

**Meeting:** Council  
Portfolio Area: Resources  
**Date:** 6 December 2006

**AMENDED TREASURY PRUDENTIAL INDICATORS**

(Chief Executive's Department)

**KEY / NON-KEY DECISION**[Delete as appropriate]

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**1 PURPOSE**

To seek approval for amended Treasury Management Prudential indicators.

**2 RECOMMENDATIONS**

That the revised Prudential Indicators detailed in Appendix A are approved.

**3 BACKGROUND**

3.1 Prudential Code

3.1.1 The Local Government Act 2003 required that from April 2004 Councils must 'have regard to' the Prudential Code and set Prudential Indicators for the current and next 3 years to ensure that capital investment plans are affordable, prudent and sustainable. The legislation abolished Credit Approvals which had previously controlled Councils' borrowing, in favour of a system in which Affordable Borrowing Limits are to be determined with regard to the code of practice published by CIPFA 'The Prudential Code for Capital Finance in Local Authorities'.

3.1.2 The Prudential Code requires the Council to set a range of Prudential Indicators. A schedule of revised Prudential Code Indicators with explanatory notes is attached at Appendix A.

**4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS**

Earlier in the year it was decided to withdraw £12m from the Council's external fund manager and invest it via the internal treasury function. This process is now partially completed and as a result the Prudential Indicators need to be revised to reflect the change in the split between the external fund manager and the funds managed in-house. The total of the internal and external funds remains unchanged.

## **5 IMPLICATIONS**

### **5.1 Financial Implications**

The report is of a financial nature and outlines the Prudential Code Indicators and the principals under which the Treasury Management functions are managed.

### **5.2 Legal Implications**

The Local Government Act 2003 requires that Councils must 'have regard to' the Prudential Code and set Prudential Indicators to ensure that capital investment plans are affordable, prudent and sustainable.

### **5.3 Policy Implications**

The proposed limits are in line with current policy.

## **BACKGROUND DOCUMENTS**

- Statutory Instrument 2003 No 3146 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- CIPFA Prudential Code for Capital Finance in Local Authorities
- Sector Treasury Management Documents

## **APPENDICES**

- Appendix A - Prudential code Indicators.

**PRUDENTIAL CODE INDICATORS**

Fixed Interest Rate This is defined as the maximum principal sums outstanding at fixed rates, less the principal sums outstanding in respect of investments that are fixed rate investments. As the Council is debt free, this is a negative figure. As an external fund manager is employed, it is felt that more meaningful figures are obtained if the internal and external funds are shown separately.

	-----Revised Indicators-----				
	Current	2006/07	2007/08	2008/09	2009/10
	£000's	£000's	£000's	£000's	£000's
SBC	-27,000	-40,000	-42,000	-42,000	-43,000
Fund Manager	-31,000	-31,000	-32.500	-34,000	-35,000

Variable Interest Rate This is defined as above, but substituting 'variable rates' for 'fixed rates'

	-----Revised Indicators-----				
	Current	2006/07	2007/08	2008/09	2009/10
	£000's	£000's	£000's	£000's	£000's
SBC	-10,000	-10,000	-10,000	-10,000	-10,000
Fund Manager	-31,000	-31,000	-32.500	-34,000	-35,000

Total principal sums invested for periods longer than 364 days.

	-----Revised Indicators-----				
	Current	2006/07	2007/08	2008/09	2009/10
	£000's	£000's	£000's	£000's	£000's
SBC	12,000	20,000	20,000	20,000	22,000
Fund Manager	31,000	31,000	32,500	34,000	35,000