APPENDIX A

PRUDENTIAL INDICATORS 2009/10 OUTTURN

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 and limits are grouped into three broad areas: affordability, prudence and treasury management.

2. 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.

3. This appendix sets out the outturn indicators for 2009/10 drawn from the council's accounts for the year.

CRITERIA ONE: AFFORDABILIY AND PRUDENTIAL INDICATORS ON AFFORDABILITY

INDICATOR ONE: 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. The outturn ratio for the Housing Revenue Account (HRA) and the General Fund (GF) are set out below. The difference in scale between the HRA and the GF is due to the different way the two services are organised. (NB. The negative figure in 2008/09 for the GF represents more GF investment income than GF debt expense in that year).

Financing Ratios	2008/09 Actual	**2009/10 Actual**
HRA	32.0%	**33.0%**
GF	-0.7%	**2.5%**

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

This ratio is about the impact on council tax and rents of the capital programme. No increase in council tax or rent in 2009/10 arose as a result of the programme.

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CRITERIA TWO: PRUDENCE AND PRUDENTIAL INDICATORS FOR PRUDENCE

INDICATOR THREE: CAPITAL EXPENDITURE

The actual capital expenditure for 2009/10 was £202m, an overall increase of £11m from the previous year as set out below.

Capital Expenditure	2008/09 Actual £m	**2009/10 Actual £m**
HRA	116	**97**
GF	75	**105**
Total	191	**202**

INDICATOR FOUR: CAPITAL FINANCING REQUIREMENTS.

The capital financing requirement (CFR) reflects the use of borrowing to pay for past capital expenditure. In 2009/10 the HRA CFR rose by £13m, the sum supported by capital expenditure approvals, and the GF CFR fell by £5m, the sum set aside as minimum revenue provision (MRP) in accordance with the MRP policy agreed by council assembly annually.

CFR	2008/09 Actual £m	**2009/10 Actual £m**
HRA	626	**639**
General Fund	131	**126**
Total	757	**765**

INDICATOR FIVE: ACTUAL DEBT- THE AUTHORISED AND OPERATIONAL LIMITS

The limits are for 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.

PRUDENTIAL INDICATORS 2009/10 OUTTURN

The limits are related to the CFR and average borrowing is usually close to that. However actual borrowing on any one day may be higher or lower than that depending on cash flow needs and refinancing activity. The limits accommodate such variations where prudent and taken in a risk controlled framework. With interest rates well below average loan rates, refinancing costs were high and not affordable. And as borrowing needed for capital spend in 2009/10 was taken in 2008/09, the actual debt, as shown in the table below, remained unchanged over the course of the year.

Operational Boundary and Authorised Limits for External debt -	2008/09 Actual £m	2009/10 Limit £m	**2009/10 Actual £m**
Operational Boundary for Debt			
Borrowing	762	845	762
Other long term liabilities	0	20	0
Total Operational (*)	762	865	**762**
Authorised Limit for Debt -			
Borrowing	762	885	762
Other long term liabilities	0	20	0
Total Authorised (*)	762	905	**762**

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 code has been adopted. The code was updated in November 2009 and council assembly agreed its additional recommendations on reporting and scrutiny at its meeting 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 for debt to vary prudently should financing conditions prove favourable. As no new borrowing or refinancing was carried out, the 2009/10 outturn fixed, variable and maturity indicators, set out below, reflect the existing debt structure.

LIMITS ON FIXED AND VARIABLE RATES	2008/09 Actual £m	2009/10 Limit £m	**2009/10 Actual £m**
Upper limit for fixed interest rate exposure	762	885	**762**
Upper limit for variable rate exposure	0	220	**0**

PRUDENTIAL INDICATORS 2009/10 OUTTURN

Maturity structure of fixed rate borrowing	2008/09 Actual	2009/10 Lower Limit	2009/10 Upper Limit	**2009/10 Actual**
Under 12 months	0%	0%	30%	**0%**
12 months and within 24 months	0%	0%	30%	**0%**
24 months and within 5 years	0%	0%	60%	**4%**
5 years and within 10 years	29%	0%	80%	**26%**
10 years and above	71%	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 include the Government, local authorities, and major high rated banks and building societies. Exposures to investments beyond one year were managed within a risk controlled framework by fund managers and were held in UK Government debt or supranational bonds. Actual exposure against the limits is set out below.

Upper limit on investments greater than 1 yr	2008/09 Actual	2009/10 Limit	**2009/10 Actual**
Upper limit / Actual	Actual max exposure 25% of investments greater than 1 year Overall maximum average maturity 1.1 years Longest Investment 10 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	**20% of investments greater than 1 year** **Overall maximum average maturity 8 months** **Longest investment 10 yrs**