

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO COUNCIL

DECISION

Agenda Item No

meeting date: 10 MARCH 2009
title: ANNUAL BUDGET
submitted by: DIRECTOR OF RESOURCES
principal author: MARSHAL SCOTT

1 PURPOSE

- 1.1 To decide the budget for 2009/10 and to set the different amounts of council tax for different parts of the area where special items apply (parish precepts).

2 CAPITAL PROGRAMME

- 2.1 At their meeting on 10 February 2009, Policy and Finance Committee considered the five-year capital programme. The result of their deliberations is a capital programme for the years 2009/14 totalling £5,786,700. However as the total programme was not affordable at this point in time and members agreed the following actions;

- ❖ A capital programme for 2009/10 totalling £773,300 as set out on page 77 of the summary budget book
- ❖ An amended approved capital programme for 2010/13 totalling £2,310,100 as set out on pages 79 to 80 of the summary budget book
- ❖ The new schemes put forward for inclusion as set out on pages 81 to 83 totalling £2,703,300 be included as an indication of schemes which may take place as and when funds become available.
- ❖ It was also recommended that officers and the budget working group reassess the entire capital programme and critically examine the resources available to produce and affordable and achievable programme.

- 2.2 Comprehensive evaluation plans will be produced, giving a detailed description of each scheme and reported to service committees, for all new schemes before they commence.

3 THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES

- 3.1 The Prudential Code for Capital Finance and the prudential indicators are set out in Annex 1 (YELLOW).

- 3.2 The Code and the indicators are intended to inform the Council, in setting the capital programme, that the programme is both affordable and sustainable. The indicators also include the maximum and operational borrowing levels for the Council.

3.3 Minimum Revenue Provision

- 3.4 The Council is now required each year to agree a Minimum Revenue Provision (MRP) Policy Statement setting out how the Council will make a charge to revenue in respect of previous capital expenditure. This Policy Statement is also set out in Annex 1.

4 HOUSING REVENUE ACCOUNT (HRA)

- 4.1 As you will be aware the Council transferred it's Housing Stock to a Registered Social Landlord (Ribble Valley Homes) on 31 March 2008.

- 4.2 We are currently in the process of closing down the Housing Revenue Account. When this has been completed the residual HRA balances will transfer to the Council's General Fund.
- 4.3 There have been a number of invoices paid during the year which relate to work carried out prior to 31 March and therefore are the Council's responsibility. We have brought an amount into the Revised Estimate to cover such costs. Obviously these will be taken from HRA balances.
- 4.4 In addition we have shown an allocation of interest to the HRA to reflect interest earned due to holding the £1m balances during the year.

This is shown below:

	Original Estimate 2008/09 £	Revised Estimate 2008/09 £
HRA Balance brought forward	-1,012,783	-1,012,783
Interest Receivable	0	-20,000
Residual HRA Costs	0	17,850
HRA Balance carried forward 31/3/09	-1,012,783	-1,014,933

- 4.5 Housing revenue balances in hand at 31 March 2009 are now estimated to be £1,014,933.

5 GENERAL FUND

5.1 *2008/09 Revised*

We originally budgeted to spend £7.959 million. The revised estimate is that net expenditure will be higher at £8.062 million. Details are contained in the budget book with a summary at page 7. The revised budget for 2008/09 is:

	£000	£000
Net Committee Budget		8,062
Less - Net Adjustment for Capital Charges	-419	
- Concessionary Travel Compromise	-126	
- Contingency (Net)	25	
- Business Rate Growth Income	-94	
- Area Based Grant	-22	
- External Interest Payable	37	
- Interest on Balances	-225	- 824
		7,238
Net Transfers From and To Reserves		-146
Reduction in General Balances		-260
Net Expenditure		6,832

We estimate this will leave general fund balances at 31 March 2009 of £851,355.

