

Appendix A
(Attachment 6)

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:

	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
General Fund	7,311	9,949	3,562	3,682	3,682
HRA	17,639	15,466	13,504	13,504	13,504
Total	24,950	25,415	17,066	17,186	17,186

2 Ratio of financing costs to net revenue stream:

	2010/11 Estimate %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate £000's	2014/15 Estimate £000's
Financing costs re					
General Fund Capital Exp	0.67%	2.09%	4.73%	7.21%	9.54%
HRA Capital Exp	-0.41%	-0.14%	-0.06%	-0.09%	-0.11%

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 is now positive. In addition, the General fund is having to pay a proportion of 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

	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
Brought forward 1 April	-10,534	1,551	9,446	11,446	13,446
Borrowing	17,551	28,446	30,446	32,446	34,446
Investments	-16,000	-19,000	-19,000	-19,000	-19,000
Carried forward 31 March	1,551	9,446	11,446	13,446	15,446
In year borrowing requirement	12,110	10,895	2,000	2,000	2,000

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 £16,895,000 from 2010/11 to 2012/13.** NB: Of the £34.4m borrowing at 2014/15, £25.6m relates to supported borrowing for the HRA, the remaining £8.8m being used to fund the Council's capital programme.

4 Capital financing requirement

	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
Capital financing requirement GF	27,543	29,543	31,363	33,183	35,003
Capital financing requirement HRA	-10,505	-1,094	-1,094	-1,094	-1,094
Total Capital financing requirement	17,038	28,449	30,269	32,089	33,909

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

	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £
Increase in Council Tax (band D)	0.39	5.35	12.93	19.30	25.38
Increase in average housing rent per week	0.00	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 2010 Executive) to the current (February 2011) Capital Strategy. **An increase in the capital expenditure requires increased borrowing, and an additional interest charge, and provision for repayment of debt, to be borne by the General Fund.** This is expressed as an 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 rent payer. 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. As the HRA borrowing is all supported, there is no gain or loss on rent - the costs are met through the subsidy system.

6 **Authorised Limit for external debt**

	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
Borrowing	38,920	49,565	58,517	67,469	76,421
Other long term liabilities	0	0	0	0	0
Total	38,920	49,565	58,517	67,469	76,421

7 **Operational Boundary for external debt**

	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
Borrowing	33,920	44,565	53,517	62,469	71,421
Other long term liabilities	0	0	0	1	2
Total	33,920	44,565	53,517	62,470	71,423

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

	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
Fixed rate borrowing - fixed rate investments	19,920	30,565	39,517	48,469	57,421

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

	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
Variable rate borrowing - variable rate investments	-25,000	-25,000	-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**

	2010/11 Estimate £000's	2011/12 Estimate £000's	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's
Sums invested for over 364 days	10,000	2,000	2,000	2,000	2,000