The Report of the Executive

The Executive met on Tuesday, Tuesday, 27 July 2010. County Councillor John Weighell in the Chair. County Councillors Gareth Dadd, Carl Les, Chris Metcalfe, Caroline Patmore, John Watson OBE, and Clare Wood.

Also in attendance: County Councillors John Clark and Roger Harrison-Topham

The Executive met on Tuesday, 24 August 2010. County Councillor John Weighell in the Chair. County Councillors Carl Les, Chris Metcalfe, Caroline Patmore, John Watson OBE, and Clare Wood.

Also in attendance: County Councillors Keith Barnes, John Blackburn, Liz Casling, Jim Clark, Tony Hall and Stuart Parsons

The Executive met on Tuesday, 28 September 2010. County Councillor John Weighell in the Chair. County Councillors Gareth Dadd, Carl Les, Chris Metcalfe, Caroline Patmore, John Watson OBE, and Clare Wood.

Also in attendance: County Councillor John Clark.

1. Prudential Indicators. The Prudential Code requires appropriate arrangements to be in place for the monitoring, reporting and revision of Prudential Indicators previously set. These arrangements were agreed by the County Council in February 2004. A revised Prudential Code was issued by CIPFA in November 2009 and this was adopted as part of updating the Prudential Indicators for 2010/11 to 2012/13, which were approved by County Council on 17 February 2010. These indicators were based substantially on a Capital Plan approved by Executive in November 2009.

The Annual Treasury Management and Prudential Indicators report for 2009/10 was submitted to Executive on 22 June 2010. This reported the 2009/10 outturn position on Prudential Indicators compared with the last updated set of Indicators for the year. The 2009/10 outturn report did not, however, consider any consequential changes to the various Indicators set for the three year period 2010/11 to 2012/13. It is therefore necessary to consider and revise the Prudential Indicators for the three years up to 31 March 2013.

As a result of Capital Plan updates and other changes, many of the Prudential Indicators need revising, particularly those for capital spending, the capital financing requirement and authorised debt levels. Rather than consider individual Prudential Indicators in isolation, a full review of all Indicators has been undertaken as part of the ongoing financial monitoring process. This is necessary because the Indicators approved in February 2010 included a number of provisional forecasts and subsequent, and more up to date, information has become available, resulting in forecasts for future years having to be refined

A Prudential Indicators update and monitoring report is therefore attached as Appendix 1. This sets out each Prudential Indicator in terms of the:

(a) Indicators approved in February 2010

(b) updated Indicators as at August 2010

(c) comments on the reasons for all variations being proposed

In general the updated Indicators reflect a number of common factors including:

(a) 2009/10 outturn – capital spending, capital financing and new borrowing

(b) an updated Capital Plan

(c) latest information and approvals on schemes self funded from grants, contributions and from revenue

(d) updated forecasts of debt charge estimates and interest earned on surplus cash balances

(e) various other miscellaneous refinements

A significant proportion of the County Council's Capital Plan is funded from a combination of Government grants and supported borrowing approvals. Notified capital grant cuts for 2010/11 have been incorporated into the Q1 Capital Plan and Prudential Indicators update but, at this stage, no assumptions have been made for significant reductions in Government capital funding approvals from 2012/13 that are being suggested. A further revision of Prudential Indicators may, therefore, be required during 2010/11, as the extent and nature of Government capital funding reductions become known.

The Executive RECOMMENDS

That the revised Prudential Indicators for the period 2010/11 to 2012/13, as set out in Appendix 1 to the report, are approved.