5.2 **Final Grant Settlement**

The Government announced the provisional settlement for local government for 2009/10 on 26 November 2008 and confirmed this on 21 January 2009. This marks the second year of the Government's three year settlement with the actual grant awarded being exactly as originally informed. This has resulted in the following:

	Original Announcement 26 Nov 2008 £	Final Settlement 21 Jan 2009 £
Formula Grant	3,996,589	3,996,589
<i>Consists of External Support:</i>		
Revenue Support Grant	749,476	749,476
Business Rates	3,247,113	3,247,113

These figures have now been incorporated into the following budget and council tax calculations.

5.3 **Forecast Budget 2009/10**

Policy and Finance Committee recommended a net budget of £7,053,888. Details are shown in the budget book with a summary at page 7. This results in the following budget requirement:

	£
Borough Requirement	7,053,888
Parish Council Requirement	367,952
Total Borough and Parish Requirements	7,421,840

6 ROBUSTNESS OF THE ESTIMATES AND BALANCES AND RESERVES

Robustness of the Estimates

- 6.1 It is a specific requirement of section 25 of the Local Government Act 2003 for the chief financial officer to report on the robustness of the budget and the adequacy of the Council's balances and reserves.
- 6.2 Throughout the budget process all practical steps have been taken to identify and make budgetary provision for all likely commitments facing the Council in 2009/10. The preparation of the base committee estimates remains a vital part of ensuring the robustness and financial integrity of the budget and ensures that all service committees are aware of the resource allocation and budgetary pressures facing their service areas.

Balances and Reserves

- 6.3 The Council needs a reasonable level of balances to provide funds to:

- ❖ Finance levels of inflation in excess of those provided in the budget;
- ❖ Provide for unforeseen expenditure;
- ❖ Finance expenditure in advance of income; and
- ❖ Allow flexibility as the year progresses

6.4 The availability of balances has increased in importance since the Local Government Finance Act 1982 revoked local authorities' power to issue supplementary precepts.

6.5 **General Fund Balances**

6.5.1 General fund balances are estimated as follows:

	£000
Opening Balance 01/04/08	1,111
Estimated Amount to be Taken from Balances in 2008/09	-260
Estimated Balances in Hand 31/03/09	851
Estimated Transfer from HRA Balances	1,015
Recommended amount to be taken in 2009/10	-246
Estimated Balances in Hand 31/03/10	1,620

6.5.2 The level of balances to retain is a matter of professional judgement but should be set in the context of the authority's medium term financial strategy and the risks facing the authority.

6.5.3 When the medium term financial strategy was recently reviewed the minimum level of balances to retain was confirmed to be £700,000 bearing in mind our record of strong budgetary control.

6.5.4 In 2009/10 £246,000 will be taken from balances to support the budget. It is predicted, based upon our forward forecast of income and expenditure, balances are unlikely to reach the minimum of amount until 2013 at the earliest. It is sensible in the present financial climate to retain balances above the £700k minimum for the foreseeable future.

6.6 **Earmarked Reserves**

6.6.1 The Council holds a number of other reserves earmarked for specific purposes. The movements in these reserves, forecast for 2008/09 and for the 2009/10 financial years, were reported to Policy and Finance Committee.

6.6.2 The earmarked reserves are judged to be adequate to meet the commitments and forecast expenditure facing the Council.

7 **COLLECTION FUND SURPLUS/DEFICIT**

7.1 The position on the collection fund has been estimated.

7.2 I forecast that there will be a deficit on the collection fund at 31 March 2009 of £90,000. This will be recovered from the precepting authorities in 2009/10.

8 RECOMMENDED THAT COUNCIL

8.1 Approve the following submitted by the Policy and Finance Committee and included in the summary budget book:

- a) The revised revenue estimates for 2008/09 and the revenue estimates for 2009/10.
- b) The revised capital programme for 2008/09.
- c) The capital programme for 2009/10.
- d) The amended forward programme to 2010/13 and also the new schemes for 2009/14 with the requirement that officers and the budget working group reassess the entire capital programme and critically examine the resources available to produce and affordable and achievable programme.

