

## **CITY COUNCIL - 14 DECEMBER 2009**

### **REPORT OF THE DEPUTY LEADER**

#### **TREASURY MANAGEMENT – CHANGES TO THE 2009/10 PRUDENTIAL INDICATORS**

##### **1 SUMMARY**

- 1.1 This report seeks approval for revised treasury management activity Prudential Indicators for the current financial year.

##### **2 RECOMMENDATIONS**

- 2.1 IT IS RECOMMENDED that the revised schedule of Prudential Indicators for 2009/10, detailed in the Appendix, be approved.

##### **3 REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)**

- 3.1 To ensure compliance with the Code of Practice on Treasury Management in Public Services (the Code) adopted by the City Council in February 2002.

##### **4 OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS**

- 4.1 The approval of the revised Prudential Indicators is a requirement of the adopted Code, so no other options are available for consideration.

##### **5 BACKGROUND**

- 5.1 Treasury Management is the management of the Council's cashflows, including borrowings and investments. It is regulated by the Code.
- 5.2 The Code requires preparation, annual approval by councillors and ongoing monitoring of a series of Prudential Indicators (ie: financial indicators of treasury management, debt and capital expenditure).
- 5.3 The indicators for the forthcoming and following two financial years must be set before the beginning of that year. They may be revised at any time, following due process, with any changes to the current indicators being approved at a meeting of the full City Council.

- 5.4 Treasury management is subject to robust governance arrangements including legislation, government guidance, codes of practice and financial regulations. Monitoring the adopted Prudential Indicators and the reporting of changes to them is good practice and ensures that the City Council complies with the governance framework.
- 5.5 On 20 October 2009 Executive Board considered a report on treasury management activity to 30 September 2009. The report requested approval for changes to some of the Prudential Indicators for the year. The Code requires this to be approved at a meeting of the City Council. The indicators recommended for approval to change are shaded grey in the Appendix. The changes reflect the latest forecasts of capital expenditure in 2009/10 and the borrowing required to finance it. Consequent changes in the authorised and operational debt limits and the forecasted levels of external debt and Capital Financing Requirement are also proposed.

## **6 FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)**

- 6.1 There are no direct financial implications or value for money issues arising from this report

## **7 RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS AND EQUALITY AND DIVERSITY IMPLICATIONS)**

- 7.1 Due to the value and nature of transactions involved, the adoption and monitoring of Prudential Indicators is an important element in the risk management process.

## **8 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION**

- 8.1 Treasury management working papers.

## **9 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

- 9.1 Executive Board report and minutes, 20 October 2009.

**COUNCILLOR CHAPMAN - DEPUTY LEADER**

## APPENDIX

**PRUDENTIAL INDICATORS**

PI	Statutory Indicators	Actual 2008/09	2009/10	
			Approved March 2009	Revised * Approval
<b>Prudential indicators of affordability</b>				
P1	Ratio of financing costs to net revenue stream - GF	5.57%	7.40%	<b>7.40%</b>
P2	Ratio of financing costs to net revenue stream - HRA	14.75%	15.13%	<b>15.13%</b>
P3	Estimates of the incremental impact of new capital investment decisions on Council Tax	-	+ £0.52	<b>+ £0.52</b>
P4	Estimates of the incremental impact of new capital investment decisions on rents	-	£0.00	<b>£0.00</b>
P5	Authorised limit for external debt	£510.0m	£596.1m	<b>£611.1m</b>
P6	Operational Boundary for external debt	£510.0m	£586.1m	<b>£601.1m</b>
<b>Prudential indicators for prudence</b>				
P7	Capital Expenditure - GF	£92.3m	£145.6m	<b>£177.1m</b>
P8	Capital Expenditure - HRA	£30.4m	£54.6m	<b>£57.7m</b>
P9	Capital Financing Requirement - GF	£257.9m	£281.7m	<b>£301.0m</b>
P10	CFR - HRA	£244.9m	£284.8m	<b>£284.8m</b>
P11	External Debt	£489.5m	£566.1m	<b>£530.5m</b>

PI	Statutory Indicators	Actual 2008/09	2009/10	
			Approved March 2009	Revised * Approval
<b>Prudential Indicators for Treasury Management</b>				
P12	Limit on variable interest rates	0%	0 -20%	<b>0 - 20%</b>
P13	Limit on fixed interest rates	100%	80 -100%	<b>80 - 100%</b>
P14	Fixed debt maturity structure			
	• Under 12 months	8.8%	0 - 20%	<b>0 - 20%</b>
	• 12 months to 2 years	2.2%	0 - 20%	<b>0 - 20%</b>
	• 2 to 5 years	13.7%	0 - 50%	<b>0 - 50%</b>
	• 5 to 10 years	1.8%	0 - 75%	<b>0 - 75%</b>
	• 10 years and above	73.5%	25 -100%	<b>25 - 100%</b>
P15	Sums invested for > 364 days – in house limit	£15m	£25m	<b>£25m</b>

\* Only those shaded items are seeking approval for change