

The Cabinet

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REPORT

Cllr Mrs Warrander : Cabinet Member: for Resources

PRUDENTIAL LIMITS 2005/06:

1. PURPOSE OF REPORT:

1.1 The purpose of the report is to:

- (i) Recommend approval for Prudential Limits for 2005/06 (Subject to Full Council)

2. BACKGROUND:

- 2.1 The Local Government Act 2003 set out requirements in relation to Local Authority borrowing and capital finance. The Act requires authorities to comply with the Prudential Code.
- 2.2 The Code effectively replaces the duties in relation to capital financing under the Local Government and Housing Act 1989. The Code did not become fully operative until 1st April 2004.
- 2.3 Regulation 2 of the Act requires an authority to set the following prudential indicators in advance each financial year, although the limits can be varied during the financial year subject to full Council Approval. The prescribed indicators are:
 - (i) The authorised limit for external borrowing
 - (ii) The operational boundary of external borrowing (to take account of short term and cash flow borrowing)
 - (iii) The exposure to fixed and variable rates of interest on borrowing
- 2.4 Further Prudential indicators are recommended in the Code, however, these are primarily aimed at authorities with borrowing. The Council's corporate improvement plan identifies a review of Treasury Management which is due to start and will include the development of any local indicators that are deemed relevant. These will be particularly pertinent in relation to the Office Centralisation scheme now included in the capital programme.

3. CURRENT POSITION:

- 3.1 In its Medium Term Financial Strategy the Council assumes that it remains without external borrowing. The strategy allows for, on a case by case basis, prudential borrowing where it would be a cost effective method of capital financing. The Council's revenue budget and capital programme are based on this principle. The Council's Capital Strategy also contains this commitment.

- 3.2 The Council's current Treasury Management Policy follows these principles and sets out the principles for the investment of cash surpluses, maximising returns within a low risk strategy.
- 3.3 Regular and rigorous budget monitoring compliments these processes.

4. RECOMMENDATIONS:

It is recommended that:

- 4.1 The authorised limit for external debt for 2005/06 be Zero.
- 4.2 The operational boundary for external debt be set at Zero.
- 4.3 By accepting recommendations 4.1 and 4.2 the exposure to variable and fixed rate interest on borrowing is not applicable.

5. IMPLICATIONS:

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| 5.1 | Legal | - | By setting these prudential limits the Council ensures compliance with the Local Government Act 2003. |
| 5.2 | Financial | - | As set out in the report |
| 5.3 | Staffing | - | None |
| 5.4 | Environmental | - | None |
| 5.5 | Council's Core Value | - | The Council's financial plans are a financial expression of the Council's aims and objectives underpinned by the Council's core values. |
| 5.6 | Human Rights | - | The human rights relating to this issue have been considered and any potential interference is considered proportionate to the legitimate end to be achieved. |
| 5.7 | Ward(s) Affected | - | All |