

Determination of Prudential Indicators 2004/05 and future years

DRAFT INDICATORS BASED ON SPENDING OPTION 2B

2004/05 2005/06 2006/07

AFFORDABILITY

Estimates of ratio of Financing Costs to Net Revenue stream	4.28%	4.76%	4.90%
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- > This Indicator shows how much of the Net Revenue Budget is used to pay the costs of borrowing and other credit.
- > It is calculated as [the annual costs of interest charges on borrowing + provision for the repayment of principal + the cost of any other credit arrangements such as Finance Leases – investment income] as a percentage of the net Revenue Budget (to be met from Grants and Council Tax)
- > The calculation assumes interest at 5% plus the statutory Minimum Revenue Provision of 4%.
- > The calculation does not take into account the Government support provided towards some borrowing
- > Comparison year-on-year will indicate whether the effect of new borrowing is affordable.

Estimates of the incremental impact of capital investment decisions on Council Tax	£1.68	£9.80	£12.64
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- > This is the effect on Band D Council Tax resulting from the changes to the Capital Plan agreed by Council
- > The calculation assumes interest at 5% plus the statutory Minimum Revenue Provision of 4%.
- > The calculation does not take into account the Government support provided towards some borrowing
- > The calculation does not take into account that running costs may be contained within existing budgets
- > There is no implication that Council Tax will increase by these amounts to fund the Capital Budget

Capital Financing Requirement	£89m	£93m	£94m
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- > This is the underlying need to borrow for a capital purpose derived from the Balance Sheet
- > Net Borrowing must not exceed this Indicator

PRUDENCE

Authorised limit for External Debt	£76m	£79m	£81m
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- > This is the Overall limit which the Council will set for Borrowing and Other Long-term Liabilities (e.g. finance leases)
- > It is a Statutory requirement under section 3(1) of Local Govt. Act 2003 (affordable borrowing limit)
- > Provides headroom over and above the Operational Boundary i.e. to allow for unusual cash movements
- > Includes "supported borrowing" but excludes Transferred Debt administered by Devon County Council

Operational Boundary for External Debt	£62m	£72m	£78m
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- > Sits below the Authorised Limit and is the most likely, but not worst case scenario for day-to-day cash management purposes
- > It is the key management tool for in-year monitoring

Net Borrowing to be less than the Capital Financing Requirement	YES	YES	YES
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- > This indicator ensures that over time borrowing is only for capital expenditure purposes
- > Net Borrowing is Borrowing net of Investments