Appendix 2

External Debt and Treasury Management Prudential Code Indicators 2011/12 to 2013/14

The Prudential Code requires authorities to self-regulate the affordability, prudence and sustainability of their capital expenditure and borrowing plans, by setting estimates and limits, and by publishing actuals, for a range of prudential indicators.

Treasury Indicators within the Prudential Code

The following four indicators, which in the recent revisions of the Prudential Code and Treasury Management Code of Practice are now more appropriately linked to the Treasury Management Code, focus on the position for gross external debt.

1. Acceptance of the CIPFA TM Code

The MPA adopted the CIPFA Code of Practice for Treasury Management in the Public Services in March 2002.

2. Authorised Limit for External Debt

This is the maximum amount that the authority allows itself to borrow in each year and is measured against all external borrowing items on the balance sheet. The Treasurer reports that these Authorised Limits are consistent with the authority's current commitments, existing plans and the proposals in the budget report for capital expenditure and financing. They are also consistent with its approved treasury management policy statement and practices. They are based on the estimate of the most likely, prudent but not worst-case scenario, with sufficient flexibility over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure and estimates of cashflow requirements.

	2010/11 Original £000	2010/11 Revised £000	2011/12 Estimate £000	2012/13 Estimate £000	2013/14 Estimate £000
Borrowing	318,150	282,325	367,613	403,963	437,760
Other Long Term Liabilities	-	-	-	-	-
PFI	112,268	112,268	109,080	105,673	102,031
Fin Leases	0	TBA	TBA	TBA	TBA
Total	430,418	394,593	476,693	509,636	539,791

These figures reflect the understanding that the borrowing needs of the Authority will be matched by the negotiation of external loans. Figures are calculated on a cumulative basis taking account of existing PWLB repayment schedules.

3. Operational Boundary for External Debt

The proposed Operational Boundary for external debt is based on the same estimates as the Authorised Limit but reflects directly the estimate of the most likely, prudent, but not worst case scenario, without the additional headroom included within the Authorised Limit to allow for example for unusual cash movements and equates to the maximum of external debt projected by this estimate.

As with the Authorised Limit the figures reflect the understanding that the borrowing needs of the Authority will be matched by the negotiation of external loans. Figures are calculated on a cumulative basis taking account of existing PWLB repayment schedules.

	2010/11 Original £000	2010/11 Revised £000	2011/12 Estimate £000	2012/13 Estimate £000	2013/14 Estimate £000
Borrowing	303,000	245,500	319,663	351,272	380,661
Other Long Term Liabilities	-	-	-	-	-
PFI	112,268	112,268	109,080	105,673	102,031
Fin Leases	TBA	TBA	TBA	TBA	TBA
Total	415,268	357,768	428,743	456,945	482,692

4. Actual External Debt (at start of financial year 2011/12)

This figure is taken directly from the MPA balance sheet and is the closing balance for actual gross borrowing plus any other long-term liabilities.

Actual External Debt
1 April 2011 Actual £000
165,350

Treasury Indicators within the TM Code

5. Interest Rate Exposures

The purpose of these indicators is to set ranges that will limit exposure to interest rate movement. The indicator required by the TM Code considers the net position of borrowing and investment and is based on principal sums outstanding, and these are set out below:

	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Upper limit on fixed interest rate exposures	95%	95%	95%	95%
Upper limit on variable rate exposures	30%	30%	30%	30%

The upper limit on fixed rate exposure of 95% and variable rate of 30% on net principal sums means that fixed interest rate exposure can be managed within the 70% to 95% range and variable interest rate exposures within a 5% to 30% range.

To assist operational treasury management two discretionary local indicators have been selected

6. Gross Outstanding Borrowing

Limits in interest rate exposure calculated with reference to outstanding borrowing sums.

	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Upper limit on fixed interest rate exposures	100%	100%	100%	100%
Upper limit on variable rate exposures	30%	30%	30%	30%

7. Gross Outstanding Investment

Limits in interest rate exposure calculated with reference to outstanding investment sums.

	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Upper limit on fixed interest rate exposures	100%	100%	100%	100%
Upper limit on variable rate exposures	100%	100%	100%	100%

8. Maturity Structure of Borrowing – Upper and Lower Limits

The amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

	Lower Limit %	Upper Limit %
Under 12 months	0	15
12 months and within 24 months	0	15
24 months and within 5 years	0	30
5 years and within 10 years	0	40
10 years and within 20 years	0	50
20 years and within 30 years	0	50
30 years and above	0	50

9. Principal sums invested for periods longer than 364 days.

The Authority will not consider the investment of sums for longer than 364 days.