

## CIPFA Prudential Code for Capital Finance in Local Authorities Prudential Indicators for 2005/06

### Capital expenditure

#### 1. Actual and Estimated Capital Expenditure

	2003/4 Actual £000	2004/5 Forecast £000	2005/6 Estimate £000	2006/7 Estimate £000	2007/8 Estimate £000
Gross*	8,400	21,967	27,884	14,359	5,160
Net	7,356	16,334	23,313	13,637	4,450

\* 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.

2003/4 Actual £000	2004/5 Forecast £000	2005/6 Estimate £000	2006/7 Estimate £000	2007/8 Estimate £000
-20%	-26%	-19%	-12%	-8%

#### 3. The impact of schemes with capital expenditure on the level of council tax

This calculation highlights the hypothetical impact on the level of Council Tax from the lost interest from financing capital schemes and their associated running costs. The actual change in Council Tax is different because of the impact of other schemes and the use of revenue reserves.

	2005/6 Estimate £	2006/7 Estimate £	2007/8 Estimate £
Increase	21.16	10.12	2.21
Cumulative	21.16	31.28	33.49

#### 4. The capital financing requirement.

This represents 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:

31/3/04 Actual £000	2004/5 Forecast £000	2005/6 Estimate £000	2006/7 Estimate £000	2007/8 Estimate £000
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 there are legitimate uses of borrowing 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 2004**

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

**7. The authorised limit for external debt.**

This is the maximum limit for borrowing and is based on a worst-case scenario.

<b>2004/5 Limit £000</b>	<b>2005/6 Limit £000</b>	<b>2006/7 Estimate £000</b>	<b>2007/8 Estimate £000</b>
20,000	22,000	22,000	22,000

**8. The operational boundary for external debt.**

These reflect a less extreme position. Although the figure can be exceeded without further approval it represents an early warning monitoring device to ensure that the authorised limit (above) is not exceeded. It allows the management of the Council's day to day cashflow and, in accordance with the Treasury Management Strategy, temporary borrowing to delay the return of funds from the Fund Managers if this is in the Council's interests.

<b>2005/6 Limit £000</b>	<b>2006/7 Estimate £000</b>	<b>2007/8 Estimate £000</b>
16,000	16,000	16,000

**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 theoretically result in a significant amount of the funds being at variable rates as gilts and corporate bonds are deemed to be variable rate investments for the purpose of this indicator. In practice the exposure to variable rates is likely to be less.

	<b>2005/6 Limit £000</b>	<b>2006/7 Estimate £000</b>	<b>2007/8 Estimate £000</b>
<b>Upper limit on fixed rate exposure</b>	100%	100%	100%
<b>Upper limit on variable rate exposure</b>	84%	89%	92%

### 11. Borrowing Repayment Profile

The proportion of 2005/6 borrowing that will mature in successive periods. As all the borrowing will be temporary, 100% will mature in less than 12 months:

	<b>Upper limit</b>	<b>Lower limit</b>
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.

<b>2005/6 Limit £000</b>	<b>2006/7 Estimate £000</b>	<b>2007/8 Estimate £000</b>
20,000	15,000	10,000