

Appendix 4

MWDA PRUDENTIAL INDICATORS

Indicator	Prudential Code Para. Reference	Summary of Indicator/ Limit Rationale	Revised 2009/2010 £M (unless stated otherwise)	Forward 2010/2011 £M (unless stated otherwise)	Forecast 2011/2012 £M (unless stated otherwise)	Forecast 2012/2013 £M (unless stated otherwise)
Indicator 1	3.1	Estimated capital expenditure for the forthcoming year	4.027	87.767	3.583	1.800
		Capital Expenditure				
		Financing of Capital Expenditure				
		-Grants	0.000	0.000	0.000	0.000
		-Capital Receipts	0.000	0.000	0.000	0.000
		-Earmarked Reserves	0.000	6.000	0.000	0.000
		-Borrowing	<u>4.027</u>	<u>81.767</u>	<u>3.583</u>	<u>1.800</u>
		Additional In-year Capital Financing (Borrowing) requirement				
		-Borrowing (as above)	4.027	81.767	3.583	1.800
		- Less MRP/Set aside	<u>- 1.387</u>	<u>-1.545</u>	<u>-2.620</u>	<u>- 2.780</u>
			2.640	80.222	0.963	-0.980

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Indicator 2	3.2	Intended to measure an Authority's underlying need to borrow to fund capital expenditure. There should be a clear linkage between this and the Authority's actual levels of external borrowing. The Code aims to ensure that over the medium term an Authority's net borrowing is only for a capital purpose and this Indicator (alongside Indicator 3) serves to ensure that this is demonstrable	End of Year Capital Financing (Borrowing)	38,540	41,180	121,402	122,365
			- Requirement b/f	<u>2,640</u>	<u>80,222</u>	<u>0,963</u>	<u>-0,980</u>
				36,290	116,512	117,475	116,495
			Estimated/actual external borrowing	33,650	80,222	0,963	-0,980
			-Estimated/actual b/f	<u>2,640</u>	<u>80,222</u>	<u>0,963</u>	<u>-0,980</u>
			-In-year requirement (from above)	36,290	116,512	117,475	116,495

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Indicator 4	3.4	This Indicator shows the impact that the revenue costs of capital financing decisions will have on the Authority's General Fund budget over time. If the ratio of these costs is increasing over time this highlights that a larger part of revenue resource is being taken by capital financing costs. These sums could be used for other elements of the Authority budget	<p>Estimate of Financing Costs to Net Revenue Stream</p> <ul style="list-style-type: none"> -Debt Management Costs -Investment Interest (net of costs) -Minimum Revenue Provision (MRP) -Estimated Financing Costs as a proportion of Net Revenue Stream <p>Ratio %</p>	<p>1.473</p> <p>0.591</p> <p><u>1.387</u></p> <p>2.269</p> <p>+</p> <p>70.872</p> <p>3.2%</p>	<p>3.164</p> <p>0.591</p> <p><u>1.545</u></p> <p>4.118</p> <p>+</p> <p>70.872</p> <p>5.8%</p>	<p>4.846</p> <p>0.591</p> <p><u>2.620</u></p> <p>6.875</p> <p>+</p> <p>72.976</p> <p>9.4%</p>	<p>4.929</p> <p>0.591</p> <p><u>2.782</u></p> <p>7.118</p> <p>+</p> <p>74.913</p> <p>9.5%</p>
Indicator 5	3.5	Arguably the ultimate consideration of the affordability of the Authority's capital investment plans is the impact of those plans Waste Disposal Levy levels	<p>Estimate of Impact of Capital Investment Decisions on Levy</p>	2.269	4.118	6.875	7.118

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						2011/2012 £M (unless stated otherwise)	2012/2013 £M (unless stated otherwise)
Indicator 7	3.7	This represents a lower level boundary of debt levels that should trigger investigation or review once it is exceeded.	<p>Operational Boundary for External Debt</p> <ul style="list-style-type: none"> -Estimated external borrowing (from above) -allowance for unanticipated cashflow items calculated as 2.5% of Net Revenue Stream -Maturing borrowing refinanced prior to maturity of existing loans. 	36.290	116.512	117.475	116.495
				1.772	1.772	1.824	1.873
				<u>0.300</u>	<u>0.300</u>	<u>0.300</u>	<u>0.300</u>
				38.362	118.584	119.599	118.668

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Indicator 8	3.8	These limits seek to ensure that the Authority does not expose itself to an inappropriate level of interest rate risk, and has a suitable proportion of its debt secured at certain, fixed rates	<p>Interest Rate Exposures</p> <ul style="list-style-type: none"> -Upper limit for fixed rate exposure on net principle outstanding sums -Lower limit for fixed rate exposure on net principle outstanding sums 	100% 50%	100% 50%	100% 50%	100% 50%

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Indicator 9	3.9	<p>These limits also seek to ensure that the Authority does not expose itself to an inappropriate level of interest rate and refinancing risk by ensuring that significant proportions of its debt are not scheduled to mature at similar times</p>	<p>Maturing Structure of Borrowing</p> <ul style="list-style-type: none"> -Upper limit on amount of projected borrowing that is fixed rate maturing in each period <ul style="list-style-type: none"> Under 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years and above - Lower limit on amount of projected borrowing that is fixed rate maturing in each period <ul style="list-style-type: none"> Under 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years and above 	<p>40% 50% 60% 70% 90%</p> <p>0% 0% 0% 0% 0%</p>	<p>40% 50% 60% 70% 90%</p> <p>0% 0% 0% 0% 0%</p>	<p>40% 50% 60% 70% 90%</p> <p>0% 0% 0% 0% 0%</p>	<p>40% 50% 60% 70% 90%</p> <p>0% 0% 0% 0% 0%</p>

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Indicator 10	3.10	These limits seek to ensure liquidity and reduce the likelihood of any inherent or associated risk	Total principal sums invested for periods longer than 364 days	50%	50%	50%	50%