Appendix C

2011-12 Prudential Indicators **Outturn Position 31/03/12**

For definitions and background to the prudential and treasury indicators, see the following reports:

- Prudential Indicators - Prudential Indicators for Capital Finance 2011-12 to 2013-14 – Report to Cabinet 23 February 2011 & Council 28 February 2011 - Annex B
- Treasury Indicators - Treasury Strategy 2011-12 to 2013-14 – Report to Cabinet 23 February 2011 & Council 28 February 2011 - Annex F

Affordability

a) Estimate of the ratio of financing costs to net revenue stream

Ratio of financing costs to net revenue stream		
	2011-12 Estimate %	2011-12 Estimate at 31/03/12 %
General Fund	7.58	4.24
HRA	17.67	18.51

Actual financing costs on the General Fund were lower than estimated due to savings in the debt financing budget in 2011-12, including (i) interest on the investment of cash balances being over achieved against budget, and (ii) carryforwards in the 2010-11 capital programme reducing the amount of minimum revenue provision (MRP) to be charged in year.

Actual financing costs on the HRA were higher than estimated due to significant new borrowing undertaken on 28 March 2012 to fund the HRA self financing settlement payment to the Department for Communities and Local Government (DCLG).

b) Estimate of the incremental impact of capital investment decisions on the council tax

Estimates of incremental impact of new capital investment decisions on the Council Tax	
	2011-12 Estimate £.p
General Fund	(0.04)

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

c) Estimate of the incremental impact of capital investment decisions on the housing rents

Estimates of incremental impact of new capital investment decisions on weekly housing rents	
	2011-12 Estimate £.p
HRA	0.74

This indicator is set before the start of the financial year, in the context of the budget setting process, which feeds into the setting of Council Tax and Housing Rents. As these are set and fixed for the financial year ahead, any capital investment decisions made during the year cannot impact on the existing Council Tax and Housing rent levels. This means that new capital investment plans approved during the year must be funded externally or from within existing resources.

Prudence

d) Net borrowing and the capital financing requirement (CFR)

Net external debt less than CFR			
	2011-12 Estimate £000	2011-12 Position at 31/03/2012 £000	2011-12 Maximum Net to 31/03/2012 £000
Borrowing	32,007	216,155	216,155
Less investments	65,962	37,071	36,633
Net external debt	0	179,084	179,522
2010-11 Closing CFR	25,043	20,106	20,106
Changes to CFR:			
2011-12	9,580	195,334	195,334
2012-13	12,249	(1,372)	(1,372)
2013-14	(893)	(10,974)	(10,974)
Adjusted CFR	45,979	203,094	203,094
Net external debt less than adjusted CFR	**Yes**	**Yes**	**Yes**

This is the key indicator of prudence. It is intended to show that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital requirement for the current and new two financial years.

As the Council’s estimated net external debt figure was a negative figure – ie investments in excess of debt - it has been presented as zero.

The large increase to borrowing and the CFR subsequent to the original estimate reflect the requirement to make a settlement payment of £193m to the DCLG on 28 March 2012 for the HRA self financing, largely funded by new external borrowing of £184m.

The forward looking changes to CFR are estimates that will be firmed up as more accurate forecasts become available.

Net external debt during the year, and at 31 March 2012, fell below the adjusted Capital Financing Requirement.

Capital Expenditure

e) Estimate of capital expenditure

Capital Expenditure		
	2011-12 Estimate £000	2011-12 Actual at 31/03/2012 £000
General Fund	9,864	7,436
HRA	19,748	21,291
Total	**29,612**	**28,727**

In the General Fund, the underspend against original estimate relates predominantly to planned revisions to the timing of projects and any unspent budget in 2011-12 will be carried forward to 2012-13. In the HRA expenditure was higher than originally planned largely due to programme changes arising from schemes carried forward from 2010-11, as well as increased expenditure resulting in additional homes being brought up to the decency standard. Full details of capital outturn, variances and carryforwards to 2012-13 are set out in the Capital Outturn Report to Cabinet on 11 July 2012.

f) Estimates of capital financing requirement (CFR)

Capital Financing Requirement (Closing CFR)		
	2011-12 31 March 2012 Estimate £000	2011-12 31 March 2012 Actual £000
General Fund	31,081	28,636
HRA	3,542	186,803
Total	**34,623**	**215,440**

The CFR can be understood as the Council's underlying need to borrow money long term for a capital purpose – that is, after allowing for capital funding from capital receipts, grants, third party contributions and revenue contributions. Changes to the CFR are linked directly to the use of borrowing to finance new capital expenditure (including finance leases), and to the repayment of debt through Minimum Revenue Provision (MRP).

The General Fund CFR at 31 March 2012 is below the estimate due to reduced capital expenditure for the reasons set out at (e) above.

