

Appendix A

Treasury Management Prudential Indicators

1 Capital Expenditure:

The 2009/10 actual capital expenditure and estimates of capital expenditure for the current and future years that are recommended for approval are:

	2008/09 Actual £000's	2009/10 Actual £000's	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's
General Fund	10,938	5,724	10,904	5,934	3,562
HRA	10,611	19,745	17,648	17,400	17,400
Total	21,549	25,469	28,552	23,334	20,962

2 Ratio of financing costs to net revenue stream:

	2008/09 Actual %	2009/10 Actual %	2010/11 Estimate %	2011/12 Estimate %	2012/13 Estimate %
Financing costs re					
General Fund Capital Exp	-2.65%	0.33%	1.23%	5.12%	5.24%
HRA Capital Exp	-5.17%	-1.59%	-0.61%	-0.36%	0.88%

General Fund: Net revenue stream is the RSG, NNDR grant and Council Tax raised for the year. In 2008/09 the Council was debt free and earned interest which was retained in the General Fund. As a result, the indicator was negative for 2008/09. From 2009/10 onwards the General Fund pays more interest to the HRA than it is predicted to earn from investments and the indicator becomes positive. In addition, the General fund is having to pay the interest costs on the 'supported borrowing' undertaken on behalf of the HRA.

HRA: The net revenue stream is the income from received rents and service charges. The ratio of financing costs to net revenue stream is negative while the HRA investment interest is greater than the supported borrowing costs.

3 Net Borrowing requirement

	2008/09 Actual £000's	2009/10 Probable £000's	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's
Brought forward 1 April	-39,420	-30,710	-10,534	1,801	13,000
Borrowing	2,000	5,441	17,801	26,753	39,753
Investments	-32,710	-15,975	-16,000	-16,000	-16,000
Carried forward 31 March	-30,710	-10,534	1,801	10,753	23,753
In year borrowing requirement	0	11,560	11,636	13,000	11,000

The net borrowing requirement is defined as borrowing less investments. The net borrowing requirement may not, except in the short term, exceed the total capital financing requirement in the preceding year, plus the estimates of any additional financing requirement for the current and next two years. **Net borrowing will have moved by £54,463,000 from 2008/09 to 2012/13.** NB: £49.7m relates to supported borrowing, the remaining £4.8m being used to fund the Council's capital programme.

4 Capital financing requirement

	2008/09 Actual £000's	2009/10 Actual £000's	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's
Capital financing requirement GF	26,743	26,743	27,543	29,543	31,363
Capital financing requirement HRA	-32,865	-20,536	-10,505	1,261	12,261
Total Capital financing requirement	-6,122	6,207	17,038	30,804	43,624

The Capital Financing Requirement reflects the amount of money the Council would need to borrow to fund its capital programme. This indicator is negative while the Council has no external debt, having borrowed money from the HRA. When the indicator becomes positive the Council will need to borrow to fund the capital programme. However, where the borrowing is 'supported borrowing' the Government will pay the interest costs on the borrowing. Prudential borrowing needs to be met from Council Tax.

5 Incremental impact on capital investment decisions

	2009/10 £	2010/11 £	2011/12 £	2012/13 £
Increase in Council Tax (band D)	0.00	0.42	5.69	13.23
Increase in average housing rent per week	0.00	0.00	0.00	0.00

General Fund -This is an indicator of the affordability of the capital programme and its effect on the Council Tax. This indicator compares the original Capital Strategy years programme (February 2009 Executive) updated for the decent homes supported borrowing to the February 2010 Capital Strategy, **an increase in the capital expenditure would mean less capital resources available to invest, resulting in less interest earned by the General Fund.** A decrease in the programme would mean more resources available to invest, giving more interest earned. This is expressed as a saving/increased cost on the average band D property.

HRA -This is an indicator of the affordability of the capital programme and its effect on the Council Tax. This indicator compares the original years programme (September Executive) to the revised programme (February Executive), an increase in the programme would mean less resources available to invest resulting in less investment interest earned by the HRA. A decrease in the programme would mean more resources available to invest, giving more interest earned. This is expressed as a saving/increased cost on the average rent.

6 Authorised Limit for external debt

	2008/09 Actual £000's	2009/10 Actual £000's	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's
Borrowing	0	26,560	38,920	47,872	60,872
Other long term liabilities	0	0	0	0	0
Total	0	26,560	38,920	47,872	60,872

7 Operational Boundary for external debt

	2008/09 Actual £000's	2009/10 Actual £000's	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's
Borrowing	0	21,560	33,920	42,872	55,872
Other long term liabilities	0	0	0	0	0
Total	0	21,560	33,920	42,872	55,872

The operational boundary differs from the authorised limit in that it is the level up to which the Council may have to borrow. The Council may need to borrow short term for cash flow purposes.

8 Upper limit for fixed interest rate exposure

This is defined as net principal re fixed rate borrowing less fixed rate investments

	2008/09 Actual £000's	2009/10 Actual £000's	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's
Fixed rate borrowing - fixed rate investments	-27,800	-30,000	19,920	28,872	41,872

As the amount of supported borrowing increases, so the limit becomes more positive

9 Upper limit for variable interest rate exposure

This is defined as net principal re variable rate borrowing less variable rate investments

	2008/09 Actual £000's	2009/10 Actual £000's	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's
Variable rate borrowing - variable rate investments	-2,910	-20,000	-25,000	-25,000	-25,000

These are negative while investment income exceeds the investment payments.

11 Upper limit for total principal sums invested for over 364 days

	2008/09 Actual £000's	2009/10 Actual £000's	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's
Sums invested for over 364 days	10,000	10,000	10,000	2,000	2,000