

APPENDIX Prudential and Treasury Indicators

The following prudential indicators, in the table below, are relevant for the purposes of setting an integrated treasury management strategy.

PRUDENTIAL INDICATOR	2010/11	2011/12	2012/13	2013/14	
(1). AFFORDABILITY PRUDENTIAL INDICATORS	actual	estimate	estimate	Estimate	
Capital Expenditure	£'000	£'000	£'000	£'000	
Non – HRA	28,518	11,317	7,193	4,932	
HRA (applies only to housing authorities)	5,965	4,994	4,994	4,994	
TOTAL	34,483	16,311	12,187	9,926	1
Capital Financing Requirement (CFR)	£'000	£'000	£'000	£'000	
Non – HRA	130,764	136,729	130,688	124,889	
HRA (applies only to housing authorities)	40,887	40,887	40,887	40,887	
TOTAL	171,651	177,616	171,575	165,776	2
Affordable Borrowing Limit					
Estimate of incremental impact of capital investment decisions	£	£	£	£	
Increase in council tax (band D, per annum)	8.80	3.47	1.03	0.00	3
Increase in housing rent per week	0.0	0.0	0.0	0.0	4
Ratio of financing costs to net revenue stream					
Non – HRA	2.55%	2.68%	2.70%	2.70%	5
HRA (applies only to housing authorities)	6.50%	6.95%	5.69%	5.69%	5
Net External Borrowing only to support the CFR in Medium Term		£'000			
Net External borrowing over medium term		137,756			
Total CFR over Medium Term		<u>177,616</u>			
Net External Borrowing < Total CFR		<u>TRUE</u>			6

TREASURY INDICATOR	2010/11	2011/12	2012/13	2013/14	
(2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	actual	estimate	estimate	estimate	
Authorised limit for external debt -	£'000	£'000	£'000	£'000	
Borrowing	214,500	214,500	214,500	214,500	
other long term liabilities	7,700	7,400	7,100	6,800	
TOTAL	222,200	221,900	221,600	221,300	7
Operational boundary for external debt -	£'000	£'000	£'000	£'000	
Borrowing	189,400	189,400	189,400	189,400	
Other long term liabilities	7,700	7,400	7,100	6,800	
TOTAL	197,100	196,800	196,500	196,200	7

Upper limit for fixed interest rate exposure Net principal re fixed rate borrowing / investments	140%	140%	140%	140%	8
Upper limit for variable rate exposure Net principal re variable rate borrowing / investments	-40%	-40%	-40%	-40%	8
Upper limit for total principal sums invested for over 364 days (per maturity date)	£'000	£'000	£'000	£'000	9
	10,000	10,000	10,000	10,000	

Maturity structure of new fixed rate borrowing during 2010/11	Upper limit	lower limit
Under 12 months	40%	0%
12 months and within 24 months	35%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	50%	0%
10 years and above	90%	30%

Notes to the indicators:

1. Capital expenditure is derived from the Capital Programme forecast. Capital expenditure decreases over the 3 year forecast as further external funding is to be identified.
2. Capital Financing Requirement relates to all capital expenditure – i.e. it includes relevant capital expenditure incurred in previous years. The Capital financing requirement reflects the authority's underlying need to borrow.
3. The finance costs related to the increases in capital expenditure impact upon Council tax. The costs over the three year forecast fall as the estimated capital expenditure in the third year is lower therefore finance costs fall as loan interest falls and investment balances stay constant.
4. There is no direct impact of capital expenditure on housing rents as the housing rent is set according to Government formula.
5. Both General Fund and HRA finance costs to net revenue streams remain stable throughout the 3 year forecast.
6. To ensure that borrowing is only for a capital purpose and therefore show that the authority is being prudent this indicator compares the level of borrowing and capital financing requirement (CFR) over the medium term. The level of borrowing will always be below the CFR.
7. The authorised limit and operational boundary are consistent with the authority's plans for capital expenditure and financing. The authorised limit is the maximum amount that the authority can borrow. There is

headroom within this limit to borrow the following 3 years capital financing requirement.

8. The variable and fixed limits together look at the whole portfolio and will therefore together always show 100% exposure. Variable interest rate limit can be positive or negative as investments under 364 days are classed as variable and are credit balances which are offset against debit variable loans. The smaller the balance of investments, the more likely the variable limit will be positive as the variable loan debit balance will be higher than the credit investment balance offset against it.
9. Principal sums invested for periods longer than 364 days has been set at £10 million. The investment balance is estimated to be cash flow driven, however if the opportunity arises that surplus investment balances are available then advantage will be taken of favourable rates.