PRUDENTIAL AND TREASURY INDICATORS

TABLE 1 - PRUDENTIAL INDICATORS - A Brief Description

Capital Expenditure

This shows the capital programme as it currently stands. Members will note that the amount estimated to be included within the programme for 2013/14 is £24.57 million.

It is an increased value from the previous year and a significant amount but through obtaining the associated funding through grants, capital receipts and other contributions the borrowing required has been minimised. This means that the effect of the investment on the Council's revenue account has been factored into the 2013/14 revenue budget within prudent limits. There is still uncertainty about the levels of spend in future years.

It is not known exactly at this stage what the effects on revenue of sustaining a high level of capital programme investment will be in future years. It is however envisaged that there will continue to be a significant contribution from grants but also that capital receipts will be minimal beyond 2013/14. This will again minimise borrowing to within prudential levels and thus keep the resultant financing charge to the revenue budget within prudent limits.

Ratio of Financing Costs to Net Revenue

The net revenue stream is the estimated amount of spending to be met from Government Grants and local taxpayers. This is the revenue "net budget requirement" figure, which the Government has revised in the finance settlement for 13/14 announced in December 2012. It is used in projections and for estimating the need for budget savings. It is based upon the new system of Government revenue support and assumes a 1.995% increase in Council Tax for 2013/14 and no increase for the following two years. The Council tax base used for assessing the impact on revenue is 20,906 which is the calculation given under the new system of Council tax funding (25,706 for 2012/13)

Financing costs include interest on borrowing and the amount included in the budget for repayment of debt.

Net Borrowing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the previous year plus the estimates of any additional capital financing requirement in the current year and the next two financial years. At all times the level of borrowing will be monitored to ensure that it does not exceed the estimated capital financing requirement in two years time.

Capital Financing Requirement as at 31 March

The capital financing requirement is an indication of how much the Council needs to borrow for capital purposes. This is as a result of not financing capital expenditure "up front" by means of capital receipts, grants etc. and relying on borrowing, which is ultimately repaid and then replaced if required.

Incremental impact of capital investment decisions

This indicator requires a comparison between the total budgetary requirement of the Council including and excluding the costs of changes to the existing capital programme. The proposed Burnley Borough Council Band D Council Tax for 2013/14 is £262.26 and includes the borrowing costs of capital investment decisions prior to 2013/14. The indicator shows, in terms of a Band D charge, how much extra will be paid by Council Tax payers as a result of capital programme spending during the next three years.