Annex C - Prudential Indicators 2008/09 Outturn

	PRUDENTIAL INDICATORS		2007/08 actual	2008/09 estimate	2008/09 actual
1)	**Capital Expenditure**		£'000	£'000	£'000
	To allow the authority to plan for capital financing as a result of the capital programme. To enable the monitoring of capital budgets to ensure they remain within budget.	Non - HRA	33,132	53,199	51,066
		HRA	7,669	7,338	7,470
		TOTAL	40,801	60,537	58,536
2)	**Ratio of financing costs to net revenue stream**				
	This indicator estimates the cost of borrowing in relation to the net cost of Council services to be met from government grant and council taxpayers. In the case of the HRA the net revenue stream is the income from Rents and Subsidy.	Non - HRA	3.76%	4.68%	5.40%
		HRA	2.39%	2.86%	2.33%
3)	**Incremental impact of capital investment decisions - Council Tax**		£ p	£ p	£ p
	Shows the actual impact of capital investment decisions on council tax. The impact on council tax is a fundamental indicator of affordability for the Council to consider when setting forward plans. The figure relates to how much of the increase in council tax is used in financing the capital programme and any related revenue implications that flow from it.	Increase in Council Tax (band D) per annum	6.18	13.64	25.62
4)	**Incremental impact of capital investment decisions - Hsg Rents**		£ p	£ p	£ p
	Shows the actual impact of capital investment decisions on HRA rent. For CYC, the HRA 2008/09 planned capital spend is based on the government's approved borrowing limit so there is no impact on HRA rents.	Increase in average housing rent per week	0.00	0.00	0.00
5)	**Capital Financing Requirement as at 31 March**		£'000	£'000	£'000
	Indicates the Council's underlying need to borrow money for capital purposes. The majority of the capital programme is funded through government support, government grant or the use of capital receipts. The use of borrowing increases the CFR.	Non - HRA	80,527	86,669	87,329
		HRA	11,035	12,035	11,235
		TOTAL	91,562	98,704	98,564
6a)	**Authorised Limit for external debt -**		£'000	£'000	£'000
	The authorised limit is a level set above the operational boundary in acceptance that the operational boundary may well be breached because of cash flows. It represents an absolute maximum level of debt that could be sustained for only a short period of time. The council sets an operational boundary for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities for 3 financial years.	borrowing	128,860	146,500	146,500
		other long term liabilities	0	0	0
		TOTAL	128,860	146,500	146,500
6b)	**Operational Boundary for external debt -**		£'000	£'000	£'000
	The operational boundary is a measure of the most likely, prudent, level of debt. It takes account of risk management and analysis to arrive at the maximum level of debt projected as part of this prudent assessment. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed authority limit. It is a direct link between the Council's plans for capital expenditure; our estimates of the capital financing requirement; and estimated operational cash flow for the year.	borrowing	118,860	125,200	125,200
		other long term liabilities	0.00	0.00	0.00
		TOTAL	118,860	125,200	125,200
7)	**Adoption of the CIPFA Code of Practice for Treasury Management in Public Services**				
	Ensuring Treasury Management (TM) Practices remain in line with the SORP.	TM Policy Statement	✓	✓	✓
		12 TM Practices	✓	✓	✓
		Policy Placed Before Council	✓	✓	✓
		Annual Review Undertaken	✓	✓	✓
8a)	**Upper limit for fixed interest rate exposure**				
	The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts.	Net interest re fixed rate borrowing / investments	108%	146%	107%
		Actual Net interest re fixed rate borrowing / investments			

8b)	**Upper limit for variable rate exposure**				
	The Council sets limits to its exposures to the effects of changes in interest rates for 3 years. The Council should not be overly exposed to fluctuations in interest rates which can have an adverse impact on the revenue budget if it is overly exposed to variable rate investments or debts.	Net interest re variable rate borrowing / investments	-8%	-46%	-7%
		Actual Net interest re variable rate borrowing / investments			
			£'000	**£'000**	**£'000**
9)	**Upper limit for total principal sums invested for over 364 days**		£10,000	£10,000	£10,000
	To minimise the impact of debt maturity on the cash flow of the Council. Over exposure to debt maturity in any one year could mean that the Council has insufficient liquidity to meet its repayment liabilities, and as a result could be exposed to risk of interest rate fluctuations in the future where loans are maturing. The Council therefore sets limits whereby long-term loans mature in different periods thus spreading the risk.	Investments over 364 days	£9,000	£4,000	£4,000
10)	**Maturity structure of new fixed rate borrowing during 2008/09**		**Actual** (£104,365k)	**Upper Limit**	**Actual** (£102,065k)
	The Council sets an upper limit for each forward financial year period for the level of investments that mature in over 364 days. These limits reduce the liquidity and interest rate risk associated with investing for more than one year. The limits are set as a percentage of the average balances of the investment portfolio.	under 12 months	5%	10%	4%
		12 months & within 24 months	4%	10%	4%
		24 months & within 5 years	7%	25%	3%
		5 years & within 10 years	14%	25%	14%
		10 years & and above	70%	90%	75%