8.2 Approve the prudential indicators, borrowing limits and MRP Policy Statement as set out in Annex 1.

8.3 Note that I have determined the following amounts for 2009/10, in accordance with regulations made under Section 33(5) of the Local Government Finance Act 1992:

- a) 22,342 being the amount calculated by the Council, in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 2003, as its council tax base for the year.
- b) Part of the Council's area:

Aighton, Bailey & Chaigley	439
Balderstone	198
Bashall Eaves, Great Mitton & Little Mitton	196
Billington & Langho	2,131
Bolton by Bowland, Gisburn Forest & Sawley	477
Bowland Forest (High)	59
Bowland Forest (Low)	84
Bowland with Leagram	82
Chatburn	396
Chipping	485
Clayton le Dale	519
Clitheroe	5,135
Dinckley	40
Downham	55
Dutton	101
Gisburn	210
Grindleton	358
Horton	43
Hothersall	74

Longridge	2,736
Mearley	8
Mellor	1,018
Newsholme	20
Newton	149
Osbaldeston	107
Paythorne	43
Pendleton	106
Ramsgreave	287
Read	562
Ribchester	659
Rimington & Middop	222
Sabden	517
Salesbury	180
Simonstone	509
Slaidburn & Easington	151
Thornley with Wheatley	155
Twiston	33
Waddington	449
West Bradford	371
Whalley	1,469
Wilpshire	1,009
Wiswell	459
Worston	41
	22,342

being the amounts calculated by the Council, in accordance with Regulation 6 of the regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which one or more special items relate.

8.4 Calculate the following amounts for 2009/10, in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992:

- a) £25,078,400 Being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a) to (e) of the Act;
- b) £17,656,560 Being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) (a) to (c) of the Act;
- c) £7,421,840 Being the amount by which the aggregate at 8.4(a) above exceeds the aggregate at 8.4(b) above, calculated by the Council in accordance with Section 32(4) of the Act as its budget requirement for the year;

- d) £3,987,118 Being the aggregate of the sums which the Council estimates will be payable for the year into its general fund in respect of redistributed non domestic rates and revenue support grant and reduced by the amount which the Council estimates will be transferred in the year to its collection fund from its general fund pursuant to the collection fund directions under Sections 97(3) (council tax surplus);
- e) £153.73 Being the amount at 8.4(c) above less the amount at 8.4(d) above all divided by the amount at 8.3(a) above, calculated by the Council in accordance with Section 33(1) of the Act as the basic amount of council tax for the year;
- f) £367,952 Being the aggregate amount of all special items referred to in Section 34(1) of the Act;
- g) £137.26 Being the amount at 8.4(e) above less the result given by dividing the amount at 8.4(f) above by the amount at 8.3(a) above, calculated by the Council in accordance with Section 34(2) of the Act as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item relates;

h) Parts of the Council's area:

	Band D £
Aighton, Bailey & Chaigley	148.08
Balderstone	143.83
Bashall Eaves, Great Mitton & Little Mitton	142.69
Billington & Langho	147.58
Bolton by Bowland, Gisburn Forest & Sawley	156.13
Bowland Forest Higher	166.62
Bowland Forest Lower	151.55
Bowland with Leagram	147.02
Chatburn	162.11
Chipping	151.86
Clayton le Dale	141.11
Clitheroe	156.41
Dutton	150.13
Gisburn	156.31
Grindleton	158.21
Hothersall	147.40
Longridge	159.32
Mellor	151.99
Newton	154.04
Osbaldeston	144.27
Pendleton	148.58
Ramsgreave	143.18
Read	149.72
Ribchester	149.01
Rimington & Middop	153.03
Sabden	165.50
Salesbury	147.26
Simonstone	151.80
Slaidburn & Easington	148.85
Thornley with Wheatley	146.94
Waddington	162.87
West Bradford	152.08
Whalley	159.04
Wilpshire	151.14
Wiswell	149.24

being the amounts given by adding to the amount at 8.4(g) above the amounts of the special item relating to dwellings in those parts of the Council's area mentioned above, divided in each case by the amount in 8.3(b) above, calculated

by the Council in accordance with Section 34(3) of the Act as the basic amount of its council tax for dwellings in those parts of its area to which the special item relates;

i) Part of the Council's area:

