

Indicator 1 : Size of the Total Capital Programme for 2005/06 to 2007/08

1. This indicator considers the size of the Capital programme and the incremental size of any amendments or changes. Table A provides a comparison between the budget position as approved by Full Council on 22nd February 2005 and the final outturn position. The figures for 2005/06 and 2006/07 are taken from the Capital Outturn report, the figures for 2007/08 and 2008/09 from the budget report.

	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000
Estimate per Budget (Feb 05)	44,154	30,728	26,492	17,742
Outturn / Revised Budget	40,199	52,978	37,276	34,875
Variance	- 3,955	22,250	10,784	17,133

Table A – Size of the Capital Programme

2. The outturn recorded was £40.2m which represents an underspend of £4m when compared to the start budget. The main reason for this was an over optimistic budget projection and a number of scheme redesigns as a result on high construction price inflation. Latterly officers were also trying to slow the spend on the capital programme as a result of the delays in the achievement of key capital receipts that are used to fund the programme.
3. Since the indicators were set there has been the 2006/07 budget round and the approval of the Administrative Accommodation project which has seen an increase to the 2006/07 to 2008/09 capital programme

Indicator 2: Ratio of Financing Costs to Net Revenue Stream

4. This indicator will estimate how much borrowing to pay for the capital programme will cost when compared with the total revenue budget. Separate indicators have been provided for the HRA and General Fund elements.

This indicator has been calculated as follows:

$$\frac{(\text{Debt Interest} + \text{MRP}^1 + \text{other revenue implications of Capital borrowing})}{\text{Net Revenue Stream}^2}$$

5. Table B provides a comparison between the indicator set in February 2005 and the position reported at outturn.

¹ MRP = Minimum Revenue Provision

² Net Revenue Budget – the element which is funded by the Revenue Support Grant, Business Rates paid from the national pool and Council Tax

	2005/06	2006/07	2007/08
General Fund			
Budget	2.52%	2.91%	3.25%
Outturn	3.00%	5.91%	6.19%
Variance	0.47%	3.00%	2.94%
HRA			
Budget	4.45%	4.22%	4.54%
Outturn	2.58%	2.51%	2.56%
Variance	-1.86%	-1.71%	-1.98%

Table B – Net Revenue Stream

6. The General Fund indicator is 3% compared to 2.52%, with the increase mainly due to the level of capital receipts being lower than anticipated, thereby increasing the level of net debt. The HRA version is much lower being 2.58% as opposed to 4.45%. The reduction in the HRA indicator is mainly because HRA cash balances are higher than anticipated, caused by a reduced revenue contribution to the capital programme and the decision not to make a set aside to repay HRA debt.

Indicator 3: Incremental Cost of the Capital Programme in terms of a band D council tax increase

7. This calculation takes the borrowing costs and the loss of interest when capital receipts are used to pay for capital expenditure and divides this by the council tax base. The figure relates to how much of the council tax is used in financing the capital programme and any related revenue implications that flow from it. Table C provides a comparison between the original indicator and the outturn position.

	2005/06	2006/07	2007/08
General Fund			
Estimate at 2005/06 budget (22 Feb 05)	15.11	14.98	11.56
Outturn Position (2005/06)	15.28	22.46	17.57
Variance	0.18	7.48	6.01

Table C – Council Tax Increase

The 2005/06 position within 20 pence per band D equivalent of the target. The higher than anticipated position in 2006/07 and 2007/08 is because of a high capital receipts target on which interest is lost by spending on the capital programme.

Indicator 4: Incremental Cost of the Capital Programme in terms of a HRA rent increase

8. In calculating this indicator the Director of Resources assumes that the Major Repairs Allowance will be spent in full for the next three years, and therefore does not impact the indicator. It is the HRA capital expenditure funded other than from the Major Repairs Allowance that is relevant.
9. The Housing Revenue Account 2005/06 capital spend is based on the government's approved borrowing limit. Because this borrowing is "supported" by government

there is no impact on HRA rents. There was no borrowing for 2005/06 over this supported amount, which may have impacted on rents. Currently, average rents for City of York Council tenants are above the government's target rents and the HRA is required to implement rent restructuring in order to match actual rents to target rents by 2011/012. There are no plans therefore to use borrowing to finance any of the Housing capital programme because of the impact this may have on Housing rents.

