

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

Ratio of financing costs to net revenue stream		
	2010-11 Estimate %	2010-11 Estimate at 31/03/11 %
General Fund	6.51	5.99
HRA	18.38	18.03

Actual financing costs were lower than estimated due to a number of factors, including interest on the investment of cash balances being over achieved against budget.

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

<i>Estimates of incremental impact of new capital investment decisions on the Council Tax</i>	
	2010-11 Estimate £.p
General Fund	3.35

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

<i>Estimates of incremental impact of new capital investment decisions on weekly housing rents</i>	
	2010-11 Estimate £.p
HRA	1.57

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			
	2010-11 Estimate £000	2010-11 Position at 31/03/2011 £000	2010-11 Maximum Net to 31/03/2011 £000
Borrowing	31,726	32,519	32,840
Less investments	57,400	76,174	105,379
Net external debt	0	0	0
2009-10 Closing CFR (Forecast)	19,481	18,224	18,224
Changes to CFR:			
2010-11	5,403	1,883	1,883
2011-12	4,951	14,193	14,193
2012-13	9,209	12,106	12,106
Adjusted CFR	39,044	46,405	46,405
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.

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.

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

Net external debt for 2011-12 falls below the adjusted Capital Financing Requirement.

Capital Expenditure

e) Estimate of capital expenditure

Capital Expenditure		
	2010-11 Estimate £000	2010-11 Actual at 31/03/2011 £000
General Fund	9,579	8,420
HRA	15,911	11,826
Total	25,490	20,246

The underspend against original estimate relates predominantly to the timing of tendering and contract award processes and therefore unspent budget in 2010-11 will be carried forward to 2011-12. Full details of capital outturn, variances and slippage is set out in the Capital Outturn report elsewhere on this agenda.

f) Estimates of capital financing requirement (CFR)

Capital Financing Requirement (Closing CFR)		
	2010-11 31 March 2011 Estimate £000	2010-11 31 March 2011 Actual £000
General Fund	31,059	26,281
HRA	(6,175)	(6,175)
Total	24,884	20,106

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 the repayment of debt through Minimum Revenue Provision (MRP).

The General Fund CFR at 31 March 2011 is below the estimate due to slippage in the capital programme of schemes funded by borrowing, and the planned refinancing from capital receipts of some existing borrowing. The HRA closing CFR is in line with the estimate.

External Debt

g) Authorised limit for external debt

Authorised limit for external debt			
	2010-11 Limit £000	2010-11 Actual at 31/03/2011 £000	2010-11 Maximum to 31/03/2011 £000
Borrowing	48,000	32,000	32,046
Other long-term liabilities	2,000	351	415
Total	50,000	32,351	32,461

No new long term external borrowing or rescheduling of existing borrowing was undertaken during 2010-11, and external debt has remained significantly below the authorised limit throughout the year. The long term liabilities figure relates to finance leases, which have come onto the balance sheet as a result of the move to International Financial Reporting Standards (IFRS) accounting.

h) Operational boundary for external debt

Operational boundary for external debt			
	2010-11 Boundary £000	2010-11 Actual at 31/03/11 £000	2010-11 Maximum to 31/03/11 £000
Borrowing	43,000	32,000	32,046
Other long-term liabilities	2,000	351	415
Total	45,000	32,351	32,461

No new long term external borrowing or rescheduling of existing borrowing was undertaken during 2010-11, and external debt has remained significantly below the operational boundary throughout the year. The long term liabilities figure relates to finance leases, which have come onto the balance sheet as a result of the move to International Financial Reporting Standards (IFRS) accounting.

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

The fully revised second edition of the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2009), as set out at Annex A of the Treasury Management Strategy 2010-11 to 2012-13, was adopted by Council on 25 February 2010.

Treasury Management Indicators

1. Upper limits on interest rate exposures

Upper limits on interest rate exposures			
	2010-11 Limit £000	2010-11 Actual at 31/03/2011 £000	2010-11 Maximum to 31/03/2011 £000
Fixed Interest Rate Exposures	10,000	7,226	7,226
Variable Interest Rate Exposures	0	(51,400)	(21,184)

The purpose of the indicator is to express the Council's appetite for exposure to fixed and variable interest rates. A change to the original indicator for the upper limit on fixed rate interest exposure from zero to £10m was approved by Council at their meeting of 15 September 2011, and both indicators have remained within the revised limits for the duration of the year and at year end.

As a result of advice from the Council's treasury advisors, it is proposed from 2011-12 to revert back to representing these indicators as percentages rather than absolute values.

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

Upper limit on investments for periods longer than 364 days			
	2010-11 Upper Limit £000	2010-11 Actual as at 31/03/2011 £000	2010-11 Maximum to 31/03/2011 £000
Investments longer than 364 days	8,500	-	8,000

Investments longer than 364 days have remained within the upper limit throughout the year. The interest rate environment and forecasts throughout the year have been such that investments have been kept to periods of below one year, to maximise returns and avoid longer term commitments at poor rates. The year end position is therefore that of nil investments over 364 days.

3. Maturity Structure of Borrowing

Maturity structure of borrowing			
	2010-11 Lower Limit %	2010-11 Upper Limit %	2010-11 Actual at 31/03/2011 %
Under 12 months	0.00	25.00	0.60
1-2 years	0.00	25.00	0.06
2-5 years	0.00	50.00	48.96
5-10 years	0.00	100.00	19.25
Over 10 years	0.00	100.00	31.14

No new long term external borrowing or rescheduling of existing borrowing was undertaken during 2010-11, and the maturity structure of borrowing remained within planned parameters and within the limits set in the prudential indicator.