Glossary Of Abbreviations

HRA Housing Revenue Account

SORP Statement of Recommended Practice - for Local Authority Accounting

CYC Capital Financing Requirement

CFR City of York Council

1. In accordance with the Prudential Code, the Prudential Indicators set by full Council on 21st February 2008 for the financial year 08/09 must be monitored and reported at Outturn. The Prudential Indicators are detailed above and some of the key points are explained below:

2. Size of the Capital Programme (Indicator 1) - The capital programme expenditure at monitor 3 was estimated to be £60.537m and outturn was £58.536m. The Capital Programme Outturn 2008/09 report has further details with regards to this movement. There has been slight slippage on some projects and the funds should be used during 2009/10

3. Net revenue Stream (indicator 2) - This indicator represents how much borrowing for the capital programme will cost as a percentage of the net revenue stream. The General Fund indicator is 5.40% compared to a budgeted level of 4.68%, with the increase due to the change in market conditions during the year as a result of the credit crunch resulting in a reduction in the level of interest earned and a larger amount of interest being paid to departments on their surplus balances than originally expected. The Housing Revenue Account (HRA) version of the indictor is 2.33% compared to the budgeted level of 2.33%, the difference is again due to a larger amount of interest being paid to the HRA.

4. Incremental Impact on the Level of Council Tax (Indicator 3) – This indicator shows the impact of capital investment decision on the bottom line level of Council Tax. The Council can fund its discretionary capital programme from two main sources, from unsupported borrowing or using capital receipts from the sale of surplus assets. The Council's policy is to use capital receipts to fund the Capital programme, however in the current economic environment with reduced capital receipts there is the requirement to use unsupported borrowing to support the capital programme, which has an impact on Council Tax. The unsupported borrowing is not taken unless it is affordable, sustainable and prudent and can be supported by an existing budget. In

2008/09 the increased impact on council tax is £25.62 per Band D charge. This has risen from the restated estimate of £13.64 due to a revision in the calculation of the prudential indicator to ensure all schemes supported by unsupported borrowing are captured.

5. Capital Financing Requirement (CFR) (Indicator 5) - The CFR at outturn was £98.564m, which is the Council's underlying need to borrow for all capital investment over time. At year-end when the Capital programme is financed the CFR can change when decisions are made with regards to use of external funding, capital receipts etc to support the Capital investment of the Council.

6. Authorised Limit / Operational Boundary (Indicator 6) - The Council took on additional debt of £16.5m, but repaid £18.5m leaving the Council's total level of debt at £102.1m. The Council's Operational Boundary (maximum prudent level of debt) was revised to £125.2m as part of the 2008/09 budget setting process and the Authorised Limit (maximum allowed debt) revised to £146.5m. The headroom available within these limits allows the Council the ability to borrow in advance of need in accordance with its 3 year forecast Capital programme. If these limits were breached the LG Act 2003 requires full Council approval. Debt levels have remained within the limits set.

7. Adoption of the CIPFA Code of Practice in Treasury Management (Indicator 7) – In accordance with the Prudential Code the Council has adopted the Treasury management Code of Practice and as detailed in the table has adhered to the requirements.

8. Upper Limit for Fixed and Variable Interest rate Exposure (Indicator 8) – Interest rate exposure on debt is positive due to it being in relation to interest paid and on investments is negative as it is interest being received. When the variable and fixed interest rates are totalled, it will always be 100%. The majority of the interest received for the Council relates to variable rated investments, where as the interest paid on debt is fixed. The limits set in the budget were not breached and the outturn stands at 107% for fixed interest arte exposure and –7% for variable interest rate exposure.

9. Upper Limit for total principal sums invested for over 364 days (Indicator 9) – This has been set at £10m and is approximately 25% of the total portfolio. In the year £4m has been invested for longer than 364 days in accordance with the long-term cash flow projections.

10. Maturity Structure of Fixed rate Borrowing in 2008/09 (Indicator 10) – The borrowing portfolio is spread across different time periods to ensure that the Council is not exposed to the requirement to take new borrowing in any one year and be exposed to interest rates in any one year. In 08/09 the borrowing portfolio maturity profile was within the limits set.