

Prudential Indicators

The Police Authority is required to monitor its overall level of debt in line with the national code of practice drawn up by the Chartered Institute of Public Finance and Accountancy. The code requires the Authority to consider a range of indicators in order to form a judgement about the affordable, prudent and sustainable level of debt for the Authority. The indicators below represent the estimated figures for 2010-11 and the following two years.

1 Affordability

(i) Estimate of the ratio of net capital financing costs to revenue budget

Capital financing costs comprise minimum repayment of "loan principal" and interest paid on loans, offset by interest received.

	2010-11 £000	2011-12 £000	2012-13 £000
Minimum Revenue Provision	1,214	1,409	2026
Interest payable on Long Term Borrowing	1,177	1,471	2,142
Interest Received (net)	(393)	(521)	(506)
Capital Financing Costs	1,998	2,359	3,662
Revenue Budget	286,459	291,252	296,246
Ratio of financing costs to net revenue stream	0.70%	0.81%	1.24%

(ii) Incremental Impact on Council Tax

This indicator shows the incremental impact on the Band D council tax payer of the additional capital expenditure in 2010-11 included in the capital programme.

	2010-11	2011-12	2012-13
Incremental impact on the council tax for capital investments in 2009-10	£0.24	£1.10	£2.12

2 Prudence

(i) Capital Expenditure

The table below summarises the capital programme. The capital programme has been tested for prudence, affordability and sustainability by assessing the impact that the proposed programme has on the revenue budget and the Prudential Indicators.

	2010-11 £000	2011-12 £000	2012-13 £000
Programmed Capital Expenditure	15,557	18,052	18,224
Forecast Capital Expenditure Carried Forward	4,581	0	0
Total Capital Expenditure	20,158	18,052	18,224
Funded by:			
Gross Borrowing	10,957	12,946	14,000
Other capital resources	9,201	5,106	4,224

(ii) Capital Financing Requirement

The capital financing requirement represents the underlying need to borrow for capital purposes. The table below gives the forecast capital financing requirement for 2010-11 and the following two years.

	2010-11 £000	2011-12 £000	2012-13 £000
Opening Capital Financing Requirement	34,075	43,818	55,355
Capital expenditure to be financed from borrowing	10,957	12,946	14,000
Less Minimum Revenue Provision	(1,214)	(1,409)	(2,026)
Closing Capital Financing Requirement	43,818	55,355	67,329

(iii) Limits to Borrowing Activity

The Operational Boundary is based on the probable level of external debt during the year. It includes borrowing for revenue purposes that may be required during the year. The Authorised Limit represents the limit beyond which any additional borrowing is prohibited unless revised by the Authority. Limits have been set to cover maximum external borrowing requirement even though it is planned to use the Police Authority's own cash resources on a temporary basis. This is to provide flexibility to respond to changing market conditions.

	2010-11 £000	2011-12 £000	2012-13 £000
Long Term Borrowing for capital purposes	43,818	55,355	67,329
Maximum forecast cash flow deficit arising from revenue budget operations	10,000	10,000	10,000
Operational Boundary	53,818	65,355	77,329
Additional margin for unforeseen circumstances	3,000	3,000	3,000
Authorised Boundary	56,818	68,355	80,329

(iv) Net Borrowing Requirement in Comparison to the Capital Financing Requirement

The debt management strategy and the borrowing limits have been set to ensure that over the medium term net borrowing will only be for capital purposes. This is illustrated by the fact that net borrowing does not over the 3 year period exceed the capital financing requirement.

	2010-11 £000	2011-12 £000	2012-13 £000
Operational Boundary	53,818	65,355	77,329
Investments	(20,100)	(16,800)	(16,800)
Net External Borrowing	33,718	48,555	60,529
Capital Financing Requirement	43,818	55,355	67,329

3 Minimum Revenue Provision

The Police Authority's policy is to make charges to revenue for the repayment of debt according to the life of the asset. As all of the debt will be repaid within the life of the asset it is not appropriate to consider any additional voluntary repayment of debt.