## Appendix A Attachment Six

# **Treasury Management Prudential Indicators**

## 1 Capital Expenditure:

The revised estimates of capital expenditure for the current (2012/13) and future years that are recommended for approval are:

	2012/13 Estimate £000's	2013/14 Estimate £000's	2014/15 Estimate £000's	Estimate	Estimate	Estimate
General Fund	12,521	4,844	4,238	5,889	4,729	4,881
HRA	18,282	22,147	22,539	16,955	18,055	22,338
Total	30,803	26,991	26,777	22,844	22,784	27,219

Note: the 2012/13 estimate for the General fund is based on the capital programme approved at the January Executive, amended for the Part 2 Acquisition Report also considered at January 2013 Executive.

### 2 Ratio of financing costs to net revenue stream:

	2012/13 Estimate %		Estimate	Estimate	Estimate	Estimate
Financing costs re						
General Fund Capital Exp	1.16%	8.36%	12.22%	15.62%	19.40%	22.88%
HRA Capital Exp	18.81%	17.90%	17.12%	15.89%	15.08%	14.13%

General Fund: Net revenue stream is the RSG, NNDR grant and Council Tax raised for the year. Although forecast interest received (£137k) exceeds forecast interest paid (£110k), there is an MRP cost of £105k.

HRA: The net revenue stream is the income from received rents and service charges. The ratio of financing costs to net revenue stream reflects the high level of debt as a result of supported borrowing.

### **3 Net Borrowing requirement**

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
Brought forward 1 April	205,355	219,858	216,579	220,256	220,384	224,852
Borrowing - HRA	213,915	211,915	211,915	206,415	206,415	202,674
Borrowing - General Fund	11,845	14,664	18,341	23,969	28,437	33,056
Investments	(5,902)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Carried forward 31 March	219,858	216,579	220,256	220,384	224,852	225,730
In year borrowing requirement	8,845	819	3,677	128	4,468	878

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 for the next two years. The borrowing requirement agrees with the Councils current borrowing plans, which are to borrow internally to fund the 2011/12 and 2012/13 underlying need to borrow, with the exception of the January approved acquisition for £7,135,000. This practice may change as interest rates normalise, or if required for cash management purposes. In any case, the Net Debt position will not exceed the CFR of the Council, in accordance with the revised 2011 Prudential Code.

### **4 Capital Financing Requirement**

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
Capital Financing Requirement GF	16,685	18,870	21,701	26,303	29,554	32,757
Capital Financing Requirement HRA	214,655	212,655	212,655	207,155	207,155	203,414
Total Capital Financing Requirement	231,340	231,525	234,356	233,458	236,709	236,171

The Capital Financing Requirement (CFR) reflects the amount of money the Council would need to borrow to fund it's capital programme. This is split between the Housing Revenue Account CFR (HRACFR) and the General Fund CFR (GFCFR).

## 5 Incremental Impact on Capital Investment Decisions

	2012/13 £	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Increase in Council Tax (band D)	6.35	34.76	48.31	60.43	73.22	85.86
Increase in average housing rent per week	0.00	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 shows the expected costs including the updated Capital Strategy being reported to January 2013 Audit Committee.

**HRA** -This is an indicator of the affordability of the capital programme and its effect on the rent payer. As borrowing was supported under the old system (pre 1/4/2012) this is nil. From 2012/13 under self financing, the cost of borrowing, in terms of interest cost, and any principal, goes through the revenue account. The capital programme is fully funded from revenue contributions, depreciation and grants.

#### 6 Authorised Limit for external debt

	2012/13 Estimate £000's	Estimate	Estimate	Estimate	Estimate	Estimate
Borrowing - HRA	217,685	217,685	217,685	217,685	217,685	217,685
Borrowing - General Fund	16,679	19,498	23,175	28,803	33,271	37,890
Other long term liabilities	0	0	0	0	0	0
Total	234,364	237,183	240,860	246,488	250,956	255,575

The authorised limit in that it is the level up to which the Council may borrow without getting further approval from Council. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. The authorised limit allows for additional short term borrowing. The borrowing limits are based on the January approved capital strategy, with an additional £5M for short term borrowing.

## 7 Operational Boundary for external debt

	2012/13 Estimate £000's	Estimate	Estimate	Estimate	Estimate	Estimate
Borrowing - HRA	217,685	217,685	217,685	217,685	217,685	217,685
Borrowing - General Fund	11,679	14,498	18,175	23,803	28,271	32,890
Other long term liabilities	0	0	0	0	0	0
Total	229,364	232,183	235,860	241,488	245,956	250,575

The operational boundary differs from the authorised limit in that it is the level up to which the Council expects to have to borrow. The Council may need to borrow short term for cash flow purposes, exceeding the operational boundary. This is aligned to the January 2013 strategy. Although this represents the total external debt, CIPFA have revised the Prudential code for 2011 to not allow borrowing to equal the net debt position, thus maximum borrowing must not exceed the CFR, which includes an adjustment for MRP.

## 8 Upper limit for fixed interest rate exposure

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

	2012/13 Estimate £000's	Estimate	Estimate	Estimate	Estimate	Estimate
Fixed Rate Borrowing - HRA	217,685	217,685	217,685	217,685	217,685	217,685
Fixed Rate Borrowing - General fund	11,679	14,498	18,175	23,803	28,271	32,890
Fixed Rate Investments	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Net Fixed Rate Borrowing	219,364	222,183	225,860	231,488	235,956	240,575

Please note that the Net Exposure is not itself a limit. As borrowing increases, the net will inevitably rise, by keeping a fixed investments constant. It is conceivable that we would have no fixed investments at a point in time, as part of cash flow management.

## 9 Upper limit for variable interest rate exposure

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

	2012/13 Estimate £000's	Estimate	2014/15 Estimate £000's	Estimate	Estimate	2017/18 Estimate £000's
Variable rate borrowing - HRA	200,681	200,681	200,681	200,681	200,681	200,681
Variable rate borrowing - General Fund	11,679	14,498	18,175	23,803	28,271	32,890
Variable rate investments	(35,000)	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
Net Variable Rate Borrowing	177,360	175,179	178,856	184,484	188,952	193,571

Positive figures show that borrowing exceeds investment levels. It is the individual borrowing and investment limit, not the net variable rate borrowing which requires approval. Given the more buoyant balances during 2012/13, and current markets, the variable limits have increased, to enable us to place all of our rising balances variable if deemed appropriate.

### 10 Upper limit for total principal sums invested for over 364 days

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000's	£000's	£000's	£000's	£000's	£000's
Sums invested for over 364 days	2,000	5,000	5,000	5,000	5,000	5,000

Limit amended to £5 million, to allow us to take advantage of any safe fixed opportunities of higher income, subject to CFO approval.

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