	VALUATION BANDS							
	A £	B £	C £	D £	E £	F £	G £	H £
Aughton, Bailey & Chaigley	98.72	115.18	131.63	148.08	180.98	213.89	246.80	296.16
Balderstone	95.89	111.87	127.85	143.83	175.79	207.75	239.72	287.66
Bashall Eaves, Great Mitton & Little Mitton	95.13	110.98	126.84	142.69	174.40	206.10	237.82	285.38
Billington & Langho	98.39	114.79	131.18	147.58	180.37	213.17	245.97	295.16
Bolton by Bowland, Gisburn Forest & Sawley	104.09	121.44	138.78	156.13	190.82	225.52	260.22	312.26
Bowland Forest Higher	111.08	129.60	148.11	166.62	203.64	240.67	277.70	333.24
Bowland Forest Lower	101.04	117.87	134.71	151.55	185.23	218.90	252.59	303.10
Bowland with Leagram	98.02	114.35	130.69	147.02	179.69	212.36	245.04	294.04
Chatburn	108.08	126.09	144.10	162.11	198.13	234.15	270.19	324.22
Chipping	101.24	118.12	134.99	151.86	185.60	219.35	253.10	303.72
Clayton le Dale	94.08	109.75	125.43	141.11	172.47	203.82	235.19	282.22
Clitheroe	104.28	121.65	139.03	156.41	191.17	225.92	260.69	312.82
Dutton	100.09	116.77	133.45	150.13	183.49	216.85	250.22	300.26
Gisburn	104.21	121.58	138.94	156.31	191.04	225.78	260.52	312.62
Grindleton	105.48	123.05	140.63	158.21	193.37	228.52	263.69	316.42
Hothersall	98.27	114.65	131.02	147.40	180.15	212.91	245.67	294.80
Longridge	106.22	123.92	141.62	159.32	194.72	230.12	265.54	318.64
Mellor	101.33	118.22	135.10	151.99	185.76	219.54	253.32	303.98
Newton	102.70	119.81	136.93	154.04	188.27	222.50	256.74	308.08
Osbaldeston	96.18	112.21	128.24	144.27	176.33	208.39	240.45	288.54
Pendleton	99.06	115.56	132.07	148.58	181.60	214.61	247.64	297.16
Ramsgreave	95.46	111.36	127.27	143.18	175.00	206.81	238.64	286.36
Read	99.82	116.45	133.09	149.72	182.99	216.26	249.54	299.44
Ribchester	99.34	115.90	132.45	149.01	182.12	215.23	248.35	298.02
Rimington & Middop	102.02	119.03	136.03	153.03	187.03	221.04	255.05	306.06
Sabden	110.34	128.72	147.11	165.50	202.28	239.05	275.84	331.00
Salesbury	98.18	114.54	130.90	147.26	179.98	212.70	245.44	294.52
Simonstone	101.20	118.07	134.93	151.80	185.53	219.26	253.00	303.60
Slaidburn & Easington	99.24	115.77	132.31	148.85	181.93	215.00	248.09	297.70
Thornley with Wheatley	97.96	114.29	130.61	146.94	179.59	212.24	244.90	293.88
Waddington	108.58	126.68	144.77	162.87	199.06	235.25	271.45	325.74
West Bradford	101.39	118.29	135.18	152.08	185.87	219.67	253.47	304.16

	VALUATION BANDS							
	A £	B £	C £	D £	E £	F £	G £	H £
Whalley	106.03	123.70	141.37	159.04	194.38	229.72	265.07	318.08
Wilpshire	100.76	117.56	134.35	151.14	184.72	218.31	251.90	302.28
Wiswell	99.50	116.08	132.66	149.24	182.40	215.56	248.74	298.48
All Other Parts of the Council's Area	91.51	106.76	122.01	137.26	167.76	198.26	228.77	274.52

being the amounts given by multiplying the amounts at 8.4(g) and 8.4(h) by the number which, in proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- 8.5 Note, that for 2009/10 Lancashire County Council has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below.

