Appendix C

2012-13 Prudential Indicators **Outturn Position 31 March 2013**

For definitions and background to the prudential and treasury indicators for 2012-13, see the following reports:

- Prudential Indicators - Prudential Indicators for Capital Finance 2012-13 to 2014-15 – Report to Council 29 February 2012 - Appendix B

- Treasury Indicators - Treasury Strategy 2012-13 to 2014-15 – Report to Council 29 February 2012 - Appendix F

Affordability

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

Ratio of financing costs to net revenue stream		
	2012-13 Estimate %	2012-13 Actual at 31/03/13 %
General Fund	6.98	6.13
HRA	28.51	35.43

Actual financing costs on the General Fund were slightly lower than estimated due to savings in the debt financing budget in 2012-13, including (i) interest on the investment of cash balances being over achieved against budget, and (ii) MRP savings arising from capital financing decisions made in 2011-12 and the carry forward of capital expenditure delaying MRP impact to future years.

Actual financing costs on the HRA were higher than estimated. However this was mainly due to an increase in the amount of Major Repairs Allowance granted to the Council as a result of the HRA self financing changes introduced by government.

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	
	2012-13 Estimate £.p
General Fund	0.21

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	
	2012-13 Estimate £.p
HRA	5.08

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			
	2012-13 Estimate £000	2012-13 Position at 31/03/2013 £000	2012-13 Maximum Net to 31/03/2013 £000
Borrowing	215,809	216,070	216,138
Less investments	81,970	46,191	37,071
Net external debt	133,839	169,879	179,067
2010-11 Closing CFR	221,726	215,440	215,440
Changes to CFR:			
2011-12	(7,658)	1,175	1,175
2012-13	(10,974)	2,964	2,964
2013-14	528	(95)	(95)
Adjusted CFR	203,622	219,484	219,484
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		
	2012-13 Estimate £000	2012-13 Actual at 31/03/2013 £000
General Fund	12,753	9,829
HRA	17,830	27,446
Total	**30,583**	**37,275**

In the General Fund, the underspend against original estimate relates predominantly to planned revisions to the timing of projects and any unspent budget in 2012-13 will be carried forward to 2013-14. In the HRA the capital programme increased due to the re-phasing of the Decent Homes grant from central government, and the implementation of the grat-funded Community Energy Savings Programme (CESP). . Full details of capital outturn, variances and carryforwards to 2013-14 are set out in the Capital Outturn Report to Cabinet on 17 July 2013.

f) Estimates of capital financing requirement (CFR)

Capital Financing Requirement (Closing CFR)		
	2012-13 31 March 2013 Estimate £000	2012-13 31 March 2013 Actual £000
General Fund	31,686	29,812
HRA	182,382	186,803
Total	**214,068**	**216,615**

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 2013 is below the estimate due to reduced capital expenditure for the reasons set out at (e) above. The HRA CFR at the same date is above the estimate as a result of changes to HRA funding plans following the implementation of HRA self financing; amounts that were originally planned to write down the HRA CFR have been held instead as cash balances for investment.

External Debt

g) Authorised limit for external debt

Authorised limit for external debt			
	2012-13 Limit £000	2012-13 Actual at 31/03/2013 £000	2012-13 Maximum to 31/03/2013 £000
Borrowing	245,000	216,070	216,168
Other long-term liabilities	5,000	557	557
Total	**250,000**	**216,627**	**216,725**

The long term liabilities figure relates to finance leases.

External debt remained below the authorised limit throughout 2012-13.

h) Operational boundary for external debt

Operational boundary for external debt			
	2012-13 Limit £000	2012-13 Actual at 31/03/2013 £000	2012-13 Maximum to 31/03/2013 £000
Borrowing	240,000	216,070	216,168
Other long-term liabilities	5,000	557	557
Total	**245,000**	**216,627**	**216,725**

The long term liabilities figure relates to finance leases.

External debt remained below the operational boundary throughout 2012-13.

i) HRA Limit on Indebtedness

The HRA limit on indebtedness is £208.401m. This is the HRA debt cap imposed by the Department for Communities and Local Government at the implementation of HRA self-financing. The HRA CFR of £186.803m , which is the measure of indebtedness, is below the limit.

j) 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 adoption is included in the Council's Constitution, approved by the Council on 14 March 2011, at paragraph 6.10 of the Financial Regulations.

Treasury Management Indicators

1. Upper limit on the proportion of net debt compared to gross debt

Upper limits on interest rate exposures - Investments			
	2012-13 Limit %	2012-13 Actual at 31/03/2013 %	2012-13 Maximum to 31/03/2013 %
Upper Limit on the proportion of gross debt compared to net debt	100%	79%	83%

This indicator was introduced by CIPFA for 2012-13, with the intention of highlighting where an authority may be borrowing in advance of need. On the advice of the Council's treasury advisors, and so as not to create artificial constraints, the limit be set at 100%, whereby net debt is below or equal to gross debt. This limit was not exceeded during the year. CIPFA have discontinued this indicator from 2013-14.

2. Upper limits on interest rate exposures

Upper limits on interest rate exposures - Investments			
	2012-13 Limit %	2012-13 Actual at 31/03/2013 %	2012-13 Maximum to 31/03/2013 %
Fixed Interest Rate Exposures	100%	57%	68%
Variable Interest Rate Exposures	100%	43%	60%

Upper limits on interest rate exposures - Borrowing			
	2012-13 Limit %	2012-13 Actual at 31/03/2013 %	2012-13 Maximum to 31/03/2013 %
Fixed Interest Rate Exposures	100%	89%	89%
Variable Interest Rate Exposures	100%	11%	12%

Upper limits on interest rate exposures - Net borrowing			
	2012-13 Limit %	2012-13 Actual at 31/03/2013 %	2012-13 Maximum to 31/03/2013 %
Fixed Interest Rate Exposures	150%	97%	112%
Variable Interest Rate Exposures	150%	3%	6%

The purpose of these indicators 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. Maximum exposure for fixed and variable rates during the year may add up to more than 100% (or 150% in the case of the combined indicator) as each is likely to occur on a different date. Actual exposure at 31 March 2013, and during the year, remained within the agreed limits.

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

Upper limit on investments for periods longer than 364 days			
	2012-13 Upper Limit £000	2012-13 Actual as at 31/03/2013 £000	2012-13 Maximum to 31/03/2012 £000
Investments longer than 364 days	9,000	1,000	1,000

Investment periods have been kept short to minimise counterparty risk in the current uncertain economic environment.

4. Maturity Structure of Borrowing

Maturity structure of borrowing			
	2012-13 Lower Limit %	2012-13 Upper Limit %	2012-13 Actual at 31/03/2013 %
Under 12 months	0%	15%	12%
1-2 years	0%	15%	0%
2-5 years	0%	15%	2%
5-10 years	0%	25%	7%
Over 10 years	0%	50%	21%
Over 10 years	0%	100%	0%
Over 10 years	0%	100%	0%
Over 10 years	0%	100%	58%

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 in the current interest rate environment it is not to the lender's advantage to increase these rates at the break dates and this option has therefore not been exercised.