

Appendix D: Prudential Indicators

1.1 Prudential Indicators 2016/17

The Local Government Act 2003 requires Councils to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investments of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Councils have fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

The Councils confirm compliance with their Prudential Indicators for 2016/17, which were set in February 2016 as part of the Councils' Treasury Management Strategy Statements.

1.2 Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

These indicators are set to control the Council's exposure to interest rate risk.

The upper limits on fixed and variable rate exposures expressed as the amount of net principal borrowed (loans borrowed less amounts invested) are shown in the table below.

Limits for 2016/17	BDC £m	MSDC £m
Upper limit on fixed interest rate exposure	104	112
Actual 30/09/16	87	76
Compliance with limits	Yes	Yes
Upper limit on variable interest rate exposure	35	40
Actual 30/09/16	(12)	(0.2)
Compliance with limits	Yes	Yes

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

1.3 Maturity Structure of Fixed Rate Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Babergh District Council Maturity structure of fixed rate borrowing	Upper Limit for 2016/17	Lower Limit for 2016/17	Actual at 30/09/16
Under 12 months	50%	0	0.6%
12 months and within 24 months	50%	0	0.6%
24 months and within 5 years	50%	0	1.5%
5 years and within 10 years	100%	0	13.8%
10 years and within 20 years	100%	0	28.7%
20 years and within 30 years	100%	0	53.6%
30 years and above	100%	0	1.2%

Mid Suffolk District Council Maturity structure of fixed rate borrowing	Upper Limit for 2016/17	Lower Limit for 2016/17	Actual at 30/09/16
Under 12 months	50%	0	13.2%
12 months and within 24 months	50%	0	0.7%
24 months and within 5 years	50%	0	0.7%
5 years and within 10 years	100%	0	17.5%
10 years and within 20 years	100%	0	31.8%
20 years and within 30 years	100%	0	17.6%
30 years and above	100%	0	18.5%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

1.4 Total Principal Sums Invested for Periods Longer than 364 Days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end are:

Babergh and Mid Suffolk District Councils	2015/16 £m
Limit on principal invested beyond year end	2
Actual	0