Indicator 5: Estimate of Capital Financing Requirement

10. The capital financing requirement represents that Council's underlying need to borrow to fund the creation or purchase of fixed assets. Table D compares the estimated Capital Financing Requirement in February 2005 with the outturn position.

Capital Financing Requirement	31/03/2005	31/03/2006	31/03/2007
General Fund	£m	£m	£m
Estimate at 2005/06 budget (22 Feb 05)	73,585	83,820	93,630
Outturn Position (2005/06)	72,880	83,511	92,591
Variance	-705	-309	-1,039
HRA	£m	£m	£m
Estimate at 2004/05 budget (23 Feb 04)	13,296	14,035	14,769
Outturn Position (2004/05)	13,646	14,669	15,669
Variance	350	634	900

Table D – Capital Financing Requirement

The council's CFR has increased by £10.6m to £83.5m at 31 March 2006 which is slightly less than the estimate CFR of £83.8m. The HRA CFR has increased because the HRA has not made a set aside as stated in paragraph 25 of the main report.

Indicator 6: Authorised Limit and Operational Boundary for External Debt

Authorised Limit

11. The council set the Authorised Limit for its total external debt, gross of investments for 2005/06 at £112m. This limit must not be breached under any circumstances. External debt as at 31st March 2006 amounted to only £93.4m. The authorised limit for 2006/07 was revised at full Council on 22nd February 2006 to £165.7m as part of the setting of Prudential Indicators for 2006/07 to 2008/09. The main reason for the large increase is because of the approval of the administrative accommodation project and to give sufficient flexibility to take advantage of low interest rates.

Operational Boundary

The Operational Boundary is a measure of the most money the Council would normally borrow at any time during the year. There are circumstances when the Operational Boundary might be exceeded temporarily, but a sustained or regular pattern of borrowing above this level should be avoided. The external debt amounted to £93.4m on 31 March 2006. The council has not breached the Operational Boundary of £95.1m for 2005/06. In view of the administrative accommodation review the Operational Boundary for 2006/07 has been revised in February 2006 to £144.2m.

	2005/06	2006/07	2007/08	2008/09
	£m	£m	£m	£m
Authorised Limit Jan 05	112.0	130.9	139.0	not set
Authorised Limit March 06	103.4	165.7	179.7	194.0
Change	-8.6	34.8	40.7	n/a
Operational Boundary Jan 05	95.1	114.0	122.1	not set
Operational Boundary March 06	103.4	144.2	158.2	180.8
Change	8.3	30.2	36.1	n/a

Table E Operational Boundary and Authorised Limits

Indicator 7: Adoption of the CIPFA Code of Practice for Treasury Management in Public Services

12. The Council has followed the CIPFA Code of Practice for Treasury Management in the Public Services in 2005/06 and will continue to do so in 2006/07. Treasury Management Practices (TMPs) have been established by the Director of Resources in line with the advice of Sector Treasury Services and are kept up to date regularly see attached.

Indicator 8: Exposure to Variable & Fixed Interest Rates

13. Indicator 8 required the council to set limits of its exposure to fixed and variable interest rates. The limits set for 2005/06 compared to the position as at 31st March 2006 are shown in Table E.

Fixed Rate	2005/06	2006/07	2007/08	2008/09
	£m	£m	£m	£m
Fixed rate debt	93.4	144.2	95.3	95.3
Fixed rate investment	11.3	25	13.1	13.1
Variable Rate Investment	9.8	30	16.3	16.3
Variable Rate Debt	0	0	0	0
Net Debt	72.3	89.2	65.9	65.9
Fixed Rate Indicator	114%	134%	125%	125%
Upper Limit	150%	150%	150%	150%

Variable Rates	Upper Limit	Outturn
2005/06	20%	-14%
2006/07	20%	20%
2007/08	20%	20%

Table F – Interest Rate Exposure Indicator

14. The fixed rate indicator shows fixed rate debt less fixed rate investments as a proportion of net debt. The Council takes out most of its borrowings at a fixed rate so as to provide certainty on repayments and to minimise annual exposure to fluctuations in interest rates. For cash flow purposes a proportion of investments are held in variable rate bank accounts. As a result it is possible to have fixed rate exposures at greater than 100%. A breach of the limit of 150% would suggest that

the Council has too much of its investment portfolio held in variable rate accounts and is therefore over exposed to fluctuations in interest rates.