2. Appointments to Committees and other bodies. As a result of County Councillor John Savage leaving the Conservative Group, it is necessary for the allocation of Committee seats to Groups to be amended to reflect the new proportional balance of Groups on the Council. The County Council is recommended, below, to agree proposals for the reallocation of committee seats to comply with the new proportional strength of Groups on the Council and to make appointments to any resulting vacancies, on the basis of nominations put forward by the relevant political group or independent Member. The Executive has been informed that the constitution of the North eastern Sea Fisheries Committee has been revised and that the County Council can now only appoint two representatives, rather than four, as in the past. The Executive makes recommendations below on this; on a number of nominations as substitute Members of Committees; and that any other proposals for changes to memberships or substitute memberships of the committees, or other bodies to which the County Council makes appointments, put forward by the relevant political group, at or before the meeting of the Council, be approved.

The diary of meetings for the Council and its Committees in 2011 is now being drawn up. The Constitution states that the Council shall meet on the third Wednesday in December, or such other date as the Council shall determine. The third Wednesday in December 2011 will be the 21st and the Executive recommends to the Council that the meeting be held on the second Wednesday, the 14th.

<u>The Executive RECOMMENDS</u>

(a) That the date of the Council meeting in December, 2011, be 14th, not 21st of the month.

(b) That two Members to represent the County Council on the North Eastern Sea Fisheries Committee, in future, be appointed.

(c) That the following appointments to Committees be made:

Scrutiny of Health Committee - Councillor John Harris as substitute Member for Richmondshire District.

Councillor Elizabeth Shields as substitute Member for Ryedale District

Councillor S Rodgers as substitute Member for Scarborough Borough Council.

County Councillors Mrs Margaret-Ann de Courcey-Bayley and Keith Barnes as first and second named substitute Members, respectively, for the Liberal Democrat Group.

Children and Young People Overview and Scrutiny Committee – County Councillors Bill Hoult and Geoff Webber as first and second named substitutes, respectively, for the Liberal Democrat Group.

Care and Independence Overview and Scrutiny Committee – County Councillors J W Marshall and Caroline Seymour as first and second named substitutes for the Liberal Democrat Group.

Corporate and Partnerships Overview and Scrutiny Committee – County Councillors Stuart Parsons and Keith Barnes as first and second named substitutes, respectively, for the Liberal Democrat Group.

Audit Committee – County Councillors Keith Barnes and Bill Hoult as first and second named substitutes, respectively, for the Liberal Democrat Group.

Transport, Economy and Environment Overview and Scrutiny Committee – County Councillors Andrew Goss and Geoff Webber as the first and second named substitutes, respectively, for the Liberal Democrat Group.

(d) That the County Council approves the reallocation of seats on committees to reflect the new proportional strength of Groups on the Council and that any proposals for changes to memberships or substitute memberships of committees, or other bodies to which the County Council makes appointments, put forward by the relevant political group, at or before the meeting of the Council, be approved.

JOHN WEIGHELL
Chairman

County Hall,
NORTHALLERTON.
5 October, 2010

ANNEX H

Prudential Indicators 2010/11 – 2012/13 update

PRUDENTIAL INDICATORS UPDATE – FOR 2010/11 TO 2012/13
(EXECUTIVE – 24 AUGUST 2010)

CAPITAL EXPENDITURE & EXTERNAL DEBT INDICATORS	Comment

1 Estimated Ratio of capital financing costs to the net Revenue Budget

(a) *Formally required Indicator*

This reflects capital financing costs (principal plus interest) on external debt plus PFI charges (from 2009/10) less interest earned on the temporary investment of surplus cash balances.

The estimated ratios of financing costs to the net Revenue Budget for the current and future years, and the actual figures for 2008/09 and 2009/10 are as follows:

Year	Executive 2 February 2010 Basis	%	Update August 2010 Basis	%
2008/09	actual	6.8	actual	6.8
2009/10	probable	8.0	actual	7.8
2010/11	estimate	8.4	estimate	8.2
2011/12	estimate	8.5	estimate	8.7
2012/13	estimate	8.9	estimate	9.1

(b) *Local Indicator*

This local Indicator reflects a policy decision to cap Capital Financing costs to 11% of the net annual Revenue Budget. The indicator is different to the formally required Indicator at (a) above in that it only reflects the cost components of interest on external debt plus lost interest on internally financed capital expenditure, together with a revenue provision for debt repayment. Unlike the formally required PI it does not reflect interest earned on surplus cash balances or PFI charges.

