Prudential Indicators

Council

Committee:	**Council**	**Agenda Item** **12**
Date:	**15 February 2007**	
Title:	**Prudential Indicators 2007/08 to 2009/10**	
Authors:	**John Dyson, 01799 510310** **Linda Grinnell, 01799 510313**	**Item for decision**

Summary

As part of CIPFA's Prudential Code, Members are requested to consider the Draft Prudential Indicators for 2007/08 to 2009/10 and the draft revised indicators for 2006/07, details of which are included as Appendix 1 to this report.

Recommendations

That the Council approves the Prudential Indicators set out within this report in conjunction with the 2007/08 budget.

Background Papers

- Investment records, capital programme records and revenue budget records maintained by the Financial Services team;
- CIPFA guidance manuals and other related guidance on the Prudential Code;
- Various Capital Accounting Regulations, as referred to within the report.

Impact

Communication/Consultation	**None.**
Community Safety	**None.**
Equalities	**None.**
Finance	**There is no direct financial impact stemming from this report - the Prudential Indicators measure the impact, affordability and prudence of capital investment decisions.**
Human Rights	**None.**
Legal implications	**None.**
Ward-specific impacts	**None.**
Workforce/Workplace	**None.**

Situation

1. The Local Government Act 2003 introduced new capital accounting regulations, which required councils to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code when setting their budgets. As part of setting the 2007/08 Budget, the Council is required to review a range of Prudential Indicators, which are also required to be integrated within the Council's Treasury Management Strategy Statements. Those Strategy Statements will be presented separately to Members at Council on 15 February 2007 (see agenda item 13).
2. The principles behind setting the indicators are complex, and further guidance has been developed since their introduction in 2004. As a result, the indicators have been reviewed with the aid of the latest guidance available, although they are also required to be routinely reviewed and considered in tandem with annual budgets.
3. In receiving this report, the Council should note the latest estimates for each of the indicators in 2006/07 and:
   (a) Approve the new indicators for 2007/08 to 2009/10, or
   (b) Determine whether it would be prudent to amend those indicators to reflect alternative capital investment decisions.
4. The new capital system promotes a Council framework to ensure:
   (a) That the authority maintains a balanced budget,
   (b) That the impact of capital investment decisions is reflected in the revenue budget over time, and
   (c) That performance measurement is implemented in managing and controlling the impact of capital investment decisions.
5. Appendix 1 to this report sets out estimates for each of the relevant Prudential Indicators in each of the financial years 2007/08 to 2009/10, and includes the latest estimates for 2006/07 aligned with the revised forecast budget. The indicators shown in bold type are those proposed for approval. For convenience, indicators have been grouped into the five categories, as defined within CIPFA's Prudential Code.
6. In setting these indicators, it is important to note that the Council has undertaken no borrowing in support of its capital programme, having remained debt-free since 1996, and it does not currently anticipate borrowing during 2006/07 and 2007/08. However, the need to borrow in support of capital investment is anticipated for 2008/09 and this is reflected in the indicators calculated for 2008/09 and 2009/10.
7. Until 2008/09, the financing of the capital programme can be contained within existing resources, which include capital receipts, specific capital grants, the Major Repairs Allowance (MRA), and useable reserves. However, in order to

provide sufficient flexibility in the management of its day-to-day cashflow, provision has been included within the proposed indicators to enable short-term borrowing to support routine cashflow fluctuations.

8. Appendix 2 contains notes and explanations to accompany each of the indicators set out in Appendix 1 in order to assist with their interpretation.

9. The indicators will be monitored during the course of the year. Should any amendments be made to the Capital Programme, to the financing of the Capital Programme, or to the Council's borrowing and investment portfolios that significantly impact upon the Prudential Indicators accompanying this report, their effect upon the indicators will be reported to Members, as appropriate. Any significant variations or breaches to the indicators during the forthcoming financial year will also be reported to Council separately during the year, as appropriate. In those instances, Council should consider whether the indicators require amendment or whether some corrective action is required in relation to the situation arising.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Errors in determining prudential indicators	**Low**	**Low**	**The Prudential Indicators represent a means of measuring risk in themselves. They are also subject to ongoing monitoring and review.**