

## Prudential limits (indicators) as at March 2017

Prudential indicators as at 31 March 2017				
	Vale		South	
	Original estimate £m	Actual position £m	Original estimate £m	Actual position £m
<b>Authorised limit for external debt</b>				
Borrowing	30	0	5	0
Other long term liabilities	5	0	5	0
	<b>35</b>	<b>0</b>	<b>10</b>	<b>0</b>
<b>Operational boundary for external debt</b>				
Borrowing	25	0	2	0
Other long term liabilities	0	0	3	0
	<b>25</b>	<b>0</b>	<b>5</b>	<b>0</b>
<b>Investments</b>				
<b>Interest rate exposures</b>				
Limits on fixed interest rates	40	28	100	87
Limits on variable interest rates	30	7	30	14
<b>Maximum principal sums invested &gt; 364 days</b>				
Upper limit for principal sums invested > 364 days	30	6	70	17
Limit to be placed on investments to maturity				
1 - 2 years	NA	NA	70	2
2 - 5 years	NA	NA	50	15
5 years +	NA	NA	50	0

**Prudential indicators – explanatory note****Debt**

There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with the current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices. They are both based on estimates of most likely, but not worst case scenario.

The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. It therefore includes more headroom to take account of eventualities such as delays in generating capital receipts, forward borrowing to take advantage of attractive interest rates, use of borrowing in place of operational leasing, "invest to save" projects, occasional short term borrowing to cover temporary revenue cash flow shortfalls as well as an assessment of risks involved in managing cash flows.

The Operational Boundary is a more realistic indicator of the likely position.

**Interest rate exposures**

The maximum proportion of interest on borrowing which is subject to fixed/variable rate of interest.

## **Investments**

### **Interest rate exposure**

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

### **Principal sums invested**

This indicator sets a limit on the level of investments that can be made for more than 364 days.