

EAST AYRSHIRE COUNCIL

CABINET– 13 FEBRUARY 2008

PERFORMANCE MANAGEMENT – PRUDENTIAL INDICATORS

Report by Executive Head of Finance and Asset Management

1 PURPOSE OF REPORT

- 1.1 To seek approval of Prudential Indicators relating to capital expenditure for the forthcoming and following years.

2 BACKGROUND

- 2.1 The Local Government in Scotland Act 2003 includes a requirement for councils to comply with the Prudential Code for Capital Finance in Local Authorities (the Code). The Code is a professional code of practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and its key objectives are to ensure that capital investment plans are affordable, prudent and sustainable
- 2.2 The Code sets out a range of indicators covering both capital investment and treasury management. This report concentrates on those concerned with capital and a further report on Treasury Management Strategy for the forthcoming financial year will be presented to Cabinet at a future date.

3 PRUDENTIAL INDICATORS

3.1 Capital Expenditure

Capital Expenditure plans for General Services were approved by the Cabinet on 19 December 2007. The Housing Investment Programme from 2008/09 to 2010/11 is based on previous assumptions on achieving the Scottish Housing Quality Standard by 2015 this may be subject to further review however.

	2007/08 Projection £M	2008/09 Estimated £M	2009/10 Estimated £M	2010/11 Estimated £M
Capital Expenditure				
Forecast Expenditure 2007/08	46.830			
Previously Approved Projects		5.593	4.798	0.956
New Projects		20.000	20.000	20.000
Total General Services	46.830	25.593	24.798	20.956
Housing Revenue Account (HRA)	14.777	15.592	15.616	15.026
Total Planned Gross Capital Expenditure	61.607	41.185	40.414	35.982
Financed By :				
Capital Receipts	8.000	6.500	4.888	3.640
Grants & Partnership Funding	16.207	0.000	0.000	0.000
Revenue (CFCR)	3.561	5.561	5.561	5.561
Total Financing	27.768	12.061	10.449	9.201
Net Financing need for the year	33.839	29.124	29.965	26.781

Further clarification on the level of Capital Grants included in the overall Grant Settlement from 2008/09 is awaited and it is therefore felt prudent to take no account of this funding at this stage.

3.2 Ratio of Financing Costs to Net Revenue Stream

This indicator shows the estimated proportion of total revenue expenditure which goes towards paying for capital spending each year. The grant settlement covering 2008/09 to 2010/11 includes incentives for councils to freeze council tax and for the purposes of this report a freeze of council tax at 2007-08 levels has been assumed. The grant settlement values included in the draft Revenue Budget have been used in the calculation of the ratios in the following table.

	2007/08	2008/09	2009/10	2010/11
	Revised £M	Estimated £M	Estimated £M	Estimated £M
Ratio of financing costs to net revenue stream :				
General Services	6.16%	6.79%	7.31%	7.83%
HRA	12.54%	13.36%	14.10%	14.70%

3.3 Capital Financing Requirement

This indicator shows the cumulative amount that the council will need to borrow to fund the capital programme at the end of each year.

	2007/08	2008/09	2009/10	2010/11
	Projected £M	Estimated £M	Estimated £M	Estimated £M
CFR - General Services	158.464	176.007	191.814	202.578
CFR - HRA	55.577	58.362	62.687	67.526
Total Capital Financing Requirement (CFR)	214.041	234.369	254.501	270.104
Movement in CFR	26.499	20.328	20.132	15.603
Represented by :				
Net Financing need for the year (above)	33.839	29.124	29.965	26.781
Principal Repayments (on previous expenditure)	(7.340)	(8.796)	(9.833)	(11.178)
	26.499	20.328	20.132	15.603

3.4 Authorised Limit for External Debt

This indicator sets a limit on the level of borrowing gross of investments for each financial year. It includes a degree of headroom to cope with, for example unusual cash movements as well as allowing amounts required for the approved capital plans for future years to be borrowed where considered prudent.

	2007/08	2008/09	2009/10	2010/11
	Revised £M	Estimated £M	Estimated £M	Estimated £M
Authorised limit for external debt	281.256	299.400	301.916	303.867

3.5 Operational Boundary for External Debt

This indicator represents the most likely maximum level of external debt. It is a management tool used for in-year monitoring purposes.

	2007/08	2008/09	2009/10	2010/11
	Revised £M	Estimated £M	Estimated £M	Estimated £M
Operational boundary for external debt	275.905	293.541	295.554	297.114

3.6 General Services - Band D Council Tax Costing

The following table shows the funding costs expressed in terms of the element of Council Tax required to fund the first year of the ongoing commitment following the year of expenditure of the five year capital investment plan approved by the Cabinet on the 19 December 2007. The calculation is based on the change in gross expenditure and is illustrative only.

	2008/09	2009/10	2010/11
	Additional Capital Expenditure	Additional Capital Expenditure	Additional Capital Expenditure
Band D Council Tax Impact	£5.68	£17.48	£45.43

3.7 Housing Revenue Account - Average Weekly Housing Rents Costing

The table illustrates the impact of changes from previously shown Housing Revenue Account planned gross capital expenditure expressed in terms of equivalent weekly rent.

	2008/09	2009/10	2010/11
	Additional Capital Expenditure	Additional Capital Expenditure	Additional Capital Expenditure
Weekly Housing Rent Impact	£0.07	£0.00	£1.87

4 RECOMMENDATION

It is recommended that Members:-

- 4.1 recommend to the Council that the Prudential Indicators set out in paragraphs 3.1 to 3.7 are approved; and
- 4.2 otherwise note the contents of this report.

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 07 February 2008

LIST OF BACKGROUND PAPERS NIL

Members wishing further information should contact Lorna Service, Exchequer Manager, Telephone (01563) 576405.