

Treasury Management Prudential Indicators for the Metropolitan Police Authority

Treasury Management Indicators

- Net Outstanding Principal – Limits in interest rate exposure.**

Limits in interest rate exposure calculated with reference to net outstanding principal sums			
	2004/05 Estimate	2005/06 Estimate	2006/07 Estimate
Upper limit on fixed interest rate exposures	90%	90%	90%
Upper limit on variable interest rate exposures	30%	30%	30%

This indicator reflects the requirement specified under the Code, however the outstanding principal payable and receivable from external loans and investments is exceedingly weighted towards investment: £125.3 million external borrowing and £306.64 million investment in 2002/03. Both of these balances will gradually reduce, to about £90 million and £250 million respectively by 2005/06. It is therefore proposed that for operational treasury management purposes two discretionary indicators are approved as follows:

- Gross Outstanding Borrowing.**

Limits in interest rate exposure calculated with reference to net outstanding borrowing sums			
	2004/05 Estimate	2005/06 Estimate	2006/07 Estimate
Upper limit on fixed interest rate exposures	100%	100%	100%
Upper limit on variable interest rate exposures	15%	15%	15%

- Gross Outstanding Investment.**

Limits in interest rate exposure calculated with reference to outstanding investment sums			
	2004/05 Estimate	2005/06 Estimate	2006/07 Estimate
Upper limit on fixed interest rate exposures	90%	90%	90%
Upper limit on variable interest rate exposures	40%	40%	40%

- Maturity Structure of Borrowing – Upper and Lower Limits**

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate		
	Upper Limit	Lower Limit
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	45%	0%
5 years and within 10 years	35%	0%
10 years and above	35%	0%

- Principal sums invested for periods longer than 364 days.**

There are currently no proposals for the authority to invest sums for longer than 364 days. However, the authority may wish to consider some limited longer-term investment in future years and a ceiling of £30 million is proposed

- The MPA has adopted the CIPFA Code of Practice for Treasury Management in Public Services.

External Debt Indicators

- **Authorised Limit for External Debt**

Authorised Limit for External Debt				
	2003/04 Estimate £000	2004/05 Estimate £000	2005/06 Estimate £000	2006/07 Estimate £000
Borrowing	166,000	206,700	219,100	205,609
Other long term liabilities	-	-	-	-
Total	166,000	206,700	219,100	205,609

This is the maximum amount that the authority allows itself to borrow in each year. The Treasurer reports that these Authorised Limits are consistent with the authority's current commitments, existing plans and the proposals in the budget report for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of the most likely, prudent but not worst-case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure and estimates of cashflow requirements.

- **Operational Boundary for External Debt.**

Operational Boundary for External Debt				
	2003/04 Estimate £000	2004/05 Estimate £000	2005/06 Estimate £000	2006/07 Estimate £000
Borrowing	144,400	179,700	190,500	198,800
Other long term liabilities	-	-	-	-
Total	144,400	179,700	190,500	198,800

The proposed Operational Boundary for external debt is based on the same estimates as the Authorised Limit but reflects directly the estimate of the most likely, prudent, but not worst case scenario, without the additional headroom included within the Authorised Limit to allow for example for unusual cash movements and equates to the maximum of external debt projected by this estimate.

- **Actual External Debt**

Actual External Debt
2002/03 Actual £000
114,466