Valuation Bands							
A £	B £	C £	D £	E £	F £	G £	H £
738.87	862.01	985.16	1,108.30	1,354.59	1,600.88	1,847.17	2,216.60

- 8.6 Note, that for 2009/10 Lancashire Police Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below.

Valuation Bands							
A £	B £	C £	D £	E £	F £	G £	H £
94.72	110.51	126.29	142.08	173.65	205.23	236.80	284.16

- 8.7 Note, that for 2009/10 Lancashire Combined Fire Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below.

Valuation Bands							
A £	B £	C £	D £	E £	F £	G £	H £
41.61	48.54	55.48	62.41	76.28	90.15	104.02	124.82

- 8.8 Having calculated the aggregate in each case of the amounts at 8.4(i), 8.5, 8.6 and 8.7 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for 2009/10 for each of the categories of dwellings shown below:

	VALUATION BANDS							
	A £	B £	C £	D £	E £	F £	G £	H £
Aighton, Bailey & Chaigley	973.92	1,136.24	1,298.56	1,460.87	1,785.50	2,110.15	2,434.79	2,921.74
Balderstone	971.09	1,132.93	1,294.78	1,456.62	1,780.31	2,104.01	2,427.71	2,913.24
Bashall Eaves, Great Mitton & Little Mitton	970.33	1,132.04	1,293.77	1,455.48	1,778.92	2,102.36	2,425.81	2,910.96
Billington & Langho	973.59	1,135.85	1,298.11	1,460.37	1,784.89	2,109.43	2,433.96	2,920.74
Bolton by Bowland, Gisburn Forest & Sawley	979.29	1,142.50	1,305.71	1,468.92	1,795.34	2,121.78	2,448.21	2,937.84
Bowland Forest (High)	986.28	1,150.66	1,315.04	1,479.41	1,808.16	2,136.93	2,465.69	2,958.82
Bowland Forest (Low)	976.24	1,138.93	1,301.64	1,464.34	1,789.75	2,115.16	2,440.58	2,928.68
Bowland with Leagram	973.22	1,135.41	1,297.62	1,459.81	1,784.21	2,108.62	2,433.03	2,919.62
Chatburn	983.28	1,147.15	1,311.03	1,474.90	1,802.65	2,130.41	2,458.18	2,949.80
Chipping	976.44	1,139.18	1,301.92	1,464.65	1,790.12	2,115.61	2,441.09	2,929.30
Clayton le Dale	969.28	1,130.81	1,292.36	1,453.90	1,776.99	2,100.08	2,423.18	2,907.80
Clitheroe	979.48	1,142.71	1,305.96	1,469.20	1,795.69	2,122.18	2,448.68	2,938.40
Dutton	975.29	1,137.83	1,300.38	1,462.92	1,788.01	2,113.11	2,438.21	2,925.84
Gisburn	979.41	1,142.64	1,305.87	1,469.10	1,795.56	2,122.04	2,448.51	2,938.20
Grindleton	980.68	1,144.11	1,307.56	1,471.00	1,797.89	2,124.78	2,451.68	2,942.00
Hothersall	973.47	1,135.71	1,297.95	1,460.19	1,784.67	2,109.17	2,433.66	2,920.38
Longridge	981.42	1,144.98	1,308.55	1,472.11	1,799.24	2,126.38	2,453.53	2,944.22
Mellor	976.53	1,139.28	1,302.03	1,464.78	1,790.28	2,115.80	2,441.31	2,929.56
Newton	977.90	1,140.87	1,303.86	1,466.83	1,792.79	2,118.76	2,444.73	2,933.66
Osbaldeston	971.38	1,133.27	1,295.17	1,457.06	1,780.85	2,104.65	2,428.44	2,914.12
Pendleton	974.26	1,136.62	1,299.00	1,461.37	1,786.12	2,110.87	2,435.63	2,922.74
Ramsgreave	970.66	1,132.42	1,294.20	1,455.97	1,779.52	2,103.07	2,426.63	2,911.94
Read	975.02	1,137.51	1,300.02	1,462.51	1,787.51	2,112.52	2,437.53	2,925.02
Ribchester	974.54	1,136.96	1,299.38	1,461.80	1,786.64	2,111.49	2,436.34	2,923.60
Rimington & Middop	977.22	1,140.09	1,302.96	1,465.82	1,791.55	2,117.30	2,443.04	2,931.64
Sabden	985.54	1,149.78	1,314.04	1,478.29	1,806.80	2,135.31	2,463.83	2,956.58
Salesbury	973.38	1,135.60	1,297.83	1,460.05	1,784.50	2,108.96	2,433.43	2,920.10
Simonstone	976.40	1,139.13	1,301.86	1,464.59	1,790.05	2,115.52	2,440.99	2,929.18
Slaidburn & Easington	974.44	1,136.83	1,299.24	1,461.64	1,786.45	2,111.26	2,436.08	2,923.28
Thornley with Wheatley	973.16	1,135.35	1,297.54	1,459.73	1,784.11	2,108.50	2,432.89	2,919.46

