

# Prudential Indicators 2008-09 to 2010-11

Monitoring Position as at 31<sup>st</sup> August 2008

## Capital Expenditure Prudential Indicators

### a) Estimate of capital expenditure

Capital Expenditure				
	2007-08	2008-09	2009-10	2010-11
	Latest Estimate £000	Estimate £000	Estimate £000	Estimate £000
General Fund	10,363	5,595	26,843	3,447
HRA	9,075	14,616	14,616	14,316
<b>Total</b>	<b>19,438</b>	<b>20,211</b>	<b>41,459</b>	<b>17,763</b>

The prudential indicator requires reasonable estimates of the total of capital expenditure to be incurred. It is in the nature of capital expenditure to have variations to the capital programme as the year proceeds, for example as new grant or other third party funding becomes available, or to accommodate slippage from the previous year. This is acknowledged in the Prudential Code.

Revised estimates for capital expenditure for 2008-09 are shown in the table below:

	2008-09
Estimates of Capital Expenditure	Estimate as at 31 August 2008
	£000
General Fund (Non HRA)	10,214
Housing Revenue Account (HRA)	17,455
Total	27,699

The estimates are consistent with the latest proposed capital programme for 2008-09 approved by Cabinet on 15 October 2008.

**b) Estimate of capital financing requirement (CFR)**

Capital Financing Requirement (Closing CFR)				
	2007-08	2008-09	2009-10	2010-11
	31 March 2008 Estimate £000	31 March 2009 Estimate £000	31 March 2010 Estimate £000	31 March 2011 Estimate £000
Non-HRA	21,771	24,335	23,696	23,082
HRA	(8,175)	(8,175)	(8,175)	(8,175)
<b>Total</b>	<b>13,596</b>	<b>16,160</b>	<b>15,521</b>	<b>14,907</b>

Revised estimates for the Capital Financing Requirement for 2008-09 and future years are shown in the table below:

Capital Financing Requirement (Closing CFR)				
	2007-08	2008-09	2009-10	2010-11
	31 March 2008 Actual £000	31 March 2009 Estimate £000	31 March 2010 Estimate £000	31 March 2011 Estimate £000
Non-HRA	21,150	25,695	25,075	24,480
HRA	(7,675)	(6,675)	(4,676)	(2,150)
<b>Total</b>	<b>13,475</b>	<b>19,020</b>	<b>20,399</b>	<b>22,330</b>

The revisions to the estimates of CFR are as a result of the impacts of actual capital programme financing in 2007-08 and forecast borrowing to fund capital expenditure in 2008-09 and future years. The figures are consistent with the 2007-08 Statement of Accounts and with the borrowing requirements of the latest agreed capital programme for 2008-09. The forecasts for future years are subject to decisions on next year's budgets and are included for information only.

## **Prudential Indicators of Affordability**

### **c) Estimates of ratio of financing costs to net revenue stream**

Ratio of financing costs to net revenue stream				
	2007-08	2008-09	2009-10	2010-11
	Adjusted %	Estimate %	Estimate %	Estimate %
General Fund	(1.24%)	0.48%	0.98%	0.88%
HRA	16.58%	16.82%	16.91%	17.33%

### **d) Estimates of the incremental impact of new capital investment decisions on the Council Tax**

Estimates of incremental impact of new capital investment decisions on the Council Tax	
	General Fund
	£ p
2008-09	1.96
2009-10	3.15
2010-11	3.07

### **e) Estimate of incremental impact of new capital investment decisions on average weekly housing rent**

Estimates of incremental impact of new capital investment decisions on the Council Housing Rents	
	HRA
	£ p
2008-09	3.14
2009-10	3.17
2010-11	3.20

These indicators - (c) to (e) - are set before the start of the financial year, in the context of the wider budget setting process, which feeds into the setting of Council Tax and housing rents. Once these have been set, and the financial year is underway it is not appropriate or possible to adjust these indicators.

## **Prudence**

### **f) Net borrowing and capital financing requirement**

Budgeted Position

Net external debt less than CFR – Budgeted	
	2008-09 £000
Borrowing	31,306
Less investments	58,069
<b>Net external debt</b>	<b>0</b>
2007-08 Closing CFR (Forecast)	13,596
Changes to CFR:	
2008-09	2,563
2009-10	(639)
2010-11	(613)
<b>Adjusted CFR</b>	<b>14,907</b>
Net external debt less than adjusted CFR	Yes

## Latest Position

Net external debt less than CFR – As at 31 August 08	
	2008-09 £000
Borrowing	26,039
Less investments	67,939
<b>Net external debt</b>	<b>0</b>
2007-08 Closing CFR (Actual)	13,475
Changes to CFR:	
2008-09	5,544
2009-10	1,379
2010-11	1,930
<b>Adjusted CFR</b>	<b>22,330</b>
Net external debt less than adjusted CFR	Yes

Actual net external debt as at 31<sup>st</sup> August 2008 is less than the adjusted CFR.

