

REVISED Appendix D to report 2(d)

Prudential Indicators for 2011/12 to 2013/14

Adoption of the CIPFA Code of Practice

The first prudential indicator is that the Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Service. It was adopted by the Council in October 2002. The revised version which took effect from 1 April 2010 was adopted by the Council in February 2010.

Authorised Limit

The Council is asked to approve authorised limits for its total external debt gross of investments for the next three financial years.

| Authorised limit for external debt | 2011/2012 | 2012/2013 | 2013/2014 |
|------------------------------------|-----------|-----------|-----------|
| | £'000 | £'000 | £'000 |
| Borrowing | 254,000 | 258,000 | 264,000 |
| Other Long Term Liabilities | 5,000 | 5,000 | 5,000 |
| TOTAL | 259,000 | 263,000 | 269,000 |

These authorised limits are consistent with the Council's current commitments and Capital strategy. They are based on estimates of the most likely, prudent, but not worst case scenario, with in addition sufficient margin for contingencies to allow for operational management in the event of unusual cash movements.

Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

Operational Boundary

The proposed operational boundary for external debt is based on the same estimates as the authorised limit. This reflects the Council's estimate of the most likely, prudent but not worst case scenario, without the margin for contingencies included in the authorised limit and equates to the maximum external debt projected by this estimate.

| Operational boundary | 2011/2012 | 2012/2013 | 2013/2014 |
|-----------------------------|-----------|-----------|-----------|
| | £'000 | £'000 | £'000 |
| Borrowing | 173,000 | 178,000 | 185,000 |
| Other Long Term Liabilities | 5,000 | 5,000 | 5,000 |
| TOTAL | 178,000 | 183,000 | 190,000 |

Actual External Debt

The prudential indicator for actual external debt is not directly comparable to the authorised limit and operational boundary, since the actual external debt will reflect the actual position at one point in time. This prudential indicator will be the closing balance for actual gross borrowing plus other long term liabilities taken directly from the balance sheet. Actual external debt at 31 March 2011 was £118m.

Interest Rate Exposure

The Council must set an upper limit on its fixed interest rate exposures and an upper limit on its variable rate exposures. No change is proposed to current limits.

| | 2011/2012 | 2012/2013 | 2013/2014 |
|--|------------------|------------------|------------------|
| | % | % | % |
| Upper limit for fixed rate exposure | 100 | 100 | 100 |
| Upper limit for variable rate exposure | 20 | 20 | 20 |

Maturity Structure of Borrowing

The Council must set for the forthcoming financial year both upper and lower limits with respect to the maturity structure of its borrowing. No changes are proposed to current limits.

| Maturity structure of borrowing | Upper Limit | Lower Limit |
|--|--------------------|--------------------|
| Under 12 months | 15% | 0% |
| 12 months and within 24 months | 15% | 0% |
| 24 months and within 5 years | 50% | 0% |
| 5 years and within 10 years | 75% | 0% |
| 10 years and above | 90% | 25% |

Total principal sums invested for periods longer than 364 days.

The Council does not plan to invest, for periods longer than 364 days,