

**CIPFA PRUDENTIAL CODE FOR  
CAPITAL FINANCE IN LOCAL AUTHORITIES -  
PRUDENTIAL INDICATORS FOR 2004/05**

**CAPITAL EXPENDITURE**

**1. ACTUAL AND ESTIMATED CAPITAL EXPENDITURE**

	<b>2002/3 Actual £000</b>	<b>2003/4 Forecast £000</b>	<b>2004/5 Estimate £000</b>	<b>2005/6 Estimate £000</b>	<b>2006/7 Estimate £000</b>
Gross*	8,220	9,712	15,344	16,845	11,204
Net	4,537	8,493	11,812	15,912	10,334

*\* excludes investments*

**2. THE PROPORTION OF THE BUDGET FINANCED FROM GOVERNMENT GRANTS AND COUNCIL TAX THAT IS SPENT ON INTEREST**

The negative figures reflect that the Authority is a net investor and so the interest earned is used to help fund the budget.

<b>2002/3 Actual £000</b>	<b>2003/4 Forecast £000</b>	<b>2004/5 Estimate £000</b>	<b>2005/6 Estimate £000</b>	<b>2006/7 Estimate £000</b>
-4,619	-2,841	-3,090	-2,447	-1,608

**3. THE IMPACT ON THE LEVEL OF COUNCIL TAX OF THE CAPITAL PROGRAMME**

This calculation highlights the impact on the Council Tax from the lost interest and running costs of the proposed variations to schemes with capital expenditure. It is negative in 2004/05 because of the significant deferrals highlighted in the December report to Council.

<b>2004/5 Estimate £</b>	<b>2005/6 Estimate £</b>	<b>2006/7 Estimate £</b>
-2.86	4.22	10.43

**4. THE CAPITAL FINANCING REQUIREMENT**

The need for the Authority to borrow to finance capital expenditure. Whilst the Authority has capital reserves it will not need to borrow for capital purposes:

<b>31/3/03 Actual £000</b>	<b>2003/4 £000</b>	<b>2004/5 £000</b>	<b>2005/6 Estimate £000</b>	<b>2006/7 Estimate £000</b>
0	0	0	0	0

**5. NET BORROWING AND THE CAPITAL FINANCING REQUIREMENT**

Net external borrowing must not be used to finance revenue spending except in the short term. In the short term legitimate uses are to cover cash flow e.g. funding salaries pending receipt of Council Tax income or return of investments.

The Council will need to demonstrate that all net borrowing is for short-term purposes.

**EXTERNAL DEBT**

**6. THE ACTUAL EXTERNAL BORROWING AT 31 MARCH 2003**

£4m which was short term borrowing for cash-flow purposes.

**7. THE AUTHORISED LIMIT FOR EXTERNAL DEBT**

This is the maximum limit for borrowing.

It is a worst-case scenario based on –

- ◆ delaying the return of funds from the fund managers if this is in the Council's interests. This is particularly high in 2004/05 because of the significant use of capital and revenue reserves assumed in the draft budget/MTP;
- ◆ the impact on cash flow of the potential capping of one or more of the authorities for which we collect the Council Tax.

<b>2003/4</b>	<b>2004/5</b>	<b>2005/6 Estimate</b>	<b>2006/7 Estimate</b>
£000	£000	£000	£000
10,000	20,000	15,000	15,000

**8. THE OPERATIONAL BOUNDARY FOR EXTERNAL DEBT**

These reflect an estimate of the more likely position. Although it can be exceeded without further approval it represents an early warning monitoring device to ensure that the authorised limit (above) is not exceeded. It is likely to be exceeded if any of the authorities for which we collect Council Tax is capped.

<b>2004/5</b>	<b>2005/6 Estimate</b>	<b>2006/7 Estimate</b>
£000	£000	£000
12,000	7,000	7,000

**TREASURY MANAGEMENT**

**9. ADOPTION OF THE CIPFA CODE**

The Prudential Code requires the Authority to have adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

This has been adopted.

#### 10. EXPOSURE TO INVESTMENTS WITH FIXED INTEREST AND VARIABLE INTEREST

These limits are given as a percentage of total investments.

The parameters currently set for our Fund Managers could result in 75% of the funds being at variable rates, but in practice this is very unlikely to be reached.

	2004/5	2005/6 Estimate	2006/7 Estimate
Upper limit on fixed rate exposure	100%	100%	100%
Upper limit on variable rate exposure	75%	75%	75%

*Gilts and Corporate Bonds are deemed to be variable rate investments for the purpose of this indicator.*

#### 11. BORROWING REPAYMENT PROFILE

The proportion of 2004/5 borrowing that will mature in successive periods. As all the borrowing will be temporary, 100% will mature in less than 12 months:

	Upper limit	Lower limit
Under 12 months	100%	100%
12 months and within 24 months	0%	0%
24 months and within 5 years	0%	0%
5 years and within 10 years	0%	0%
10 years and above	0%	0%

#### 12. INVESTMENT REPAYMENT PROFILE

Limit on the value of investments that cannot be redeemed within 364 days. The only investments that meet this criterion are time deposits that are invested to a fixed maturity date for a year or longer.

2004/5	2005/6 Estimate	2006/7 Estimate
£000	£000	£000
20,000	15,000	10,000