

Conwy Council

Response to Finance Committee inquiry Devolved Funding: Borrowing powers and capital

1. Your prudential borrowing limit in each year since the inception of the scheme;

We have no limit as such (see question 2) but the capital expenditure financed by prudential borrowing is as follows:

	£
2004/05	1,171,998
2005/06	2,131,188
2006/07	2,556,396
2007/08	3,564,051
2008/09	2,901,406
2009/10	3,509,455
2010/11	1,581,399

Much of this will have been repaid as the many of the items financed have relatively short lives.

2. Details on measures taken to determine and keep under review prudential borrowing limits, including the processes, consideration of revenue implications and how this is undertaken;

There is no statutory limit to prudential borrowing, however all schemes are considered as part of the capital programme approvals process and budget setting. Council departments have to have budget available to cover the capital charges associated with prudential borrowing. The overall amount of external borrowing of which prudential borrowing forms a part is calculated each year as the Capital Financing Requirement, which puts a limit on total external borrowing. Also one of the Prudential Indicators required by CIPFA is the amount of borrowing costs (MRP and External interest) as a proportion of the budget. This is currently 8% and that level is considered reasonable.

3. A brief overview of the nature of projects / purposes for which funds from prudential borrowing have been used;

In the main Prudential borrowing has been used for the acquisition of vehicles, plant and equipment, and the borrowing is matched to the life of the asset. Prudential borrowing is also used to finance "spend to save" schemes as again these have a defined payback period and the borrowing can be matched to that. Prudential borrowing has also been used to finance opportunistic purchases of

premises, where it has been to the advantage of the Council and a revenue stream has been freed up, part of which would cover the borrowing.

4. Any lessons learned or concerns would wish to highlight in relation to prudential borrowing;

Prudential borrowing can be a good way to finance items as Conwy has done i.e. to ensure that there is a revenue stream available to repay the borrowing so that it is not an extra cost. Also it is important that “fixed” costs such as capital charges do not become too great a proportion of the revenue budget as that makes efficiency savings harder to achieve as there is less ordinary revenue expenditure to be saved.

5. A brief overview of any alternative mechanisms the authority may be considering to finance capital investment in the future

None at present.

6. Any alternative measures being considered by local authorities to finance capital expenditure.

None at present.