Year	Executive 2 February 2010 Basis	%	Update August 2010 Basis	%
2008/09	actual	9.7	actual	9.7
2009/10	probable	9.2	actual	9.0
2010/11	estimate	9.7	estimate	9.4
2011/12	estimate	10.2	estimate	10.1
2012/13	estimate	10.8	estimate	10.7

Comment

The estimates of financing costs include current Capital Plan commitments based on the latest 2010/11 Q1 Capital Plan.

The updated estimates for 2010/11 to 2012/13 reflect the net effect of a range of factors, principally

(a) the recurring savings achieved from prematurely repaying £94.1m external debt in 2008/09 and 2009/10 then refinancing at lower rates of interest

(b) one off savings being achieved in 2010/11 through the policy of financing capital borrowing requirements internally from surplus cash balances

(c) starting to take 2010/11 borrowing requirements at lower rates than budgeted for together with updated forecasts for future borrowing costs

(d) variations in the levels of annual borrowing requirements due to

- capital expenditure slippage
- capital receipts slippage
- reduced levels of the Corporate Capital Pot which is used in lieu of taking up new borrowing until the Pot is required
- new schemes approved from Prudential Borrowing

(e) reductions in interest earned on surplus cash balances resulting from updated investment rates being lower than previously forecast but offset by continuing higher than projected surplus cash balances.

ANNEX G

Prudential Indicator	Comment
2 Estimates of the incremental impact of capital investment decisions on the Council Tax	
In considering its programme for future capital investment, the County Council is required within the Prudential Code to have regard to: ➔ affordability (eg implications for Council Tax) ➔ prudence and sustainability (eg implications for external borrowing) ➔ value for money (eg option appraisal) ➔ stewardship of assets (eg asset management planning) ➔ service objectives (eg strategic planning for the authority) ➔ practicality (eg achievability of the Capital Plan)	This Indicator shows the incremental impact on Band D Council Tax of the capital financing costs resulting from borrowing required to fund the Capital Plan. This borrowing includes the funding shortfall of capital bids approved by Executive on 3 February 2004, as part of the 10 year Capital Forecast projection, together with a number of subsequent funding approvals. The 10 year Capital Forecast is due to be reviewed during the current financial year using a new capital prioritisation methodology.
A key measure of affordability is the incremental impact on Council Tax. The County Council can consider different options for its capital investment programme based on their differential impact on the Council Tax.	Debt charges from Invest to Save schemes and certain other capital provisions are, however, excluded as these are deemed to be self financed from within Directorate revenue budgets and thus do not impact on Council Tax levels
The estimate of the incremental impact on Council Tax (at Band D) of past capital investment decisions which are reflected in the latest Capital Plan and also in the Revenue Budget for 2010/11 and Medium Term Financial Strategy compared with the 2009/10 Council Tax are:	As indicated above, debt charges resulting from borrowing approvals issued by the Government are also excluded from this calculation.
	No changes are proposed to these figures for the time being. The estimated figures for the three years 2011/12 to 2013/14 will however be updated as part of the 2011/12 Budget process and review of the Medium Term Financial Strategy.

Year	Executive 2 February 2010 Basis	£ - p	Update August 2010 Basis	£ - p
2010/11	estimate	+ 1.44	estimate	+ 1.44
2011/12	estimate	+ 3.73	estimate	+ 3.73
2012/13	estimate	+ 5.09	estimate	+ 5.09

Prudential Indicator	Comment

3 Capital Expenditure - Actual and Forecasts

The actual capital expenditure that was incurred in 2008/09 and 2009/10 and the latest estimates of capital expenditure to be incurred for the current and future years are:

Year	Executive 2 February 2010 Basis	Executive 2 February 2010 £m	Update August 2010 Basis	Update August 2010 £m
2008/09	actual	117.4	actual	117.4
2009/10	probable	124.5	actual	114.9
2010/11	estimate	130.8	estimate	141.7
2011/12	estimate	105.4	estimate	114.7
2012/13	estimate	76.3	estimate	71.0

The above figures reflect the updated Capital Plan (Q1 2010/11) together with expenditure on fixed assets funded directly from the Revenue Budget and not included in the Capital Plan.