15. The variable rate indicator measures exposure to variable rate debt. Currently the Council does not have any variable debts, but holds variable rate investments for cash flow purposes. A breach of the limit would suggest that the Council has an over exposure to variable rate debt meaning that fluctuations in interest rates could have an adverse impact on the Council's revenue budgets.

Indicator 9: Prudential Limits for the Maturity Structure of borrowing

16. The Council sets limits for the maturity structure of borrowing. This is done to optimise the cashflow position and to minimise the risk of interest rate fluctuations in the future when loans are maturing the Council has set limits so that long term loans mature in different periods spreading the risk. The limit on the amount of the Council's debt portfolio that matures in a period is expressed as a percentage. Table H gives a comparison between the council's current maturity profile and the upper and lower limits.

Period (Years)	As at 31st March 2006	Lower Limit	Upper Limit
Under 12 months	0%	0%	25%
1 year to 2 years	4%	0%	25%
2 years to 5 years	14%	0%	25%
5 years to 10 years	5%	0%	25%
10+ years	77%	20%	90%

Table G – Maturity Profile & Limits

17. Table G shows that the council has not breached the upper and lower limits for the maturity structure of debt for any of periods indicated. This is illustrated in Figure 1.

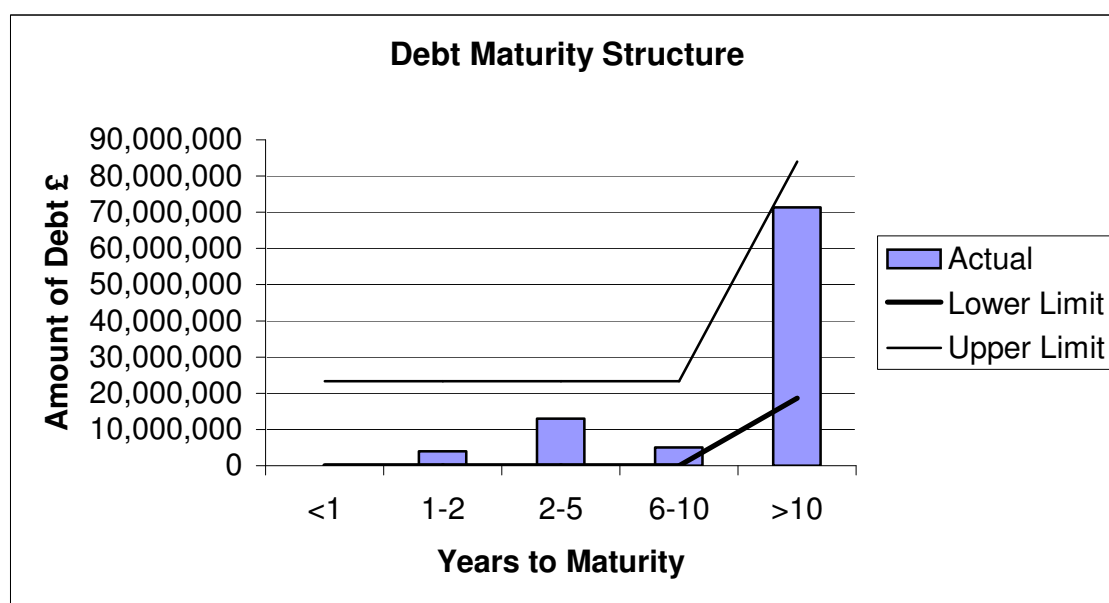


Figure 1 – Debt Maturity Structure as at 31st March 2006

Indicator 10: Investments beyond 364 days

18. The Council amended its indicator to allow it to invest for periods of greater than 364 days at the meeting of the Council on 1st March 2006. The Council entered in to a forward deal to start on 8th September for 364 days on 8th March 2006, which is a commitment to invest 18 months in advance of maturity.