Annex B

Prudential Indicators 2009-10 to 2011-12

Monitoring Position as at 30 September 2009

Capital Expenditure Prudential Indicators

a) Estimate of capital expenditure

The prudential indicator requires reasonable estimates of the total of capital expenditure to be incurred. It is in the nature of capital expenditure to have variations to the capital programme as the year proceeds, for example as new grant or other third party funding becomes available, or to accommodate slippage from the previous year. This is acknowledged in the Prudential Code.

Revised estimates for capital expenditure for 2009-10 are shown in the table below:

	2009-10
Estimates of Capital Expenditure 2009-10	Estimate as at 30 September 2009
	£000
General Fund (Non HRA)	11,494
Housing Revenue Account (HRA)	14,736
Total	26,230

The estimates are consistent with the latest proposed capital programme for 2009-10 submitted to this Cabinet (25 November 2009).

Forecasts for capital expenditure for future years are currently being worked up as part of the 2010-11 capital programme budget build. These will take into account any changes agreed during the course of 2009-10 that impact on 2010-11 and future years. For prudential indicator monitoring purposes the original approved forecasts remain in force until the 2010-11 capital programme is agreed.

b) Estimate of capital financing requirement (CFR)

In day-to-day cash management no distinction can be made between revenue cash and capital cash. External borrowing may arise as consequence of all the financial transactions of the authority, and not simply those arising from capital spending. However the Capital Financing Requirement reflects the local authority's need to borrow for a capital purpose.

Revised estimates for the Capital Financing Requirement for 2009-10 are shown in the table below:

Capital Financing Requirement (Closing CFR)		
		2009-10
		31 March 2010 Estimate £000
General Fund (Non HRA)		26,205
Housing Revenue Account (HRA)		(6,675)
Total		19,530

The revisions to the estimates of CFR are as a result of the impacts of actual capital programme financing in 2008-09 and forecast borrowing to fund capital expenditure in 2009-10. . The figures are consistent with the 2008-09 Statement of Accounts and with the borrowing requirements of the latest agreed capital programme for 2009-10.

The General Fund CFR forecast for 2009-10 has increased by around £886k from the estimate approved at February 2009. This is as a result of additional capital expenditure schemes funded by borrowing that have been approved by Cabinet during the year. These include improvement works at Grosvenor Centre car park; the bus station ANPR system; the CLG capitalisation directive; and improvement works at Ecton Lane travellers site.

Forecasts for the CFR for future years are dependent upon the borrowing requirements of capital expenditure in 2010-11 and future years that are being worked up as part of the 2010-11 capital programme budget build. They will also take into account any borrowing impacts from changes agreed during the course of 2009-10 that impact on 2010-11 and future years. For prudential indicator monitoring purposes the original approved forecasts remain in force until the 2010-11 capital programme is agreed.

Prudential Indicators of Affordability

c) Estimates of ratio of financing costs to net revenue stream

This indicator is set before the start of the financial year, in the context of the wider budget setting process, which feeds into the setting of Council Tax and housing rents. Once these have been set, and the financial year is underway it is not appropriate or possible to adjust this indicator

d) Estimates of the incremental impact of new capital investment decisions on the Council Tax

This indicator is set before the start of the financial year, in the context of the wider budget setting process, which feeds into the setting of Council Tax and housing rents. Once these have been set, and the financial year is underway it is not appropriate or possible to adjust this indicator

e) Estimate of incremental impact of new capital investment decisions on average weekly housing rent

This indicator is set before the start of the financial year, in the context of the wider budget setting process, which feeds into the setting of Council Tax and housing rents. Once these have been set, and the financial year is underway it is not appropriate or possible to adjust this indicator

Prudence

f) Net borrowing and capital financing requirement

The latest position is set out below:

Net external debt less than CFR – As at 30 September 2009	
	2009-10 £000
Borrowing	26,201
Less investments	61,616
Net external debt	0
2008-09 Closing CFR (Actual)	16,001
Changes to CFR:	
2009-10 (Updated forecast)	3,529
2010-11 (Existing forecast)	(66)
2011-12 (Existing forecast)	3,951
Adjusted CFR	23,415
Net external debt less than adjusted CFR	Yes

The Council's net external debt figure is a negative figure – ie investments are in excess of debt. The net external debt figure has therefore been presented as zero.

