

COMPLIANCE WITH PRUDENTIAL INDICATORS DURING 2011

The Council complied with all of its Prudential Indicators. Details of the performance against key indicators are shown below:

1. Capital Financing Requirement

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 capital financing requirement for the current and next two financial years.

The following tables show the actual position as at 31 March 2012 and the estimated position for the next two years based on the capital programme approved at council on the 15 February 2012:

Capital Financing Requirement	2010/11 Actual £M	2011/12 Approved Estimate £M	2011/12 Actual £M	2012/13 Estimate £M	2013/14 Estimate £M	2014/15 Estimate £M
Balance B/F	310	360	360	441	435	425
Capital expenditure financed from borrowing	59	11	17	13	8	8
HRA Debt buyout		0	74	(9)	(8)	(5)
Revenue provision for debt Redemption.	(6)	(8)	(8)	(8)	(8)	(7)
Movement in Other Long Term Liabilities	(3)	(3)	(2)	(2)	(2)	(3)
Cumulative Maximum External Borrowing	360	360	441	435	425	418

Capital Financing Requirement	2010/11 Actual £M	2011/12 Actual £M	2012/13 Estimate £M	2013/14 Estimate £M	2014/15 Estimate £M
General Fund	260	267	269	267	266
HRA	100	174	166	158	152
Total CFR	360	441	435	425	418

CFR differs from actual borrowing due to decisions taken to use internal balances and cash rather than borrow. Actual borrowing is significantly below the CFR and is detailed below:

	Balance on 01/04/2011 £M	Balance as at 31/3/2012 £M	2012/13 Estimate £M	2013/14 Estimate £M	2014/15 Estimate £M
Borrowing	225	300	342	339	333
Other Long Term Liabilities	71	72	74	78	83
Total Borrowing	296	372	416	417	416

2. Balances and Reserves

The Council's level of Balances and Reserves for 2011/12 and estimates to 2014/15 are as follows:

	2010/11 Actual £M	2011/12 Actual £M	2012/13 Estimate £M	2013/14 Estimate £M	2014/15 Estimate £M
Balances and Reserves	56	70	33	33	33

3. Authorised Limit and Operational Boundary for External Debt

- The Local Government Act 2003 requires the Council to set an Authorised Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.
- The Council's Authorised Borrowing Limit was set at £563M for 2011/12 and £911M for 2012/13.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.
- The Operational Boundary for 2011/12 was set at £542M and £869M for 2012/13.
- The Chief Financial Officer (CFO) confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year and borrowing at its peak was £309M.

4. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate

Exposure

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- 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.

	Limits for 2010/11 %
Upper Limit for Fixed Rate Exposure	100
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	50
Compliance with Limits:	Yes

5. Total principal sums invested for periods longer than 364 days

This indicator allows the Council to manage the risk inherent in investments longer than 364 days and the limit is set at £50M. In 2010/11 and 2011/12 the actual principal sum invested for periods longer than 364 days peaked at £21M and £27M respectively.

6. Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

	Lower Limit	Upper Limit	Actual Fixed Debt as at 31/3/2012	Average Fixed Rate as at 31/3/2012	% of Fixed Rate as at 31/3/2012	Compliance with set Limits?
	%	%	£M	%		
Under 12 months	0	45	10	2.67	4.06	Yes
12 months and within 24 months	0	45	3	1.97	1.17	Yes
24 months and within 5 years	0	50	0	0.00	0.00	Yes
5 years and within 10 years	0	75	104	3.23	40.58	Yes
10 years and within 15 years	0	75	0	0.00	0.00	Yes
15 years and within 20 years	0	75	0	0.00	0.00	Yes
20 years and within 25 years	0	75	0	0.00	0.00	Yes
25 years and within 30 years	0	75	10	4.68	3.90	Yes
30 years and within 35 years	0	75	5	4.60	1.95	Yes
35 years and within 40 years	0	75	25	4.62	9.76	Yes
40 years and within 45 years	0	75	53	3.61	20.65	Yes
45 years and within 50 years	0	75	46	0.35	17.93	Yes
50 years and above	0	100	0	0.00	0.00	Yes
			256	3.47	100.00	

7. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The definition of financing costs is set out at paragraph 87 of the Prudential Code. The ratio is based on costs net of investment income. The increase in the HRA financing costs is due to the reform of HRA council housing finance as detailed in paragraph 10 of the Treasury Management Outturn report.

Ratio of Financing Costs to Net Revenue Stream	2010/11 Actual %	2011/12 Approved %	2011/12 Actual %	2012/13 Approved %	2013/14 Approved %	2014/15 Approved %
General Fund	4.89	7.09	6.30	6.84	7.42	7.17
HRA	4.46	5.75	4.65	10.92	11.05	10.84
Total	6.01	7.49	7.12	8.84	9.36	8.93