Comment:

The Indicators approved by Executive on 2 February 2010 were based on a Capital Plan approved by Executive in November 2009 as adjusted for a number of provisional variations. This Indicator now reflects the Capital Outturn in 2009/10 and the Capital Plan update for Q1 2010/11.

The significant variations are principally a result of:-

(a) additional provisions and variations to existing provisions at Q3 2009/10 and Q1 2010/11 which are self funded from Capital Grand and Contributions, revenue contributions and earmarked Capital receipts

(b) Capital expenditure rephasing between years including significant sums brought forward from 2009/10 (Q3 and outturn)

(c) the impact of reductions in 2010/11 Capital Grants (£10.1m) notified to the County Council in June and July 2010

(d) various other Capital approvals (from Prudential Borrowing etc) and refinements reflected in the Capital Plan (Q3 2009/10 and Q1 2010/11).

Prudential Indicator	Comment

4 Capital Financing Requirement (CFR)

Actuals and estimates of the Capital Financing Requirement (CFR) at the defined year ends are as follows:

Date	Executive 2 February 2010				Update August 2010			
	Basis	Borrowing	Other Long Term liabilities (PFI etc)	Total	Basis	Borrowing	Other Long Term liabilities (PFI etc)	Total
		£m	£m	£m		£m	£m	£m
31 Mar 09	actual	364.5	0	364.5	actual	364.5	0	364.5
31 Mar 10	probable	392.0	5.5	397.5	actual	380.4	5.5	385.9
31 Mar 11	estimate	415.4	6.6	422.0	estimate	415.4	6.5	421.9
31 Mar 12	estimate	450.7	6.3	457.0	estimate	446.4	6.3	452.7
31 Mar 13	estimate	475.2	6.0	481.2	estimate	475.5	6.0	481.5

The CFR measures the underlying need for the County Council to borrow for capital purposes. In accordance with best professional practice, the County Council does not earmark borrowing to specific items or types of expenditure. The County Council has an integrated treasury management approach and has adopted the CIPFA Code of Practice for Treasury Management. The County Council has, at any point in time, a number of cashflows, both positive and negative, and manages its treasury position in terms of its overall borrowings and investments in accordance with its approved Annual Treasury Management Strategy. In day to day cash management, no distinction is made between revenue and capital cash. External borrowing arises as a consequence of all the financial transactions of the County Council as a whole and not simply those arising from capital spending. In contrast, the CFR Indicator reflects the County Council's underlying need to borrow for capital purposes only.

Comment:

The February 2010 figures were based on a Capital Plan approved by Executive in November 2009, as adjusted for a number of provisional variations.

The updated figures now recommended for approval reflect the following variations to the February 2010 figures

(a) expenditure rephasing between years that is funded from borrowing

(b) capital receipts (including company loan repayments) slippage between years that affects year on year borrowing requirements

(c) variations (reductions) in the level of the Corporate Capital Pot which is used in lieu of taking up new borrowing until the Pot is required

(d) additional schemes/provision approved by Executive that are funded from Prudential Borrowing

