

**COMPLIANCE WITH PRUDENTIAL INDICATORS 2009/10****1 Estimated and Actual Capital Expenditure**

This indicator is set to ensure that the level of proposed investment in capital assets remains within sustainable limits and, in particular, to consider the impact on the Council Tax and in the case of the HRA, housing rent levels.

	<b>2009/10 Estimated</b>	<b>2009/10 Revised indicator</b>	<b>2009/10 Outturn</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>
Capital Expenditure			
Non-HRA	63	62	54
HRA	33	32	30
<b>Total</b>	<b>96</b>	<b>94</b>	<b>84</b>

**2 Estimated and Actual Ratio of Financing Costs to Net Revenue Stream**

This is an indicator of affordability and demonstrates the revenue implications of capital investment decisions by highlighting the proportion of the revenue budget required to meet the borrowing costs associated with capital spending. The financing costs include existing and proposed capital commitments.

	<b>2009/10 Estimated</b>	<b>2009/10 Revised Indicator</b>	<b>2009/10 Outturn</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Ratio of Financing Costs to Net Revenue Stream			
Non-HRA	5.19	2.18	2.44
HRA	7.53	2.60	3.00
<b>Total</b>	<b>5.89</b>	<b>3.36</b>	<b>4.17</b>

**3 Capital Financing Requirement**

3.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

3.2 The Director of Resources reports that the authority had no difficulty meeting this requirement in 2009/10, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Capital Financing Requirement	31/3/10 Estimated £	31/3/10 Revised Indicator £	31/3/10 Outturn £	31/3/11 Estimated £	31/3/12 Estimated £
Non-HRA	146	188	200	243	235
HRA	97	94	93	104	106
<b>Total</b>	<b>243</b>	<b>282</b>	<b>293</b>	<b>347</b>	<b>341</b>

The 2009 SORP and IFRS have resulted in PFI schemes being brought on balance sheet and has resulted in an increase in the General Fund CFR of £51M.

#### 4 Affordable Borrowing Limit, Authorised Limit and Operational Boundary for External Debt

The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

- 4.1 **Authorised Limit:** This is the maximum amount of external debt that can be outstanding at one time during the financial year. The limit, which is expressed gross of investments, is consistent with the Council's existing commitments, proposals for capital expenditure and financing and with its approved treasury policy and strategy and also provides headroom over and above for unusual cash movements. This limit was set at £408M for 2009/10.
- 4.2 **Operational Boundary:** This is limit is set to reflect the Council's best view of the most likely prudent (i.e. not worst case) levels of borrowing activity and was set at £420M for the financial year.
- 4.3 The levels of debt are measured on an ongoing basis during the year for compliance with the Authorised Limit and the Operational Boundary. The Council maintained its total external borrowing and other long-term liabilities within both limits; at its peak this figure was £228M. The move to IFRS resulting in PFI related long term assets and liabilities being brought onto the Council's Balance Sheet in 2009-10, this amounted to £51M.
- 4.4 **Actual External Debt:** This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2010	<b>£000's</b>
Borrowing	155
Other Long-term Liabilities	67
<b>Total</b>	<b>222</b>

## 5 Incremental Impact of Capital Investment Decisions

5.1 This is an indicator of affordability that shows the impact of approved capital investment decisions on Council Tax and Housing Rent levels when the budget for the year was set.

Incremental Impact of Capital Investment Decisions	2009/10 £
Increase in Band D Council tax	3.39
Increase in average weekly housing rents	2.13
<b>Total</b>	<b>5.42</b>

Capital investment decisions do not impact on the weekly housing rents as the Council sets its housing rents in line with the policy laid down by CLG. There is no variation to council tax once it has been set prior to the commencement of the financial year.

## 6 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

6.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The exposures are calculated on a net basis, i.e. fixed rate debt net of fixed rate investments. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	2009/10 Estimated	2009/10 Actual Peak Exposure
Upper Limit for Fixed Rate Exposure	% 100	% 75.4
Upper Limit for Variable Rate Exposure	50	24.6

## 7 Maturity Structure of Fixed Rate borrowing

7.1 This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

7.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Actual Borrowing as at 31/03/2010</b>	<b>Percentage of Total as at 31/03/2010</b>
Maturity structure of Fixed Rate Borrowing	%	%	£M	%
Under 12 months	45	0	36.5	30.80
12 months and within 24 months	45	0	15.0	12.66
24 months and within 5 years	50	0	17.0	14.35
5 years and within 10 years	50	0	20.0	16.88
10 years and within 20 years	50	0	0.0	0.00
20 years and within 30 years	75	0	10.0	8.44
30 years and within 40 years	75	0	10.0	8.44
40 years and within 50 years	75	0	10.0	8.44
50 Years and above	100	0	0.0	0.00
<b>Total Fixed Borrowing</b>			<b>118.5</b>	<b>100.00</b>

## **8 Total principal sums invested for periods longer than 364 days**

This indicator is set in order to allow the Council to manage the risk inherent in investments longer than 364 days. For 2009/10 this limit was set at £50M. At their peak, these investments totalled £43M.

## **9 Adoption of the CIPFA Treasury Management Code**

The Council confirms its adoption of the CIPFA Code of Treasury Management at its Council meeting on 19<sup>th</sup> February 2003.

The Council is incorporating the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.