Waddington	983.78	1,147.74	1,311.70	1,475.66	1,803.58	2,131.51	2,459.44	2,951.32
West Bradford	976.59	1,139.35	1,302.11	1,464.87	1,790.39	2,115.93	2,441.46	2,929.74
Whalley	981.23	1,144.76	1,308.30	1,471.83	1,798.90	2,125.98	2,453.06	2,943.66
Wilpshire	975.96	1,138.62	1,301.28	1,463.93	1,789.24	2,114.57	2,439.89	2,927.86
Wiswell	974.70	1,137.14	1,299.59	1,462.03	1,786.92	2,111.82	2,436.73	2,924.06
All Other Parts of the Council's Area	966.71	1,127.82	1,288.94	1,450.05	1,772.28	2,094.52	2,416.76	2,900.10

DIRECTOR OF RESOURCES

C2-09/MHS/AC
2 MARCH 2009

COUNCIL

PRUDENTIAL CODE FOR CAPITAL FINANCE

- 1 The actual capital expenditure that was incurred in 2007/08 and the estimates of capital expenditure to be incurred for the current and future years that are recommended for approval are:

	Capital Expenditure			
	2007/08 Actual £000	2008/09 Revised Estimate £000	2009/10 Estimate £000	2010/11 Estimate £000
Community	2,391	3,842	285	729
Planning & Development	73	0	108	0
Policy & Finance	69	2,212	10	80
Health & Housing	277	517	370	412
Total General Fund	2,810	6,571	773	1,221
Housing Revenue Account	862	-	-	-
Total	3,672	6,571	773	1,221

- 2 Estimates of the ratio of financing costs to net revenue stream for the current and future years, and the actual figures for 2007/08 are:

	Ratio of Financing Costs to Revenue Stream				
	2007/08 Actual	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate	2011/12 Estimate
Total - General Fund	7.12%	3.71%	4.01%	4.36%	4.58%
- HRA	5.11%	-	-	-	-

The estimates of financing costs include current commitments and the proposals in the Council's recommended revenue and capital budgets.

- 3 Estimates of the end of year capital financial requirement for the authority for the current and future years and the actual capital financing requirements at 31 March 2008 are:

	Capital Financing Requirement				
	31.03.08 Actual £000	31.03.09 Revised Estimate £000	31.03.10 Estimate £000	31.03.11 Estimate £000	31.03.12 Estimate £000
Total General Fund	5,465	6,846	7,002	7,386	7,185
Housing Revenue	3,335	-	-	-	-
Total	8,800	6,846	7,002	7,386	7,185

4 The capital financing requirements measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, the Council does not associate borrowing with particular items or types of expenditure. The authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. We have, at any point in time, a number of cash flows, both positive and negative, and manage our treasury position in terms of our borrowings and investments in accordance with our approved treasury management strategy and practices. In day-to-day cash management we make no distinction between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirements reflects the authority's underlying need to borrow for a capital purpose.

