APPENDIX E

Prudential Code for Capital Finance in Local Authorities
Prudential Indicators for 2011-12

The prudential indicators take no account of the forthcoming reform of council housing finance.

1. Capital Expenditure.

   The actual capital expenditure that was incurred in 2009-10 and the estimates of capital expenditure to be incurred for the current and future years are:

	2009-10 Actual £'000	2010-11 Revised £'000	2011-12 Estimate £'000	2012-13 Estimate £'000	2013-14 Estimate £'000
General Fund	2,255	4,206	3,888	3,023	2,933
Housing Revenue Account	7,230	4,849	4,443	3,830	3,830
Total	**9,485**	**9,055**	**8,331**	**6,853**	**6,763**

2. Estimates of the ratio of financing costs to net revenue stream for the current and future years are:

	2009-10 Actual	2010-11 Revised	2011-12 Estimate	2012-13 Estimate	2013-14 Estimate
General Fund	-6%	-4%	-4%	-4%	-3%
Housing Revenue Account	Not applicable				

   The negative figures reflect the Authority's position as a net investor the interest earned being used to help fund the budget. The other affordability indicator is the incremental impact of capital investment decisions on the council tax and on the average weekly housing rents and this is considered to be not applicable as capital expenditure is reducing on both the General Fund and the Housing Revenue Account parts of the capital programme.

3. Capital Financing Requirement.

   The capital financing requirement is capital expenditure which has not been fully financed from a local authority's own resources in the year but has been covered by raising external or internal debt. As South Cambridgeshire is debt free (no external debt), its capital financing requirement is a negative £5.694 million for the year 2009-10. The capital financing requirement falls to a negative £3.788 million, a negative £4.155 million and a negative £4.522 million as at 31st March 2011, 2012 and 2013 respectively (the reduction in these years being due to financing internally the part of the purchase of the new wheeled bins and cash overdrawn on equity share repurchases, but this financing is then partly repaid over the period).

A negative requirement means that the Council has defrayed more financing resources than it has capital expenditure. The requirement cannot presently be split between the General Fund and the Housing Revenue Account.

4. External Debt.

The prudential indicators for external debt will be:

i) Authorised limit

	2010-11 Estimate £ million	2011-12 Estimate £ million	2012-13 Estimate £ million	2013-14 Estimate £ million
Borrowing	7.5	7.5	7.5	7.5
Other Long Term Liabilities	0	0	0	0
Total	7.5	7.5	7.5	7.5

The authorised limit is the maximum limit, is solely to take advantage of interest rate differentials and to meet immediate cash flow requirements and will not affect the Council's debt free status. The authorised limit is the statutory affordable borrowing limit under Section 3(1) Local Government Act 2003.

ii) Operational boundary

The operational boundary for external debt is based on the same estimates as the authorised limit but reflects the most likely scenario and is expected to be zero for both borrowing and other long-term liabilities for each of the three years.

iii) Actual debt

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The third indicator for external debt is actual debt at the end of the last financial year and is not applicable to this Council.

5. Maturity Structure of Borrowing.

As the Council currently intends to remain debt free and will only undertake a minimal amount of short-term borrowing to take advantage of interest rate differentials and to meet immediate cash flow requirements, the upper and lower limits will only need to be set for borrowing for periods under 12 months and will be 100% and 0% respectively as a percentage of total borrowing.

6. Treasury Management.

The Prudential Code requires the Authority to have adopted the CIPFA Code of Practice for Treasury Management in the Public Services: South Cambridgeshire has adopted this code.

i) Liquidity of Investments

The procedure for determining the maximum periods for which funds may be prudently committed is to formulate the five year investing plan. No investments will be made for more than five years. The prudential indicators for principal sums invested for periods longer than 364 days being the maximum limit shall be:

Investment period	Longer than 364 days but less than two years £ million	Longer than one year and 364 days but less than three years £ million	Longer than two year and 364 days but less than four years £ million	Longer than three year and 364 days but less than five years £ million
Maximum Limit	5	4	3	3

ii) Interest Rate Exposure

The Council will only undertake a minimal amount of short-term borrowing to take advantage of interest rate differentials and to meet immediate cash flow requirements; the upper limits for interest rate exposures are based on gross investments. These upper limits for the forthcoming financial year and the following two financial years will be:

Upper limit on gross investments	2011-12	2012-13	2013-14
Fixed rate	100%	100%	100%
Variable rate	50%	50%	50%