

Appendix C - Prudential Indicator Monitoring Month 3 2012/13

The table below shows the prudential indicators as derived from the Treasury Management Strategy Report for 2012/13 and the Original Budget for 2012/13 as approved at Council in February 2012. The Original Budget for 2012/13 is compared with the Forecast Outturn for 2012/13 as at 30th June 2012.

CAPITAL EXPENDITURE	Original Budget 2012/13	Forecast Outturn at 30 Jun 12	Variance	Notes
	£'000	£'000		
Estimate of Capital Expenditure				
Non-HRA	8,041	11,693	45.42%	1
HRA existing expenditure	6,905	6,937		1
TOTAL	14,946	18,630		
Estimate of Capital Financing Requirement (CFR)				
Non-HRA	133,705	128,337	-4.02%	3
HRA existing expenditure	40,887	40,531		3
HRA reform settlement	79,258	78,253		3
	253,850	247,121		

AFFORDABILITY	Original Budget 2012/13	Forecast Outturn at 30 Jun 12	variance	Notes
	£'000	£'000		
Estimate of incremental impact of capital investment decisions				
Increase in council tax (band D, per annum)	£1.44	£0.35	-75.69%	4
Increase in housing rent per week	£0.00	£0.00		5
Ratio of Financing Costs to net revenue stream				
Non-HRA	2.55%	2.29%	-10.20%	6
HRA	6.25%	5.70%	-8.80%	6
Net External Borrowing only to support the CFR in Medium Term	£'000	£'000		
Net External borrowing over medium term	217,014	205,621		7
Total CFR over Medium Term	255,212	247,121		7
Net External Borrowing < Total CFR	TRUE	TRUE		

EXTERNAL DEBT	Original Budget 2012/13	Forecast Outturn at 30 Jun 12	variance	Notes
	£'000	£'000		
Authorised limit of external debt				
Borrowing	214,500	214,500		
Other long term liabilities	7,400	7,800		
HRA reform settlement	79,300	78,253		
TOTAL	301,200	300,553		8

Operational boundary			
Borrowing	189,400	189,400	
Other long term liabilities	7,400	7,400	
HRA reform settlement	79,300	78,253	
TOTAL	276,100	275,053	8

TREASURY MANAGEMENT	Original Budget 2012/13	Forecast Outturn at 30 Jun 12	variance	Notes
Upper limit for fixed interest rate exposure Net principal re fixed rate borrowing / investments	140%	140%		9
Upper limit for variable rate exposure Net principal re variable rate borrowing / investments	-40%	-40%		9
Upper limit for total principal sums invested for longer than 364 days	£10m	£10m		10
Maturity structure of fixed rate borrowing at 30 Jun 2012	Upper/lower limit	Actual		
Under 12 months	40% - 0%	3.86%		
12 months and within 24 months	35% - 0%	3.78%		
24 months and within 5 years	40% - 0%	7.74%		
5 years and within 10 years	50% - 0%	6.81%		
10 years and above	90% - 30%	77.81%		

Notes to the Prudential Indicators:

1. The original budget shows the approved Capital Programme expenditure of £14,946,000. The forecast outturn of £18,630,000 is higher than budget because of slippage from 2011/12.
2. Following the Government announcement to reform the system of financing Council housing, the Authority had to pay the Department for Communities and Local Government £78.253m on the 28th March 2012. The Council financed this expenditure by PWLB loans.
3. 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.
4. The finance costs related to the increases in capital expenditure impact upon Council tax. The increase in Council Tax reflects the level of borrowing to be taken in 2012/13 to finance current and previous years' capital expenditure.

5. There is no direct impact of capital expenditure on housing rents as the housing rent is set according to Government formula.
6. The ratios for financing costs to net revenue stream for both General Fund and HRA have remained relatively stable.
7. 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.
8. 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.
9. 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.
10. Principal sums invested for periods longer than 364 days have 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.