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. There are 10 indicators and limits, grouped into three broad areas: affordability, prudence and treasury management.

2. This appendix provides an explanation of each indicator and the outturn for 2008/09 drawn from the Council's statement of accounts. The projections were last updated in February 2009.

CRITERIA ONE: AFFORDABILIY AND PRUDENTIAL INDICATORS ON AFFORDABILITY

INDICATOR ONE:

ESTIMATES OF RATIO OF FINANCING COSTS TO NET REVENUE STREAM

This ratio reflects financing costs arising from capital expenditure funded from borrowing and income from cash balances. The GF ratio continues to reflect firm cash balances and investment returns. However, this benefit is expected to erode over time as the flow of receipts slows, spend picks up and interest rates remain low. The different pattern of the HRA and GF ratios reflects the different way the two services are organised under law.

Financing Ratios	2007/08 Actual	2008/09 Previous Projection	**2008/09 Outturn**
HRA	33.0%	32.0%	**32.0%**
GF	-1.3%	0.3%	**-0.7%**

INDICATOR TWO:

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

Additional budgetary requirement for the capital programme may arise from self-financed borrowing, which unlike supported borrowing is entirely funded from the Council's revenue budget. No self-financed borrowing was carried out in 2008/09 and there was no additional impact on council tax or rent.

CRITERIA TWO: PRUDENCE AND PRUDENTIAL INDICATORS FOR PRUDENCE

INDICATOR THREE:

ESTIMATES OF CAPITAL EXPENDITURE

The actual capital expenditure for 2008/09 was £186m, below previous projection. The HRA experienced a marked pick up in spending, while GF spend slipped. The slippage will now be reflected as spending in 2009/10.

Capital Expenditure	2007/08 Actual £m	2008/09 Previous Projection	**2008/09 Outturn**
HRA	76	100	**116**
GF	64	115	**70**
Total	140	215	**186**

INDICATOR FOUR:

ACTUAL AND ESTIMATES OF CAPITAL FINANCING REQUIREMENTS.

Both the HRA and the GF capital financing requirements (CFR) reflect the use of borrowing to pay for past and current capital expenditure after allowing for sums set aside from revenue to repay debt. The actual CFR for 2008/09 is set out below.

CFR	2007/08 Actual £m	2008/09 Previous Projection £m	**2008/09 Outturn £m**
HRA	614	626	**626**
General Fund	129	131	**131**
Total	743	757	**757**

INDICATOR FIVE:

ACTUAL DEBT- THE AUTHORISED AND OPERATIONAL LIMITS

There are two limits on debt and long term liabilities outstanding 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 maximum actual debt in 2008/09 was £762m and within both limits. There were no long term liabilities.

Operational Boundary and Authorised Limits for External debt -	2007/08 Actual Max £m	2008/09 Boundary/ Limit £m	**2008/09 Outturn £m**
Operational Boundary for Debt			
Borrowing	730	815	**762**
Other long term liabilities	0	16	**0**
Total Operational	730	831	**762**
Authorised Limit for Debt -			
Borrowing	730	850	**762**
Other long term liabilities	0	17	**0**
Total Authorised	730	867	**762**

CRITERIA THREE: TREASURY MANAGEMENT

INDICATOR SIX:

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

This indicator confirms that the Council has adopted the Code of Practice for Treasury Management in the Public Sector issued by CIPFA.

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. Exposure across the three limits (fixed, variable and upper + lower maturity limits) reflected historical debt and was in line with expectations.

LIMITS ON FIXED AND VARIABLE RATES	2007/08 Maximum Actual £m	2008/09 Previous Limit £m	**2008/09 Outturn £m**
Upper limit for fixed interest rate exposure	730	850	**762**
Upper limit for variable rate exposure	0	215	**0**

Maturity structure of fixed rate borrowing	2007/08 Actual	2008/09 Upper Limit	2008/09 Lower Limit	**2008//09 Outturn**
Under 12 months	0%	25%	0%	**0%**
12 months and within 24 months	0%	30%	0%	**0%**
24 months and within 5 years	0%	60%	0%	**0%**
5 years and within 10 years	30%	80%	0%	**29%**
10 years and above	70%	100%	0%	**71%**

INDICATOR TEN:

TOTAL PRINCIPAL SUMS INVESTED FOR PERIODS LONGER THAN 364 DAYS.

Exposure to investments beyond one year helps raise returns particularly when rates are falling. The actual exposure in 2008/09 reflected lengthened exposure to Government and Supranational bonds.

Upper limit on investments greater than 1 yr	2007/08	2008/09	**2008/09**
Upper limit / Actual	Actual max exposure 16% 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	**Outturn 25% of investments greater than 1 year** **Overall maximum average maturity 1.1 years** **Longest investment 10 yrs**