28,296	26,533
Total Operational Boundary	343,953	388,790	412,627	431,466

Sustainability

11. On 24 November 2003, the Council's cabinet adopted CIPFA's Code of Practice for Treasury Management in the Public Services.
12. It is recommended that the Council sets an upper limit on its fixed and variable interest rate exposures for the period 2005/06 to 2007/08, as a percentage of the total debt net of investments, as follows:

	2005/06	2006/07	2007/08
	%	%	%
Fixed interest rate	120	120	120
Variable interest rate	45	45	45

13. It is recommended that the Council sets upper and lower limits for the maturity structure of

its borrowing as follows, which shows the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total borrowing that is fixed rate:

	Upper Limit (%)	Lower Limit (%)
Under 12 months	30	0
12 months and within 24 months	30	0
24 months and within 5 years	60	0
5 years and within 10 years	60	0
10 years and above	100	0

14 The upper limit for principal sums invested for more than 364 days is £30 million for 2005/06 and subsequent years.