(e) various other refinements

Prudential Indicator	Comment
5 Net Borrowing Requirement (external borrowing, net of investments)	
The revised 2009 Prudential Code emphasises that in order to ensure that over the medium term net borrowing will only be for a capital purpose, the County Council should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the proceeding year, plus the estimate of any additional capital financing requirement for the current and next two financial years. This Prudential Indicator is referred to as net borrowing requirement and its comparison with the capital financing requirement is a key indicator of prudence. For transparency purposes this net borrowing requirement is therefore now being reported separately to Members with the figures being compared as described in the first paragraph above, with the Capital Financing Requirement figures shown at Indicator 4 above.	The Corporate Director – Finance and Central Services has previously reported that the County Council had no difficulty in meeting this requirement up to 2009/10 nor are any difficulties envisaged for the current or future years of the Medium Term Financial Strategy. This opinion takes into account spending commitments, existing and proposed Capital Plans and the proposals in the Revenue Budget 2010/11 and Medium Term Financial Strategy report. These net borrowing figures (external borrowing net of investments) are significantly below the Capital Financing Requirement (CFR) figures shown in **Indicator 4** for three main reasons: (a) a significant level of investments (surplus cash balances – core cash plus cash flow generated). (b) internally funded capital expenditure which is included in the CFR (c) other long term liabilities (PFI and finance leases) being reflected in the CFR from 2009/10 onwards (IFRS related) but not included in this definition of net borrowing. The Prudential Code requires that where there is a significant difference between the net borrowing figure and the gross borrowing requirement, as demonstrated by the CFR, then the risks and benefits associated with this strategy should be clearly stated in the annual Treasury Management Strategy. This is covered in **paragraphs 8.9 to 8.17** of the Annual Treasury Management and Investment Strategy for 2010/11. The updated figures differ from those approved in February 2010 principally as a result of (a) refinements which are also common to the Capital Financing Requirement (**see indicator 4**) (b) the continuing high level of surplus cash balances.

Date	**Executive 2 February 2010**		**Update August 2010**	
	Basis	**£m**	**Basis**	**£m**
31 Mar 09	actual	230.6	actual	230.6
31 Mar 10	probable	271.8	actual	248.0
31 Mar 11	estimate	313.3	estimate	299.2
31 Mar 12	estimate	361.1	estimate	342.9
31 Mar 13	estimate	395.4	estimate	384.1

Prudential Indicator	Comment
6 Authorised Limit for External Debt In respect of its external debt, it is recommended that the County Council approves the following Authorised Limits for its total external debt for the next three financial years. The Prudential Code requires external borrowing and other long term liabilities (PFI and Finance leases) to be identified separately. The authorised limit for 2010/11 will be the statutory limit determined under section 3(1) of the Local Government Act 2003.	The Corporate Director – Finance and Central Services confirms that these authorised limits are consistent with the County Council's current commitments, updated Capital Plan and the financing of that Plan, the 2010/11 Revenue Budget and updated Medium Term Financial Strategy and with its approved Treasury Management Policy Statement. The Corporate Director - Finance and Central Services also confirms that the limits are based on the estimate of most likely prudent, but not worst case, scenario with sufficient headroom over and above this to allow for operational issues (eg unusual cash movements). To derive these limits a risk analysis has been applied to the Capital Plan, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes. The updated figures reflect a number of refinements which are also common to the Capital Financing Requirement (see **Indicator 4**) and Operational Boundary for external debt (see **Indicator 7**). Explanations for these changes are provided under **Indicators 4 and 7** respectively.

Year	Executive 2 February 2010			Update August 2010		
	External Borrowing	**Other long term liabilities**	**Total Borrowing Limit**	**External Borrowing**	**Other long term liabilities**	**Total Borrowing Limit**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
2009/10	431.6	5.5	437.1	N/A	N/A	N/A
2010/11	460.4	6.6	467.0	458.8	6.5	465.3
2011/12	505.0	6.3	511.3	499.1	6.3	505.4
2012/13	532.7	6.0	538.7	531.4	6.0	537.4

Prudential Indicator	Comment

7 Operational Boundary for External Debt

It is recommended that the County Council approves the following Operational Boundary for external debt for the same period.

The proposed operational boundary for external debt is based on the same estimates as the Authorised Limit (ie **Indicator 6** above) but reflects an estimate of the most likely prudent, but not worst case, scenario without the additional headroom included within the Authorised Limit to allow for eg unusual cash flows.

