

EAST AYRSHIRE COUNCIL

POLICY AND RESOURCES COMMITTEE – 7 FEBRUARY 2007

PERFORMANCE MANAGEMENT – PRUDENTIAL INDICATORS

Report by Executive Head of Finance

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 will be presented to the next meeting of this committee on Treasury Management Strategy for the forthcoming year.

3 PRUDENTIAL INDICATORS

3.1 Capital Expenditure

Capital Expenditure plans for General Services were approved by this committee on 14 November 2006 with revisions by the Emergency Powers Committee on 21 December 2006 and further adjustments proposed elsewhere on the agenda of today's meeting. The figures will be amended if Members decide against the recommendations in that report. The Housing Committee of 17 May 2006 approved the Housing Investment Programme from 2006/07 to 2010/11.

The approved capital investment plans are summarised below:-

| | 2006/07 Budget £M | 2007/08 Estimated £M | 2008/09 Estimated £M | 2009/10 Estimated £M |
|--|-------------------------|----------------------------|----------------------------|----------------------------|
| General Services - 14 November 2006 | 30.176 | 40.136 | 16.779 | 12.305 |
| Addition 21 December 2006 | | 0.954 | 0.720 | |
| Addition 7 February 2007 | | 1.727 | | |
| Total General Services | 30.176 | 42.817 | 17.499 | 12.305 |
| Housing Revenue Account (HRA) | 13.660 | 15.027 | 15.027 | 18.180 |
| Total Gross Capital Expenditure | 43.836 | 57.844 | 32.526 | 30.485 |

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 total Revenue spending for 2008/09 and 2009/10 will depend heavily on the outcome of the Scottish Executive Spending Review 2007 which will include the grant settlement for 2008/09 to 2010/11. For the purposes of this report grant and council tax increases of 2.5% have been assumed.

| | 2006/07 Revised £M | 2007/08 Estimated £M | 2008/09 Estimated £M | 2009/10 Estimated £M |
|---|-----------------------|----------------------------|----------------------------|----------------------------|
| Ratio of financing costs to net revenue stream : | | | | |
| General Services | 5.745% | 6.065% | 7.053% | 7.396% |
| HRA | 16.162% | 15.974% | 16.318% | 17.500% |

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.

| | 2006/07 Projected £M | 2007/08 Estimated £M | 2008/09 Estimated £M | 2009/10 Estimated £M |
|------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| CFR - General Services | 138.293 | 165.818 | 173.442 | 177.166 |
| CFR - HRA | 55.689 | 57.795 | 59.521 | 64.024 |
| Total CFR | 193.982 | 223.613 | 232.963 | 241.190 |

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.

| | 2006/07 Revised £M | 2007/08 Estimated £M | 2008/09 Estimated £M | 2009/10 Estimated £M |
|---|-----------------------|----------------------------|----------------------------|----------------------------|
| Authorised limit for external debt | 257.211 | 269.141 | 270.310 | 271.339 |

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.

| | 2006/07 Revised £M | 2007/08 Estimated £M | 2008/09 Estimated £M | 2009/10 Estimated £M |
|---|-----------------------|----------------------------|----------------------------|----------------------------|
| Operational boundary for external debt | 252.361 | 263.551 | 264.486 | 265.309 |

3.6 Incremental Impact on Band D Council Tax

This indicator shows the impact on the annual level of Council Tax of decisions in the budget over and above capital investment decisions previously taken. The only change is the proposed additional capital expenditure of £1.727 million in 2007/08 which will impact on 2008/09 council tax as shown.

| | 2007/08 Proposed Budget £M | 2008/09 Forward Projection | 2009/10 Forward Projection |
|--|----------------------------------|----------------------------------|----------------------------------|
| Incremental Impact - Band D Council Tax | £0.00 | £3.11 | £0.00 |

3.7 Incremental Impact on Average Weekly Housing Rents

This indicator shows the impact on the weekly rent levels of decisions in the budget over and above capital investment decisions previously taken. No changes have been proposed subsequent to the report to the Housing Committee on 17 May 2006.

| | 2007/08 Proposed Budget £M | 2008/09 Forward Projection | 2009/10 Forward Projection |
|---|----------------------------------|----------------------------------|----------------------------------|
| Incremental Impact – Weekly Housing Rent | £0.00 | £0.00 | £0.00 |

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.

Alex McPhee
Executive Head of Finance

AMcP/LS/DMW
 5 February 2007

LIST OF BACKGROUND PAPERS NIL

Members wishing further information should contact Alex McPhee, Executive Head of Finance, Telephone (01563) 576300.