

HEREFORDSHIRE COUNCIL

PRUDENTIAL INDICATORS 2004/05

1. INTRODUCTION

The PIs set out below are recommended by the Prudential Code. However members may prefer additional or alternative indicators that will help with the decision making process. Unless otherwise stated the indicators set out below are based on the assumption of a provisional £5,000,000 Prudential Borrowing per year, which includes the borrowing required for the North Herefordshire Pool. A number of the PIs set out in this report may therefore need to be amended following decisions made by Council.

2. ACTUAL AND ESTIMATED CAPITAL EXPENDITURE

This table takes into account new borrowing for which the government is providing support, government grants, capital receipts, other funding (including s106 receipts) and Prudential Borrowing. This table will need to be updated depending upon Members decisions on the level and allocation of Prudential Borrowing. The second table shows how this programme would be funded.

	2003/04	2004/05	2005/06	2006/07
Capital Programme Area:-	£'000	£'000	£'000	£'000
Economic Development	4,737	4,092	230	95
Education	8,195	7,014	3,071	2,757
Environment General	-	774	652	-
Highways	10,668	11,072	9,776	12,049
Housing	4,802	5,633	5,415	5,067
Policy & Finance - eModernisation	1,087	127	-	-
Policy & Finance - General	1,021	25	-	-
Policy & Finance – Property	1,773	402	212	-
Social Care	411	132	91	-
Social Development	329	2,467	395	63
Potential Prudential Borrowing to be allocated if approved.	N/a	3,200	4,605	4,937
	33,023	34,938	24,447	24,968
By funding				
Capital Receipts Reserve	4,446	4,870	3,721	2,862
Grants	10,956	9,223	3,034	1,620
Credit approvals / SCE(R)	17,621	15,845	12,692	15,486
Agreed Prudential Borrowing	N/a	1,800	395	63
Prudential Borrowing to be agreed	N/a	3,200	4,605	4,937
	33,023	34,938	24,447	24,968

3. RATIO OF FINANCING COSTS TO NET REVENUE STREAM

The net revenue stream is the budget amount to be met from Formula Grant and Council Tax income (the budget requirement). The ratio is the proportion of the budget requirement that relates to the ongoing capital financing costs.

	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006/07 £'000
Net Revenue Stream	169,444	188,343	196,470	204,257
Capital Financing Requirement	5,557	7,220	8,877	10,518
Ratio of financing costs to net revenue stream	3.28%	3.83%	4.52%	5.15%

4. CAPITAL FINANCING REQUIREMENT

This indicator represents the Authorities underlying need to borrow for a capital purpose.

	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006/07 £'000
Capital Financing Requirement (as at 31/3)	78,090	94,892	111,063	126,538

5. AUTHORISED LIMIT FOR EXTERNAL DEBT

The Authorised Limit for external debt represents the absolute maximum level of debt that may be incurred. This limit would only be reached in exceptional circumstances.

	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006/07 £'000
Borrowing	105,000	119,000	142,000	163,000
Other Long Term Liabilities	1,500	3,000	3,000	3,000
Total	106,500	122,000	145,000	166,000

6. OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

The Operational Boundary for external debt is the prudent expectation of the maximum level of external debt.

	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006/07 £'000
Borrowing	63,000	73,500	94,500	115,500
Other Long Term Liabilities	1,500	1,500	1,500	1,500
Total	64,500	75,000	96,000	117,000

7. COUNCIL TAX IMPLICATIONS OF THE INCREMENTAL EFFECT OF CAPITAL DECISIONS

This indicator represents the increases in Council Tax resulting from unsupported Prudential Borrowing. These figures will need to be revised following the decisions taken by Council.

	2003/04	2004/05	2005/06	2006/07
	£ p	£ p	£ p	£ p
Increase in council tax (Band D, per annum):				
Previously agreed Prudential Borrowing re the North Herefordshire Pool.	N/A	1.35	2.73	3.01
Position if £5,000,000 Prudential Borrowing is taken for 2004/05.	N/A	3.75	7.06	7.34
Position if £5,000,000 Prudential Borrowing is taken for 2004/05 and subsequent years.	N/A	3.75	10.52	17.28

8. TREASURY MANAGEMENT INDICATORS

These are specific indicators which relate to the management of the Treasury Management process. The upper limit for variable rate borrowing is recommended to be increased in order to allow more flexibility to react to changes in market conditions.

	2003/04	2004/05	2005/06	2006/07
Upper Limit for Fixed Interest Rate Exposure				
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure				
Net principal re variable rate borrowing / investments	25%	50%	50%	50%
Maturity Structure of new fixed rate borrowing during 2004/05	Upper Limit	Lower Limit		
Under 12 Months	30%	0%		
12 months and within 24 months	60%	0%		
24 months and within 5 years	90%	0%		
5 years and within 10 years	100%	0%		
10 years and above	100%	20%		
Upper Limit for total principal sums invested for over 364 days	2003/04	2004/05	2005/06	2006/07
	£'000	£'000	£'000	£'000
(per maturity date)	7,000	10,000	10,000	10,000