Actual net external debt as at 30 September 2009 is less than the forecast adjusted CFR.

<u>External Debt Prudential Indicators</u>

g) Authorised limit for total external debt

	2009-10
Council Borrowing	Actual as at 30 September 2009
	£000
Borrowing	26,201
Other Long Term Liabilities	-
Total	26,201

The Council's total external debt as at 30 September 2009 was £26.2m. This was within the authorised limit of £43m.

h) Operational Boundary for total external debt

The table below shows the Council's borrowing position as at 30 September 2009, demonstrating that external debt has not exceeded the operational boundary of £38m.

	2009-10
Council Borrowing	Actual as at 30 September 2009
	£000
Borrowing	26,201
Other Long Term Liabilities	-
Total	26,201

The Council's total external debt as at 30 September 2009 was £26.2m. This was within the operational boundary of £38m.

Treasury Management Prudential Indicators

i) Upper limits on fixed interest rate exposures

Fixed Rate Exposure	2009-10 Actual at 30 September 2009
	£000
Fixed Rate Exposure	(49,758)

The amount of fixed rate exposure is a credit amount of £50m, which is below the upper limit of zero.

j) Upper limits on variable interest rate exposures

Variable Rate Exposure	2009-10 Actual at 30 September 2009
	£000
Variable Rate Exposure	14,343

The amount of variable rate exposure is a debit amount of £14m, which is below the upper limit of £38m.

k) Principal sums invested for periods longer than 364 days

Principal Sums Invested for Periods of Longer than 364 days	2009-10 Maximum in period 1 April 2009 to 30 Sept 2009
	£000
Principal Sums Invested for Periods of Longer than 364 days	6,000

The maximum amount of principal sums invested for periods longer than 364 days at any point during the period 1 April 2009 to 30 September 2009 is £6m, which is below the maximum limit of £10m.

I) Prudential limits for the maturity structure of borrowing

The Council's limits for the maturity structure of borrowing are taken into account whenever any new borrowing or loan rescheduling is undertaken. The following table indicates the maturity structure of borrowing at 30 September 2009, demonstrating that the limits have not been reached or exceeded.

Maturity Periods of Council Borrowing	Lower Limit %	Upper Limit %	2009-10 Actual at 30 September 2009
Under 12 months	0%	25%	0.7%
12 months and within 24 months	0%	25%	0.1%
2 years and within 5 years	0%	50%	0.2%
5 years and within 10 years	0%	100%	60.6%
10 years and above	0%	100%	38.4%

The amounts maturing in less than 12 months include the monies invested by the Council by Billing Parish Council and Northampton Volunteering Centre, which are treated as temporary borrowing in the Council's accounts. As these can be accessed on demand by the bodies concerned, they are shown as maturing in less than 12 months.

The principal element of the HCA (Homes and Communities Agency) annuity comprises annual repayments that fall across all of the designated maturity periods.

The long-term borrowings undertaken to finance the Council's capital expenditure, in the form of LOBO (Lenders Option Borrowers Option) Loans, are due to mature in the five to ten years, and over ten years periods.

m) Adoption of the CIPFA Code of Practice for Treasury Management

The Council adopted the CIPFA Code of Practice for Treasury Management in the Public Services following its publication in 2001. This was formally minuted as a decision at the meeting of 21 January 2008.

Furthermore the Council's Financial Regulations, approved by Council on 19 November 2007, state at paragraph 5.9.1 that the Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), and specifically adopts the key recommendations as described in Section 4 of that code. Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies and objectives of its treasury management activities.
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities. The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this Council. Such amendments will not result in the Council materially deviating from the Code's key recommendations.