

## APPENDIX 1- PRUDENTIAL INDICATORS

### 1. Estimate of capital financing requirement (underlying need to borrow for a capital purpose)

Estimates of the Council's cumulative maximum external borrowing requirement for 2010 -11 to 2012 -13 are shown in the table below:

	<b>31/3/2010 Actual £000s</b>	<b>31/3/2011 Estimate £000s</b>	<b>31/3/2012 Estimate £000s</b>	<b>31/3/2013 Estimate £000s</b>
Capital Financing Requirement	1,250,296	1,236,211	1,376,297	1,415,220
<b>Less:</b> Existing Profile of Borrowing	1,042,363	1,092,336	1,092,336	1,092,336
<b>Less:</b> Other Long Term Liabilities	0	0	0	0
<b>Cumulative Maximum External Borrowing Requirement</b>	<b>208,000</b>	<b>143,875</b>	<b>283,961</b>	<b>322,884</b>

In the light of current commitments and planned expenditure, forecast net borrowing by the Council will not exceed the Capital Financing Requirement.

### 2. Operational Boundary for External Debt

The operational boundary for debt is determined having regard to actual levels of debt, borrowing anticipated in the capital plan, the requirements of treasury strategy and prudent requirements in relation to day to day cash flow management.

The operational boundary for debt will not be exceeded in 2010 -11

#### (a) Operational boundary for debt relating to KCC assets and activities

	<b>Prudential Indicator 2010-11 £m</b>	<b>Position as at 30.09.10 £m</b>
Borrowing	1,301	1,040
Other Long Term Liabilities	0	0
	1,301	1,040

#### (b) Operational boundary for total debt managed by KCC including that relating to Medway Council etc (pre Local Government Reorganisation)

	<b>Prudential Indicator 2010-11 £m</b>	<b>Position as at 30.09.10 £m</b>
Borrowing	1,349	1,092
Other Long Term Liabilities	0	0
	1,349	1,092

### 3. Authorised Limit for External Debt

The authorised limit includes additional allowance, over and above the operational boundary to provide for unusual cash movements. It is a statutory limit set and revised by the County Council. The revised limits for 2010 -11 are:

(a) Authorised limit for debt relating to KCC assets and activities

	£m
Borrowing	1,341
Other long term liabilities	0
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	1,341
	<hr/>

(b) Authorised limit for total debt managed by KCC including that relating to Medway Council etc

	£m
Borrowing	1,389
Other long term liabilities	0
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	1,389
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The additional allowance over and above the operational boundary has not needed to be utilised and external debt, has and will be maintained well within the authorised limit.

### 4. Upper Limits for Fixed Interest Rate and Variable Interest Rate Exposures

- These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.
- The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Limits for 2010/11 %
<b>Upper Limit for Fixed Rate Exposure</b>	100
Compliance with Limits:	Yes
<b>Upper Limit for Variable Rate Exposure</b>	50
Compliance with Limits:	Yes

### 5. Maturity Structure of Fixed Rate Borrowing

- This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>Upper Limit %</b>	<b>Lower Limit %</b>	<b>Actual Fixed Rate Borrowing as at 30/09/10</b>	<b>% Fixed Rate Borrowing as at 30/09/10</b>	<b>Compliance with Set Limits?</b>
under 12 months	25	0	6,004	0.6	Yes
12 months and within 24 months	40	0	57,024	5.2	Yes
24 months and within 5 years	60	0	105,229	9.6	Yes
5 years and within 10 years	80	0	130,003	11.9	Yes
10 years and above	90	40	794,076	72.7	Yes

#### **6. Upper Limit for Principal Sums Invested for Periods Longer than 364 days**

- This indicator allows the Council to manage the risk inherent in investments longer than 364 days.
- The limit for 2010 - 11 was set at £50m.
- The Council's policy has been to keep investment maturities to a maximum of 12 months and no investments were made for a period greater than 364 days during this period.