5 CIPFA's Prudential Code for Capital Finance in local Authorities includes the following as a key indicator of prudence:

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years."

I can report that the authority had no difficulty meeting this requirement in 2007/08, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans and the proposals in the Council's budget report.

6 In respect of our external debt, it is recommended that the Council approves the following authorised limits for our total external debt, gross of investments, for the next three financial years and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary. These limits separately identify borrowing from other long-term liabilities such as finance leases. The Council is asked to approve these limits and to delegate authority to me, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its next meeting following the change.

	Authorised Limit for External Debt		
	2009/10 £000	2010/11 £00	2011/12 £000
Borrowing	14,073	14,808	14,763
Other Long-Term Liabilities	0	0	0
Total	14,073	14,808	14,763

7 I can report that these authorised limits are consistent with the authority's current commitments, existing plans and the proposals in this budget report for capital expenditure and financing, and with our approved treasury management policy statement and practices. I can also confirm that they are based on the estimate of most likely, prudent but not the worst-case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been

taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cash flow requirements for all purposes.

- 8 The Council is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary for external debt is based on the same estimates as the authorised limit but reflects directly my estimate of the most likely prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements, and equates to the maximum of external debt projected by this estimate. The operational boundary represents a key management tool for in year monitoring by my staff and me. Within the operational boundary, figures for borrowing and other long-term liabilities are separately identified. The Council is also asked to delegate authority to me, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long term liabilities, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at its next meeting following the change.

Operational Boundary for External Debt			
	2008/09	2009/10	2010/11
	£000	£000	£000
Borrowing	9,448	9,832	9,832
Other Long Term Liabilities	0	0	0
Total	9,448	9,832	9,832

- 9 The Council's actual external debt at 31 March 2008 was £6.93 million, comprising £6.93 million borrowing and £0 million other long-term liabilities. It should be noted that actual external debt is not directly comparable to the authorised limit and operational boundary since the actual external debt reflects the position at one point in time.
- 10 In taking its decisions on this budget report the Council is asked to note that the authorised limit determined for 2009/10 (see paragraph 6 above) will be the statutory limit determined under section 3(1) of the Local Government Act 2003.

Consideration of Options for the Capital Programme

- 11 In considering its programme for capital investment the Council is required, within the Prudential Code, to have regard to:
- ❖ Affordability, eg implications for council tax
 - ❖ Prudence and sustainability, eg implications for external borrowing
 - ❖ Value for money, eg option appraisal
 - ❖ Stewardship of assets, eg asset management planning
 - ❖ Service objectives, eg strategic planning for the authority
 - ❖ Practicality, eg achievability of the forward plan.

- 12 The Prudential Code requires the estimated revenue impact of Capital investment decisions in Band D Council Tax. These are shown below:

	2009/10	2010/11	2011/12
	£	£	£
For the Band D Council Tax	1.32	3.33	5.01

- 13 The above figures exclude the borrowing costs required to meet commitments from 2008/09 and earlier years programmes.

The focus is therefore on the cost of future years Capital Programmes.

- 14 It is important to note that the figures above do not represent annual increases in Council Tax. Both the 2010/11 and 2011/12 figures will include the full year effects of decisions taken in 2009/10 and already included in the revenue budget.

Minimum Revenue Provision

- 15 The Council is required each year to pay off an element of its accumulated General Fund capital expenditure through a revenue charge, the Minimum Revenue Provision (MRP).
- 16 The Department of Communities and Local Government (DCLG) has issued regulations which require Full Council to approve a MRP Policy Statement in advance of each financial year. A variety of options are provided to councils to replace the existing regulations, so long as there is a prudent provision. The following MRP Policy Statement is recommended for 2009/10 and retrospectively (which the regulations allow) for 2007/08 and 2008/09.

Minimum Revenue Provision Policy Statement

- (a) For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP Policy will be to follow the existing practice outlined in former DCLG regulations.
- (b) From 1 April 2008, for all Unsupported Borrowing the MRP Policy will be to follow the Asset Life Method, ie the MRP will be based upon the estimated life of the assets financed from borrowing.