

Title: **Treasury Management - revised prudential indicators**

Portfolio Holder: **Cllr Carbin – Finance & Policy Portfolio Holder**

Reporting officer: **Andy Brown – Financial Accountant**

Purpose

This report seeks Council approval for changes to a number of prudential indicators for 2007/08 to 2009/10.

Background

The prudential indicators were agreed by Council on 21 February 2007 as part of the Treasury Management Strategy.

Key Issues

The changes are required to allow an increased level of investment to be undertaken. This is now possible due to slippage in the capital programme and significant positive changes to our cash flow. The main change being the receipt in advance of £1million from the Ministry of Defence in respect of business rates.

Effect on strategies and codes

This report complies with CIPFA Code of Practice for Treasury Management and is part of the Council's corporate governance arrangements.

Risk Management Implications

Interest rate movements in respect of investment and borrowing. **The likelihood is high with medium impact.**

Finance and performance implications

These are contained within the report.

Legal and human rights implications

There are no legal implications arising from this report.

Next Steps

The Head of Finance, under delegated powers, will undertake the most appropriate form of investments depending on the prevailing interest rates at the time, taking into account the risks. The Head of Finance in consultation

with the Council's treasury advisors will arrange for surplus funds to be invested.

The Head of Finance will continue to work closely with the Council's treasury advisor to determine the optimum time to enter into future borrowing arrangements under the prudential code.

Long-term borrowing is unlikely to be required until the end of 2008/09. However, this will be considered and reported to Cabinet in summer 2007 in readiness for any future need.

Recommendations

Council is recommended to agree the following:

- a) Adopt the revised Prudential Indicators for 2007/08 to 2009/10 contained within Appendix A of the report.

Background Papers – files held in room F31

Appendix A

Treasury Management Strategy 2007/08 – 2009/10

Investment Projections 2007/08 – 2009/10

£m	2006/07 Revised	2007/08 Estimated	2008/09 Estimated	2009/10 Estimated
Investments				
Net Investments at 31 March	6.900	3.000	2.000	0
Investment change	0	(3.900)	(1.000)	(2.000)

Investment Strategy 2007/08 – 2009/10

Giving due consideration to the Council's level of balances over the next 3 years, the need for liquidity, its spending commitments and provisioning for contingencies, the Council has determined that £3million of its overall fund balances can be prudently committed to longer term investments (i.e. those with a maturity exceeding a year)

Treasury Management Prudential Indicators and Limits on Activity

- Upper limits on fixed interest rate exposure this sets a maximum limit

£m	2007/08	2008/09	2009/10
Interest rate Exposures			
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	8.000	0	0
Limits on fixed interest rates:			
. Debt only	2.000	5.000	3.000
. Investments only	10.000	5.000	3.000
Maximum principal sums invested > 364 days			
Principal sums invested > 364 days	£3m	£2m	£1m