**APPENDIX B**

## THE 10 PRUDENTIAL INDICATORS

The Indicators demonstrate overall control of capital expenditure and that the level of expenditure is sustainable and affordable. They are required by legislation to be set and approved before the start of the year, monitored during the year and reported on at year end.

They address:-

1. Plans for capital expenditure – the projected capital expenditure for each of the next three years and the source of funding.

2. Capital Financing Requirement – the anticipated need for borrowing where capital cannot be financed by existing resources.

3. Affordability indicator – the ratio of capital financing costs to the net revenue budget.

4. Affordability Indicator - the impact of capital investment decisions on Council Tax.

5. Comparison of borrowing estimate and capital financing requirement, to confirm that borrowing is intended for capital purposes only.

6. Operational Boundary for external debt – is based on the Authority's estimate of most likely - i.e. prudent, but not worst case scenario for external debt.

7. Authorised Limit for external debt – is the maximum amount of debt that the Authority can legally owe. The Authorised Limit provides headroom over and above the Operational Boundary for unusual cash movements.

8. To preserve liquidity, the maximum value of investments for more than one year.

9. To assess interest rate exposure, the upper limit on variable, as opposed to fixed, interest rate investments.

10. The maturity structure of fixed interest rate borrowing, to regulate the Council's exposure to large repayment requirements.