

Report considered by Cabinet – 26 September 2006

Key Decision	Yes
Listed on Forward Plan	Yes
Within Policy	Yes
Policy Document Prudential Indicators for Capital Finance 2006/07 to 2008/09	

PRUDENTIAL INDICATORS FOR CAPITAL FINANCE 2006/07 TO 2008/09 - MONITORING TO 31 JULY 2006

Accountable Cabinet Member: Councillor Crooks

Contact Officers: Rebecca Thomas (Finance Manager [Capital and Treasury]) - 01908 254244

1. Purpose

- 1.1 To inform Cabinet of the latest monitoring position on prudential indicators for capital finance, as at 31 July 2006.
- 1.2 To request Cabinet to recommend to Council that they approve revised prudential indicators for 2006/07 for the:
 - (a) Capital expenditure estimates; and
 - (b) Capital Financing Requirement (CFR).

2. Recommendations

- 2.1 That the prudential indicators monitoring information, attached as an **Annex**, be noted.
- 2.2 That Council be recommended to approve the following revised prudential indicator for capital expenditure estimates.

Capital Expenditure at 31 July 2006			
	2006-07	2007-08	2008-09
	Latest Estimate	Latest Estimate	Latest Estimate
	£000	£000	£000
General Fund	91,259	92,362	56,173
HRA	12,921	12,404	12,329
Total	104,180	104,766	68,502

- 2.3 That Council be recommended to approve the following revised prudential indicator for the Capital Financing Requirement (CFR) estimates.

Capital Financing Requirement forecasts at 31 July 2006				
	31 March 2006	31 March 2007	31 March 2008	31 March 2009
	Outturn	Latest Estimate	Latest Estimate	Latest Estimate
	£000	£000	£000	£000
Non-HRA	134,120	176,601	212,138	251,683
HRA	76,520	77,449	78,198	78,946
Total	210,640	254,050	290,336	330,629

3. Issues and Choices

- 3.1 The Prudential Code requires the Council to set a range of prudential indicators for the forthcoming and the two following financial years. These must then be monitored, and revised by Council as appropriate, during the year.
- 3.2 The prudential indicators provide a framework within which the Council conducts its treasury activities, consistent with good treasury risk management. The Code requires the following matters to be taken into account when setting or revising the indicators:
- (a) option appraisal for all projects, i.e. value for money;
 - (b) asset management planning, i.e. stewardship of assets;

- (c) strategic planning for the authority, i.e. service objectives;
- (d) achievability of the forward plan, i.e. its practicality;
- (e) implications for external borrowing, i.e. prudence; and
- (f) implications for Council Tax and housing rents, i.e. affordability.

3.3 The Council approved the prudential indicators for 2006/07 to 2008/09 at their meeting on 28 February 2006. The indicators are monitored by officers throughout the year and reported to Cabinet on a four-monthly basis. This is the first of those reports.

3.4 The table below summarises the indicators by category, and indicates where revisions are required to the indicators.

Prudential indicators	Number of prudential indicators		
	Total	No change	To be revised
Capital Expenditure	2		2
Affordability	3	3	
External Debt	2	2	
Prudence	1	1	
Treasury Management	5	5	

3.5 The prudential indicators monitoring information for the first four months of 2006/07 is set out as an **Annex**. This includes revisions to two of the prudential indicators.

3.6 The revised prudential indicators for capital expenditure estimates for 2006/07 to 2008/09 are set out at paragraph 1.3 of the attached **Annex**. 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. The revision to the capital expenditure estimates is to reflect the changes to the capital programme agreed by Cabinet.

3.7 The revised prudential indicators for the capital financing requirement (CFR) for 2006/07 to 2008/09 are set out at paragraph 2.5 of the attached **Annex**. The CFR takes as its starting point the balance sheet figures at the close of the year preceding the first year. Because the indicators have to be agreed before the start of the financial year, the original prudential indicators set for 2006/07 were based on an estimated 2005/06 outturn balance sheet. The revised indicators are based on the draft (pre-audit) 2005/06 outturn balance sheet.

3.8 Cabinet is asked to recommend the revised prudential indicators to Council for approval.

4. Implications

4.1 Policy

Council set the prudential indicators for 2006/07 to 2008/09 at their meeting on 28 February 2006. The indicators are consistent with the Treasury Management Strategy, which was taken to Council on the same date.

4.2 Resources and Risk

Financial issues are dealt with in the main body of the report and in the attached **Annex**.

<input type="checkbox"/> Y	Capital	<input type="checkbox"/> Y	Revenue	<input type="checkbox"/> N	Accommodation
<input type="checkbox"/> N	IT	<input type="checkbox"/> N	Medium Term Plan	<input type="checkbox"/> N	Asset Management

4.3 Legal

Under the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 the Council must set prudential limits and indicators as part of the overall budget setting process. The CIPFA Prudential Code for Capital Finance in Local Authorities, which is regarded as mandatory guidance associated with the new Local Government Act 2003, requires the authority's Chief Finance Officer to establish procedures for monitoring the Council's performance against prudential indicators for the forthcoming and the two following financial years, to report significant deviations from expectations, and to take any proposed revisions to Council for approval.

4.4 Other Implications

<input type="checkbox"/> N	Equalities / Diversity	<input type="checkbox"/> N	Sustainability	<input type="checkbox"/> N	Human Rights
<input type="checkbox"/> N	E-Government	<input type="checkbox"/> N	Stakeholders	<input type="checkbox"/> N	Crime and Disorder

Background Papers:

Legislative and Regulatory Framework:

Local Government Act 2003

Statutory Instrument 2003 No.3146 - Local Authorities (Capital Finance and Accounting) (England) Regulations 2003

The Prudential Code for Capital Finance in Local Authorities (CIPFA)

The Code of Practice for Treasury Management (CIPFA)

Guidance on Local Authority Investments (ODPM)

Reports to Cabinet and Council:

Adoption of the above CIPFA Code of Practice for Treasury Management - Council minute CL62 (k) 12 March 2002

Council Wide Revenue Budget 2006-07, 2007-08 and 2008-09 - Report to Cabinet 21 February 2006; Report to Council 28 February 2006

Capital Programme 2006-07 to 2010-11 Report to Cabinet 21 February 2006 - Report to Council 28 February 2006

Prudential Indicators for Capital Finance 2006-07 to 2008-09 – Report to Cabinet 21 February 2006; Report to Council 28 February 2006

Capital Programme 2006-07 – Position as at 31 July – Report to Cabinet 26 September 2006