

## COMPLIANCE WITH PRUDENTIAL INDICATORS DURING 2010/11

All indicators complied with its Prudential Indicators. Details of the performance against key indicators are shown below:

### Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the Council ensures that net external borrowing does not, except in the short term, exceed the CFR in the preceding year, plus the estimates of any additional capital financing requirement for the current and next two financial years. The following table shows the actual position as at 31 March 2011 and the estimated position for the next two years based on the capital programme approved at council on the 16 February:

Capital Financing Requirement	2009/10 Actual £M	2010/11 Actual £M	2011/12 Estimate £M	2012/13 Estimate £M	2013/14 Estimate £M
<b>Balance B/F</b>	276	310	360	369	371
Capital expenditure financed from borrowing	37	59	19	11	8
Revenue provision for debt Redemption.	(5)	(6)	(6)	(7)	(6)
Movement in Other Long Term Liabilities	2	(3)	(4)	(2)	(4)
<b>Cumulative Maximum External Borrowing Requirement</b>	<b>310</b>	<b>360</b>	<b>369</b>	<b>371</b>	<b>369</b>

Capital Financing Requirement	2009/10 Actual £M	2010/11 Actual £M	2011/12 Estimate £M	2012/13 Estimate £M	2013/14 Estimate £M
General Fund	217	260	263	264	263
HRA	93	100	106	107	106
<b>Total CFR</b>	<b>310</b>	<b>360</b>	<b>369</b>	<b>371</b>	<b>369</b>

The CFR differs from actual borrowing due to decisions taken to use internal balances and cash rather than borrow, and actual borrowing is significantly below this as detailed below:

	Balance on 01/04/2010 £M	Balance on 31/03/2011 £M	2011/12 Estimate £M	2012/13 Estimate £M	2013/14 Estimate £M
Borrowing	155,998	224,677	252,697	250,054	245,525
Other Long Term Liabilities	73,652	71,722	77,100	81,295	84,998
<b>Total Borrowing</b>	<b>229,650</b>	<b>296,399</b>	<b>329,797</b>	<b>331,349</b>	<b>330,523</b>

## **Balances and Reserves**

The Council's level of Balances and Reserves for 2010/11 and estimates to 2013/14 are as follows:

	2009/10 Actual £M	2010/11 Actual £M	2011/12 Estimate £M	2012/13 Estimate £M	2013/14 Estimate £M
Balances and Reserves	54	56	46	36	20

## **Authorised Limit and Operational Boundary for External Debt**

- The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached.
- The Council's Affordable Borrowing Limit was set at £459M for 2010/11.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.
- The Operational Boundary for 2010/11 was set at £444M.
- The Chief Financial Officer (CFO) confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year; borrowing at its peak was £279M.

## **Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure**

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2010/11 %
Upper Limit for Fixed Rate Exposure	100
Compliance with Limits:	Yes
Upper Limit for Variable Rate Exposure	50
Compliance with Limits:	Yes

### **Total Principal Sums Invested for Periods Longer Than 364 Days**

This indicator allows the Council to manage the risk inherent in investments longer than 364 days.

Upper Limit for total principal sums invested over 364 days	2010/11 Approved	2010/11 Revised	2011/12 Estimate	2012/13 Estimate
	£M	£M	£M	£M
	50	50	50	50

### **Maturity Structure of Fixed Rate Borrowing**

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

	Lower Limit	Upper Limit	Actual Fixed Debt as at 31/03/11	Average Fixed Rate as at 31/03/11	% Fixed Rate as at 31/03/11	Compliance with set Limits?
	%	%	£000's	%		
under 12 months	0	45	40,324	1.89%	22.65%	Yes
12 months and within 24 months	0	45	5,000	4.08%	2.81%	Yes
24 months and within 5 years	0	50	10,000	2.78%	5.62%	Yes
5 years and within 10 years	0	50	57,721	3.14%	32.42%	Yes
10 years and within 20 years	0	50			0.00%	Yes
20 years and within 30 years	0	75	10,000	4.68%	5.62%	Yes
30 years and within 40 years	0	75	30,000	4.62%	16.85%	Yes
40 years and within 50 years	0	75	25,000	3.89%	14.04%	Yes
50 years and above	0	100	0		0.00%	Yes
			<b>178,045</b>	<b>3.45%</b>	<b>100.00%</b>	

### **Ratio of Financing Costs to Net Revenue Stream**

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The definition of financing costs is set out at paragraph 87 of the Prudential Code. The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2010/11 Approved %	2010/11 Revised %	2010/11 Actual %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
General Fund	4.99%	6.14%	4.89%	6.70%	7.89%	8.34%
HRA	5.14%	4.66%	4.46%	5.82%	7.15%	8.01%
<b>Total</b>	<b>5.55%</b>	<b>5.48%</b>	<b>6.01%</b>	<b>7.57%</b>	<b>8.73%</b>	<b>9.16%</b>