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Meeting	Council
Date	12 September 2006
Subject	**Treasury Management Prudential Code Financial Indicators**
Report of	Chief Finance Officer
Summary	To amend the prudential indicator for the authorised and operational limits for the council's borrowing.

Officer Contributors	Deputy Director of Resources & Chief Finance Officer Treasury Manager
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A: Prudential Indicator for the operational and authorised limits.
For decision by	Council
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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RECOMMENDATIONS

1.1 That the amendment of the prudential indicators, as set out in Apppendix A to this report be approved.

2. RELEVANT PREVIOUS DECISIONS

2.1 Council Budget & Council Tax 2006/07, 7 March 2006. Cabinet Resources Committee 30 March 2006.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 In order for the Council to be able to deliver effective services within the Council's policy framework to members of the public it is necessary to have a sound financial base.

4. RISK MANAGEMENT ISSUES

4.1 Borrowing and investment rates are determined by the market and can be volatile at times. Officers mitigate this volatility by monitoring the interest rate market in conjunction with treasury advisors and brokers, and by actively managing the debt and investment portfolios.

5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

5.1 One of the prime objectives of CIPFA's code of Practice on Treasury Management and subsequent Treasury Policy Statements is to ensure that, by using prudent and proper practices, the financial resources of local authorities are protected and best used.

5.2 There are no specific staffing, ICT or property implications.

6. LEGAL ISSUES

6.1 Referred to elsewhere in the report.

7. CONSTITUTIONAL POWERS

7.1 Financial Regulations (Part 1, Section 6) within the Council Constitution state the following:-

(1) The Council adopts the key recommendations contained in "The Prudential Code for Capital Finance in Local Authorities – Interim Guidance & Notes Supplement" (CIPFA, February 2004), "Treasury Management in the Public services: Code of Practice" (CIPFA,2001) and any subsequent recommended good practice by CIPFA.

(2) Cabinet Resources Committee will create and maintain a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities.

(3) The Borough Treasurer will create and maintain suitable Treasury Management Practices (TMPs), setting out the manner in which the council will seek to achieve those policies and objectives, and prescribing how it will manage and control these activities.

(4) Cabinet Resources Committee will receive reports on its treasury management activities, including an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in the TMPs. These reports will incorporate the prudential borrowing limits and performance indicators.

7.2 Appendix A amends the prudential indicators for the council's operational and authorised limits.

8 BACKGROUND INFORMATION

8.1 The prudential indicators approved by Council on 7 March 2006 were based on the approved capital programme outlined in the budget report for 2006/07. The Primary School Capital Investment Programme (PSCIP) was not included in the capital programme at that time but a report to Cabinet on 6 September will formally include it. The project has a prudential borrowing requirement of close on £45m in 2008/09 with capital receipts in the following years leaving an overall net borrowing requirement of £12m by the end of 2011/12. The current prudential indicators for the operational and authorised boundaries do not accommodate this additional short term borrowing requirement and now need to be increased.

8.2 The Chief Finance Officer, in consultation with its treasury advisors and brokers on forecast interest rate movements and after advising the External Auditor, took a decision under delegated authority to take advantage of current market rates and borrow £40m to fund the majority of the short-term borrowing requirement for PSCIP.

8.3 This action is consistent with the strategy outlined in the Treasury Management Business Strategy report to Cabinet Resources Committee on 30 March 2006. The borrowing has been undertaken within the existing prudential borrowing operational limit, but this now needs to be increased to enable borrowing for the remainder of the capital programme to proceed. The revised limits provide for the 2007/08 and 2008/09 borrowing requirement, which enables officers to take advantage of favourable interest rates and take the required borrowing identified in the programme.

9 LIST OF BACKGROUND PAPERS

9.1 Treasury Management in the Public Services – CIPFA's Code of Practice and Cross-Sectoral notes.

Legal: JEL
CFO: CM

Appendix A

Prudential Indicator for Operational and Authorised Limits

Authorised Limit for External Debt	Current 2006/07	Revised 2006/07	Revised 2007/08	Revised 2008/09
	£'000	£'000	£'000	£'000
Borrowing	144,481	186,661	186,661	186,661
Other long Term Liabilities	31,000	129,000	129,000	129,000
Total	**175,481**	**315,661**	**315,661**	**315,661**

Operational Limit for External Debt	Current 2006/07	Revised 2006/07	Revised 2007/08	Revised 2008/09
	£'000	£'000	£'000	£'000
Borrowing	148,122	231,436	231,436	231,436
Other long Term Liabilities		64,000	64,000	64,000
Total	**148,122**	**295,436**	**295,436**	**295,436**