Year	**Executive 2 February 2010**			**Update August 2010**		
	External Borrowing	**Other long term liabilities**	**Total Borrowing Limit**	**External Borrowing**	**Other long term liabilities**	**Total Borrowing Limit**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
2009/10	411.6	5.5	417.1	N/A	N/A	N/A
2010/11	440.4	6.6	447.0	438.8	6.5	445.3
2011/12	485.0	6.3	491.3	479.1	6.3	485.4
2012/13	512.7	6.0	518.7	511.4	6.0	517.4

Comment

The Operational Boundary represents a key management tool for the in year monitoring of external debt by the Corporate Director - Finance and Central Services.

The updated figures reflect refinements which are common to the Capital Financing Requirement (see **Indicator 4** above), together with

(a) relative levels of capital expenditure funded internally from surplus cash balances rather than taking external debt

(b) loan repayment cover arrangements and the timing of such arrangements

These two financing transactions affect external debt levels at any one point of time during the financial year but do not impact on the Capital Financing Requirement.

Prudential Indicator	Comment
8 Actual External Debt The County Council's external debt is set out below and consists of external borrowing from the PWLB and money markets plus other long term liabilities such as PFI and finance leases which are classified as external debt for this purpose.	The year on year movement in the borrowing element of external debt is as follows

Year	Executive 2 February 2010 Basis	Borrowing	Other Long Term liabilities (PFI etc)	Total	Update August 2010 Basis	Borrowing	Other Long Term liabilities (PFI etc)	Total
		£m	£m	£m		£m	£m	£m
31 Mar 2009	actual	329.7	0	329.7	actual	329.7	-	329.7
31 Mar 2010	probable	383.4	5.5	388.9	actual	323.9	5.5	329.4
31 Mar 2011	estimate	406.6	6.6	413.2	estimate	405.0	6.5	411.5
31 Mar 2012	estimate	441.7	6.3	448.0	estimate	435.8	6.3	442.1
31 Mar 2013	estimate	466.0	6.0	472.0	estimate	464.7	6.0	470.7

It should be noted that actual external debt is not directly comparable to the Authorised Limit (**Indicator 6 above**) and Operational Boundary (**Indicator 7 above**) since the actual external debt reflects a position at one point in time.

	£m
external debt at 31 March 2009	329.7
new external borrowing in 2009/10	+70.0
loans repaid in 2008/09	-8.2
premature repayments in 2009/10	-67.6
= external debt at 31 March 2010	323.9

The reduction of external borrowing debt during 2009/10 of £5.8m (from £329.7m to £323.9m) was due to it being possible to fund a significant level of in year borrowing requirement (including premature repayment of debt) from internal surplus cash balances, rather than taking new external borrowing. This will be substantially reversed during 2010/11.

The updated estimates for the 3 years to 31 March 2013 reflect refinements which are common to the Capital Financing Requirement (see **Indicator 4** above) together with the relative levels of capital expenditure internally funded from surplus cash balances rather than taking external debt.

9 Limit of Money Market Loans (Local Indicator)

Borrowing from the money market for capital purposes (as opposed to borrowing from the PWLB) is to be limited to 30% of the County Council's total external debt outstanding at any one point in time.

The actual position at 31 March 2010 was 6% against an upper limit of 30%

Comment: This limit was introduced as a new Local Prudential Indicator in 2009/10, although the 30% limit has featured as part of the Borrowing Policy section of the County Council's Annual Treasury Management and Investment Strategy for several years.

