2011/12 ACTUAL PRUDENTIAL INDICATORS

1.1 The Prudential Capital Finance system which came into force on 1st April 2004 allows authorities to borrow as much as they can prudently afford to pay back from their revenue resources (subject to national safeguards).

1.2 The Council set its original Prudential Indicators for 2011/12 in February 2011 and due to the impact of the HRA Self Financing Settlement further revised them in February 2012. It is a requirement of the Prudential Code for Capital Finance in Local Authorities that the Council calculates actuals for certain of the indicators and reports upon them after the end of the year to which the indicators relate. The actuals for the relevant indicators are shown below together with a comparison, where appropriate, with the indicator set in February 2012.

1.3 **Actual ratio of financing costs to net revenue stream**

This ratio sets an upper limit on the proportion of the Council's net revenue streams both for GF and HRA which goes to service debt.

	2011/12 Original	2011/12 Actual
General Fund	0.00% to -5.00%	-2.12%
Housing Revenue Account	17.50% to 22.50%	11.40%
Overall	7.50% to 12.50%	5.91%

It can therefore be seen that the Housing Revenue Account ratio is below the range set for the 2011/12 original. This ratio is calculated by taking the Housing Revenue Account capital financing costs which consist of external borrowing interest, premiums payable on previous debt repayments and depreciation charges netted down by investment interest earned on the HRA balances. This cost is then divided into the HRA net revenue stream i.e. rents, service charges etc to produce the ratio. The 2011/12 actual ratio is below the lower point in the range due to a significant reduction in depreciation charges. This is due to a combination of two factors a) Up until 2010/11, the Council had always depreciated its housing stock as one entity i.e. land and buildings together. At the end of 2010/11, the housing stock valuation was split between land & buildings with only the buildings element being subject to depreciation. This has resulted in a lower opening value at 1/4/11 (the date at which the 2011/12 actual depreciation is calculated) than that which obtained when the 2011/12 original estimate of depreciation was calculated and b) The housing stock value in the balance sheet was further reduced at the end of 2010/11 due to a decrease from 49% to 34% in the regional factor by which the market value of our stock is adjusted down to Existing Use Value for Social Housing. This also accounts for the reason why the Overall ratio is also below the range set in the 2011/12 original.

1.4 **Actual capital expenditure for 2011/12**

It should be noted that the General Fund Capital Programme and the General Fund Housing (Registered Social Landlords and Improvement Grants) part of the Housing Investment Programme are to be considered as one.

	2011/12 Revised	**2011/12 Actual**
General Fund	£3,508,800	£2,942,331
Housing Revenue Account	£149,898,300	£8,523,959
Overall	£153,407,100	£11,466,290

The 2011/12 revised indicator for HRA capital expenditure included £140m in respect of the borrowing to be incurred for the anticipated Self Financing settlement payment to DCLG which at that time was to be counted as capital expenditure. Subsequently CIPFA determined that the Self Financing settlement payment should not count as capital expenditure but be expensed directly to the HRA hence the significant variation between revised and actual.

1.5 **Actual capital financing requirement at 31/3/2012**

This is a key measure in that it measures the underlying need for an authority to borrow for capital purposes.

	2011/12 Revised	**2011/12 Actual**
General Fund	-£1,326,896	-£1,326,896
Housing Revenue Account	£139,629,796	£135,786,796
Overall	£138,302,900	£134,459,900

The Council was able to finance its capital expenditure in 2011/12 from within its own means and did not generate any requirement to borrow other than to finance the HRA Self Financing settlement payment to DCLG hence the positive HRA Capital Financing Requirement. Provision for the repayment of this debt is scheduled to commence from year 41 of the HRA Business Plan.

1.6 The final indicator that requires reporting at the year end is the amount of external debt outstanding at the year end. As a result of the HRA Self Financing Settlement the Council took out long term PWLB loans amounting to £136,157,000. In addition, during 2011/12 the Council entered into a Finance lease for the supply of photocopiers and the principal outstanding at 31st March 2012 on this lease was £115,426 which when added to the external borrowing of £136,157,000 gives £136,272,426 total debt outstanding at 31st March 2012.