## External Debt Prudential Indicators

### g) Authorised limit for total external debt

Authorised limit for external debt				
	2007-08	2008-09	2009-10	2010-11
	Limit £000	Limit £000	Limit £000	Limit £000
Borrowing	47,000	41,000	41,000	41,000
Other long-term liabilities	0	2,000	2,000	2,000
TOTAL	47,000	43,000	43,000	43,000

The table below shows the Council's borrowing position as at 31<sup>st</sup> August 2008, demonstrating that external debt has not exceeded the authorised limit of £43m.

	2008-09
Council Borrowing	Actual as at 31 <sup>st</sup> August 2008
	£000
Borrowing	26,039
Other Long Term Liabilities	-
Total	26,039

## h) Operational Boundary for total external debt

Operational boundary for external debt				
	2007-08	2008-09	2009-10	2010-11
	Boundary £000	Boundary £000	Boundary £000	Boundary £000
Borrowing	40,500	36,000	36,000	36,000
Other long-term liabilities	0	2,000	2,000	2,000
<b>TOTAL</b>	<b>40,500</b>	<b>38,000</b>	<b>38,000</b>	<b>38,000</b>

The table below shows the Council's borrowing position as at 31<sup>st</sup> August 2008, demonstrating that external debt has not exceeded the operational boundary of £38m.

	2008-09
Council Borrowing	Actual as at 31 <sup>st</sup> August 2008
	£000
Borrowing	26,039
Other Long Term Liabilities	-
<b>Total</b>	<b>26,039</b>



## **Treasury Management Prudential Indicators**

### **i) Upper limits on fixed interest rate exposures**

Upper limits on fixed interest rate exposures		
	Upper Limit %	Upper Limit £000
2007-08	100%	-
2008-09	-	0
2009-10	-	0
2010-11	-	0

Fixed Rate Exposure	2008-09 Actual at 31 August 08
	£000
Fixed Rate Exposure	(57,594)

The amount of fixed rate exposure is a credit amount of £58m, which is below the upper limit of zero.

**j) Upper limits on variable interest rate exposures**

Upper limits on variable interest rate exposures		
	Upper Limit %	Upper Limit £000
2007-08	50%	-
2008-09	-	38,000
2009-10	-	38,000
2010-11	-	38,000

Variable Rate Exposure	2008-09 Actual at 31 August 08
	£000
Variable Rate Exposure	15,694

The amount of variable rate exposure is a debit amount of £16m, which is below the upper limit of £38m.

**k) Principal sums invested for periods longer than 364 days**

Upper limit on investments for periods longer than 364 days		
	Upper Limit %	Upper Limit £000
2007-08	75%	-
2008-09	-	6,000
2009-10	-	6,000
2010-11	-	6,000

Principal Sums Invested for Periods of Longer than 364 days	2008-09 Actual to 31 August 08
	Maximum in period
	£000
Principal Sums Invested for Periods of Longer than 364 days	6,000

**I) Prudential limits for the maturity structure of borrowing**

Maturity structure of borrowing		
	Lower Limit %	Upper Limit %
Under 12 months	0%	25%
1-2 years	0%	25%
2-5 years	0%	50%
5-10 years	0%	100%
Over 10 years	0%	100%

The Council's limits for the maturity structure of borrowing are taken into account whenever any new borrowing or loan rescheduling is undertaken. The following table indicates the maturity structure of borrowing at 31<sup>st</sup> August 2008, demonstrating that the limits have not been reached or exceeded.

The amounts maturing in less than 12 months include the monies invested by the Council on behalf of Billing Parish Council and Northampton Volunteering Centre, which are treated as temporary borrowing in the Council's accounts. As these can be accessed on demand by the bodies concerned, they are shown as maturing less than 12 months since they can be recalled on demand.

The principal element of the English Partnerships annuity comprises annual repayments that fall across all of the designated maturity periods.

The long-term borrowings undertaken to finance the Council's capital expenditure, in the form of LOBO (Lenders Option Borrowers Option) Loans, are due to mature in the five and ten years, and over ten years periods.

Maturity Periods of Council Borrowing	2008-09 Actual at 31 August 08
	%
Under 12 months	0.68
12 months and within 24 months	0.05
2 years and within 5 years	0.20
5 years and within 10 years	60.39
10 years and above	38.68

#### **m) Adoption of the CIPFA Code of Practice for Treasury Management**

The Council adopted the CIPFA Code of Practice for Treasury Management in the Public Services following its publication in 2001. This was formally minuted as a decision at the meeting of 21 January 2008.

There has been no change to this position.