

Prudential Indicators

Estimates calculated on a three year rolling basis. Actuals for the last complete financial year.

1 Capital Expenditure (obligatory)

- 1.1 Estimate of total capital expenditure to be incurred in years 1, 2 and 3 (and 4, etc. if applicable).
- 1.2 Actual capital expenditure for previous financial year.
- 1.3 Estimate of capital financing requirement as at the end of years 1, 2 and 3. *[This is a measure of an authorities underlying need to borrow for capital purposes.]*
- 1.4 Actual capital financing requirement for previous financial year.

2 External Debt (obligatory)

- 2.1 Authorised limit for external debt = authorised limit for borrowing + authorised limit for other long-term liabilities for years 1, 2 and 3. *[This represents a level of borrowing which, though not desired, could be afforded but may not be sustainable.]*
- 2.2 Operational boundary for external debt = operational boundary for borrowing + operational boundary for other long-term liabilities for years 1, 2 and 3. *[This based on the probable external debt during the course of a financial year. It is not a limit. Actual external debt could vary around this boundary for short periods of time during a financial year. It acts as a monitoring indicator to ensure that the authorised limit is not breached.]*
- 2.3 Actual external debt = actual borrowing + actual other long-term liabilities.
- 2.4 Comparison of gross debt and the capital financing requirement. *[In order to ensure that over the medium term debt will only be for capital purposes, the local authority should ensure that debt 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.]*

3 Affordability (obligatory)

- 3.1 Estimate of financing costs ÷ estimate of net revenue stream x 100% for years 1, 2 and 3. *[This ratio provides an indication of the impact an authority's capital investment plans will have on its overall finances.]*
- 3.2 Actual financing costs ÷ actual net revenue stream x 100%

4 Local indicators (discretionary)

- 4.1 Estimate of the incremental impact of capital investment decisions on the council tax *[How much council tax at Band D will increase by or decrease by if a particular capital plan scheme is progressed.]*