Notes to Prudential Indicators Set In conjunction with 2008/09 Budget

Indicator		Notes
Affordability		
1.	Estimates of the Ratio of Financing Costs to Net Revenue Stream	This indicator identifies the degree by which borrowing affects the Council's General Fund and Housing Revenue budgets. It is forecast the Councils cash-flow investments will exceed borrowings in 2008-09, The indicators for this year are therefore negative values, which indicates no adverse impact in terms of affordability.
2.	Estimates of the Incremental Impact of Capital Investment Decisions on the Council Tax	The capital programme is financed from a number of sources. Some financing options have an impact on the General Fund revenue accounts. Examples might include the cost of interest on new borrowing, or the loss of interest following the use of reserves, or the impact of direct revenue contributions. This indicator quantifies the equivalent impact of the financing proposals for the currently proposed Capital Programme on Council Tax levels.
3.	Estimates of the Incremental Impact of Capital Investment Decisions on the HRA Weekly Rent	As in 2, above, a range of financing options for HRA schemes in the Capital Programme impact on the Housing Revenue Account. This indicator quantifies that by translating such costs into an equivalent impact on rent levels.
Prudence		
4.	Net Borrowing and Capital Financing Requirement (CFR)	This indicator should remain positive because net external borrowing should not exceed the CFR, except in the short-term, since this would otherwise indicate that the authority is borrowing for purposes other than to finance capital expenditure.
Capital Expenditure		
5.	Estimate of Total Capital Expenditure	Based on the current draft Capital Programme, which is subject to Council approval.
6.	Capital Financing Requirement (CFR)	Depicts the cumulative effect of capital payments and capital commitments in previous years together with those years for which forecasts are being set.
External Debt		
7.	Authorised Limit for External Debt	This indicator has been calculated so that there is scope for temporary cashflow borrowing/ bank overdraft and also the likelihood that long term external borrowing will be required to part finance the 2008/09 capital programme. This particular indicator should not be exceeded.
8.	Operational Boundary for External Debt	This depicts the envisaged level of external

Indicator		Notes
		debt. Some scope has also been allowed within this indicator to allow short-term borrowing that may, from time-to-time, be required as part of routine cashflow management.
Treasury Management		
9.	Adoption of CIPFA Code of Practice for Treasury Management	The Council is required to operate in accordance with this Code of Practice. It adopted the Code in March 2002.
10.	Upper Limit on Fixed Interest rate Exposures	Calculations in Appendix 1 show the estimated net figure between interest on fixed rate investments and fixed rate borrowing in each financial year and the same for variable rate investments and borrowing. It is the relationship between these two indicators (10. and 11.) that is crucial. High exposure to variable interest rates places the Council at higher risk in periods of high interest rate volatility. Typical Treasury Management Strategies identify a maximum exposure to variable rates of 50%. The proposed indicators contained in Appendix 1 are below that level.
11.	Upper Limit on Variable Interest rate Exposures	
12.	Prudential Limits for Principal Sums Invested for longer than 364 days	This Council has currently decided not to invest any proportion of its cashflow for periods longer than 364 days.
13.	Upper and Lower Limits for the Maturity Structure of Borrowing	This shows a Council's portfolio of fixed rate borrowing.