Prudential Indicator	Comment
TREASURY MANAGEMENT INDICATORS **10 Adoption of CIPFA Code of Practice for Treasury Management**	The County Council formally adopted the original CIPFA Code of Practice for Treasury Management in the Public Service at its meeting on 15 May 2002 and subsequently adopted the revised Code on 17 February 2010.
11 Interest Rate Exposures In accordance with the Code of Practice the County Council sets upper and lower limits on its fixed and variable interest rate exposures as a percentage of outstanding principal sums for 2010/11, 2011/12 and 2012/13 as set out below - Lower % / Upper % Borrowing - Fixed: 60 / 100 - Variable: 0 / 40 Investments - Fixed: 0 / 30 - Variable: 70 / 100 Combined Net Borrowing and Investments - Fixed: 110 / 150 - Variable: -10 / -50	**No changes to these limits are required**. This means that the Corporate Director – Finance and Central Services, will for **borrowing** manage fixed interest rate exposure within the range 60% to 100% of outstanding principal and variable interest rate exposure within the range 0% to 40% of outstanding principal for **investments** manage fixed interest rate exposure within the range 0% to 30% of outstanding principal and variable rate exposure within the range 70% to 100% of outstanding principal. The split of investments between fixed and variable rates is based on the market convention that investments up to 365 days are regarded as being at variable rates. The **combined net borrowing and investment** position represents the formal Prudential Indicator for Interest Rate Exposures. On its own however it does not show clearly how borrowing and investments will be managed, hence the two separate 'local indicators' shown above.

	Lower %	Upper %
Borrowing		
- Fixed	60	100
- Variable	0	40
Investments		
- Fixed	0	30
- Variable	70	100
Combined Net Borrowing and Investments		
- Fixed	110	150
- Variable	-10	-50

Prudential Indicator	Comment
12 Maturity Structure of Borrowing The upper and lower limits for the maturity structure of County Council borrowings are as follows:- The amount of projected borrowing maturing in each period as a percentage of total projected borrowing that is fixed rate: (see table below)	**No changes to these limits approved by Executive on 2 February 2010 are proposed.** The lower limits of 10% for the periods 10 to 25 years and 25 to 50 years is designed to ensure that the County Council does not have the risk of having to repay all debt within a ten year period.

Period	Lower Limit	Upper Limit %	Memo item - actual at 1 April 09 %	1 April 10 %
under 12 months	0	50	4	4
12 months & within 24 months	0	15	4	7
24 months & within 5 years	0	45	17	16
5 years & within 10 years	0	75	5	13
10 years and within 25 years	10	100	19	18
25 years and within 50 years	10	100	51	42
			100	100

Prudential Indicator	Comment
13 Total Principal Sums Invested for periods longer than 364 days A maximum of 20% of 'core' funds available for investment will be held in aggregate in ' non specified ' investments over 364 days. Based on estimated levels of funds and balances over the next three years, the need for liquidity and day to day cash flow requirements, it is forecast that £12m of the overall fund balances can be prudently committed to longer term investments over 364 days. The purpose of this prudential limit for principal sums invested for longer than 364 days is for the County Council to contain its exposure to the possibility of loss that might arise as a result of it having to seek early repayment or redemption of principal sums invested.	**No change to this limit is proposed.** The County Council currently has no such investments that fall into this category. Prior to 1 April 2004, Regulations generally prevented local authorities from investing for longer than 364 days. As a result of the new Prudential Regime however, these prescriptive regulations were abolished and replaced with Government Guidance from April 2004. This Guidance gives authorities more freedom in their choice of investments (including investing for periods longer than 364 days) and recognises that a potentially higher return can be achieved by taking a higher (ie longer term) risk. The new flexibility requires authorities to produce an Annual Investment Strategy that classifies investments as either **Specified** (liquid, secure, high credit rating & less than 365 days) or **Non Specified** (other investments of a higher risk). Non Specified investments are perfectly allowable but the criteria and risks involved must be vigorously assessed, including professional advice, where appropriate. Therefore investments for 364 days+ are now allowable as a Non Specified investment under the new Government Guidance. The use of such investments is therefore now incorporated into the County Council's Annual Treasury Management and Investment Strategy. The original 2004 Government Investment Guidance was updated with effect from 1 April 2010, but there has been no impact on this Prudential Indicator.