The large increase in the HRA CFR compared to the original estimate reflect the requirement to make a payment to the DCLG on 28 March 2012 for the move to HRA self financing, which was largely funded by new external borrowing.

External Debt

g) Authorised limit for external debt

Authorised limit for external debt			
	2011-12 Limit £000	2011-12 Actual at 31/03/2012 £000	2011-12 Maximum to 31/03/2012 £000
Borrowing	261,000	216,155	216,155
Other long-term liabilities	4,000	557	557
Total	**265,000**	**216,712**	**216,712**

An increase to the authorised limit from £55m to £265m was agreed by Council on 24 October 2011, to cover the need to borrow to fund the settlement payment to the DCLG for the move to HRA self financing. The actual additional amount borrowed was £184m.

The long term liabilities figure relates to finance leases, which are shown on the balance sheet under International Financial Reporting Standards (IFRS) accounting.

External debt remained below the authorised limit during the year and on 31 March 2012

h) Operational boundary for external debt

Operational boundary for external debt			
	2011-12 Boundary £000	2011-12 Actual at 31/03/12 £000	2011-12 Maximum to 31/03/12 £000
Borrowing	256,000	216,155	216,155
Other long-term liabilities	4,000	557	557
Total	**260,000**	**216,712**	**216,712**

An increase to the operational boundary from £50m to £260m was agreed by Council on 24 October 2011, to cover the need to borrow to fund the settlement payment to the DCLG for the move to HRA self financing. The actual additional amount borrowed was £184m.

The long term liabilities figure relates to finance leases, which are shown on the balance sheet under International Financial Reporting Standards (IFRS) accounting.

External debt remained within the operational boundary during the year and on 31 March 2012

i) Adoption of the CIPFA code of Practice for Treasury Management in the Public Services

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Code). The adoption of the Code was formalised at the Council meeting of 25 February 2010, and is included in the Council's Financial Regulations.

Treasury Management Indicators

1. Upper limits on interest rate exposures

Upper limits on interest rate exposures - Investments			
	2011-12 Limit %	2011-12 Actual at 31/03/2012 %	2011-12 Maximum to 31/03/2012 %
Fixed Interest Rate Exposures	100%	62%	74%
Variable Interest Rate Exposures	100%	38%	49%

Upper limits on interest rate exposures - Borrowing			
	2011-12 Limit %	2011-12 Actual at 31/03/2012 %	2011-12 Maximum to 31/03/2012 %
Fixed Interest Rate Exposures	100%	88%	88%
Variable Interest Rate Exposures	100%	12%	76%

Upper limits on interest rate exposures - Net borrowing			
	2011-12 Limit %	2011-12 Actual at 31/03/2012 %	2011-12 Maximum to 31/03/2012 %
Fixed Interest Rate Exposures	150%	94%	137%
Variable Interest Rate Exposures	150%	6%	29%

The purpose of the indicator is to express the Council's appetite for exposure to variable interest rates, which may, subject to other factors, lead to greater volatility in payments and receipts. However this may be offset by other benefits such as lower rates. Separate indicators have been set and monitored for debt and investments, as well as for the net borrowing position. Actual exposure at 31 March 2012, and during the year, remained within the agreed limits.

2. Total principal sums invested for periods longer than 364 days

Upper limit on investments for periods longer than 364 days			
	2011-12 Upper Limit £000	2011-12 Actual as at 31/03/2012 £000	2011-12 Maximum to 31/03/2012 £000
Investments longer than 364 days	9,000	-	-

Investments have been kept to short periods to minimise risk in the current uncertain economic envronment. The year end position is therefore that of nil investments over 364 days.

3. Maturity Structure of Borrowing

Maturity structure of borrowing			
	2011-12 Lower Limit %	2011-12 Upper Limit %	2011-12 Actual at 31/03/2012 %
Under 12 months	0.00	25.00	11.58
1-2 years	0.00	25.00	0.07
2-5 years	0.00	50.00	3.82
5-10 years	0.00	100.00	5.65
Over 10 years	0.00	100.00	78.88

The Treasury Management Code of Practice requires the maturity of borrowing to be determined by reference to the earliest date on which the lender can require payment. The Council’s three LOBO loans are therefore presented as maturing in 2012-13, due to the six monthly break clauses, whereby the lender can opt to increase the rate, and the Council can choose to accept or decline the new rate. However it is not anticipated that the lender will opt to increase the rates at the break dates in the current interest rate environment.

New long term external borrowing of £184m was undertaken on 28 March 2012 to meet the settlement payment to the DCLG. The Council's maturity structure of borrowing changed significantly as a result of this, with 79% of the loans portfolio now falling due in a period over 10 years, but remains within planned parameters and within the limits set in the prudential indicator.