APPENDIX A

PRUDENTIAL INDICATORS – OUTTURN 2010/11

PRUDENTIAL INDICATORS

1. Capital finance, borrowing and investment arrangements are brought together in a series of prudential indicators and limits to give a general picture of the affordability, prudence and sustainability of financing activities. The indicators are drawn from the Prudential Code on Capital Finance for Local Authorities and the Treasury Management in the Public Services Code of Practice both published by CIPFA and updated in November 2009. The Local Government Act 2003 requires that councils have regard to these codes.

2. This appendix sets out the outturn indicators for 2010/11 drawn from the council's accounts for the year.

CRITERIA ONE: AFFORDABILIY AND PRUDENTIAL INDICATORS ON AFFORDABILITY

INDICATOR ONE: ESTIMATES OF RATIO OF FINANCING COSTS TO NET REVENUE STREAM

The financing ratio reflects financing costs arising from capital expenditure funded from borrowing and income from cash balances as a proportion of the net revenue stream. The ratio for the HRA and the General Fund (GF) are set out below. The different level of the HRA and GF ratios reflect the different way the two services are organised under law. The indicators have been updated to capture accounting changes requiring certain leases and PFI arrangements to be treated as if they are like borrowing. The changes have no bottom line impact on budgets, rents or council tax.

Financing Ratios	2009/10 Actual	**2010/11 Actual**
Housing Revenue Account	33.0%	**33.0%**
General Fund	3.4%	**4.1%**

INDICATOR TWO: ESTIMATES OF THE INCREMENTAL IMPACT OF CAPITAL INVESTMENT ON THE COUNCIL TAX AND HOUSING RENTS

This indicator is about the impact on council tax and rents of the capital programme. No increase in council tax or rents was sought as a result of capital spend funded through borrowing.

Notional Rent or Council Tax Increases	2009/10	2010/11 Actual
Weekly housing rent increase as a result of capital programme	Nil	Nil
Council tax band D increase as a result of capital programme	Nil	Nil

CRITERIA TWO: PRUDENCE AND PRUDENTIAL INDICATORS FOR PRUDENCE

INDICATOR THREE: ESTIMATES OF CAPITAL EXPENDITURE

The actual capital expenditure for 2010/11 was £167m, lower than the previous year reflecting programme spending profiles and availability of resources.

Capital Expenditure	2009/10 Actual £m	**2010/11 Actual £m**
Housing Revenue Account	97	**71**
General Fund	107	**96**
Total	204	**167**

INDICATOR FOUR: ACTUAL AND ESTIMATES OF CAPITAL FINANCING REQUIREMENTS.

The capital financing requirement (CFR) reflects the use of borrowing to pay for past capital expenditure, net of sums setaside a minimum revenue payment (MRP) in accordance with the MRP policy agreed by council assembly annually.

CFR	2009/10 Actual £m	**2010/11 Actual £m**
Housing Revenue Account	639	**650**
General Fund	137	**142**
Total	776	**792**

The figures include the cost of certain leases and similar private finance initiative arrangements which new international accounting standards now require be brought on the balance sheet. The changes were backdated to the inception of the lease/PFI arrangements and in 2010/11 the sum represented by those arrangements was £10m (£11m in 2009/10), falling mainly on the GF.

INDICATOR FIVE: ACTUAL DEBT- THE AUTHORISED AND OPERATIONAL LIMITS

These limits are the maximum sum that may be outstanding on debt and long term liabilities on any one day. The lower limit is the operational boundary and takes account of ordinary activity. The authorised limit is the higher limit to accommodate unexpected borrowing that may be needed for very short periods. The total authorised limit is the limit councils have to determine under the Local Government Act 2003.

The average level of borrowing in any one year is usually close to the capital financing requirement, but it may be higher or lower depending on cash flow needs and timing of borrowing decisions. The limits accommodate such variation where prudent and taken in a risk controlled framework. And as no new borrowing was taken in 2010/11 and no loans were refinanced sooner (on account of un-affordable refinancing costs), the actual level of borrowing was unchanged over the year. Long term liabilities include the cost of certain leases and PFI arrangement which under new accounting standards now have to be brought on the balance sheet.

Operational Boundary and Authorised Limits for External debt -	2009/10 Actual Max £m	2010/11 Limit £m	**2010/11 Actual Max £m**
Operational Boundary for Debt			
Borrowing	762	860	**762**
Other long term liabilities	0	20	**10**
Total Operational	762	880	**772**
Authorised Limit for Debt -			
Borrowing	762	890	**762**
Other long term liabilities	0	20	**10**
Total Authorised	762	910	**772**

CRITERIA THREE: TREASURY MANAGEMENT

INDICATOR SIX: ADOPTION OF THE CIPFA CODE OF PRACTICE ON TREASURY MANAGEMENT IN THE PUBLIC SERVICES

This indicator is about confirming that CIPFA's Treasury Management in the Public Services Code of Practice has been adopted. The code was updated in November 2009 and the council assembly agreed its additional reporting and scrutiny recommendations in February 2010.

INDICATOR SEVEN: INTEREST RATE EXPOSURES – FIXED
INDICATOR EIGHT: INTEREST RATE EXPOSURES - VARIABLE
INDICATOR NINE: MATURITIES

Council debt currently consists entirely of fixed rate loans, with very little falling for repayment over the next few years. As with the authorised and operational limits, the interest rate exposure limits include flexibility to prudently vary debt should financial conditions prove favourable. As no new borrowing or re-financing was carried out in 2010/11, the outturn fixed, variable and maturity exposure reflects the existing debt structure.

LIMITS ON FIXED AND VARIABLE RATES	2009/10 Maximum Actual £m	2010/11 Limit £m	**2010/11 Actual £m**
Upper limit for fixed interest rate exposure	762	890	**762**
Upper limit for variable rate exposure	0	225	**0**

Maturity structure of fixed rate borrowing	2009/10 Actual	2010/11 Lower Limit	2010/11 Upper Limit	**2010/11 Actual**
Under 12 months	0%	0%	30%	**0%**
12 months and within 24 months	0%	0%	30%	**0%**
24 months and within 5 years	4%	0%	60%	**18%**
5 years and within 10 years	26%	0%	80%	**12%**
10 years and above in each 10 year period	70%	0%	100%	**70%**

INDICATOR TEN: TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS.

Cash balances are invested across a number of counterparties which can include the government, local authorities, and large high rated banks and building societies. Exposure to investments beyond one year were managed within a risk controlled framework by fund managers and were held in UK government debt or supranational bodies such as the European Investment Bank and the International Bank for Reconstruction and Redevelopment (the World Bank). Actual exposure against the limits is set out below.

Upper limit on investments greater than 1 yr	2009/10 Actual	2010/11 Limit	**2010/11 Actual**
Upper limit / Actual	Actual max exposure 20% of investments greater than 1 year Overall maximum average maturity 8 months Longest investment 8 years	Up to 50% of investments greater than 1 year Overall average maturity 3 years, but any one investment may be longer as referred to in the Annual Investment Strategy	**16% of investments greater than 1 year** **Overall maximum average maturity 7 months** **Longest investment 5 yrs**