CABINET
30 JANUARY 2007

ITEM NO. ....

PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT STRATEGY REPORT 2007/08

Responsible Cabinet Member – Councillor Don Bristow, Resource Management Portfolio

Responsible Director – Paul Wildsmith, Director of Corporate Services

Purpose of Report

1. This report requests the Council to review and adopt the prudential indicators and limits within the report and approve the Treasury Management Strategy for 2007/08.

Summary

2. This is a statutory report and much of the content is in a prescribed format, which unfortunately means that it is relatively technical. However, the information contained in the report regarding the Council's Treasury Management and Prudential Borrowing activities are:

   (a) Within the statutory framework and consistent with the relevant codes of practice.
   (b) Prudent, affordable and sustainable.
   (c) An integral part of the Council's Revenue and Capital Medium Term Financial Plans.

Background

3. From 1st April 2004 local authorities were given extra freedoms with regard to borrowing. Prior to that date local authorities could only borrow with the approval of central government through the credit approvals procedures. As part of these new freedoms councils can borrow without recourse to central government, with the proviso that the additional borrowing is both prudent and affordable.

4. A framework was developed "The Prudential Code for Capital Finance" as part of this framework all authorities must report to Council at the beginning of each year certain statistics, the Prudential Indicators, that relate to capital expenditure and borrowing and what effect that borrowing will have on council tax levels and housing rent levels. Other statistics relating to treasury management also have to be included.

5. Council must approve three statutory reports relating to the Prudential Code every year, one before the start of the year, one at the end of the financial year and one mid year.

Information and Analysis

Introduction and Headline Indicators

6. This report covers the operation of the Council's prudential indicators, its Treasury Management function and its likely activities for the forthcoming year. The report incorporates three key Council reporting requirements:

   (a) The reporting of the main prudential indicators in accordance with the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities with a more detailed analysis in **Appendix 1**.

   (b) The Treasury Management Strategy for 2007/08 in accordance with the CIPFA Code of Practice on Treasury Management incorporating the summary of the Investment Strategy (in accordance with the Office of the Deputy Prime Minister (now Department of Communities and Local Government DCLG) investment guidance) it also includes specific treasury management prudential indicators.

   (c) The detailed investment criteria contained in **Appendix 2**.

7. A summary of the prudential indicators and limits are contained in **Tables 1** and **2** below.

Table 1

	2006/07 Revised	**2007/08 Estimated**	**2008/09 Estimated**	**2009/10 Estimated**
	£m	£m	£m	£m
Capital Expenditure	49.726	43.994	21.464	15.179
Capital financing requirement	95.722	100.349	103.770	106.271
Operational boundary for external debt	97.722	102.349	105.770	108.271
Authorised limit for external debt	112.380	117.701	121.635	124.511
Ratio of financing costs to net revenue stream – General Fund	2.99%	2.60%	2.80%	2.75%
Ratio of financing costs to net revenue stream – HRA	10.82%	12.17%	13.73%	14.72%
Incremental impact of capital investment decisions on the band D Council Tax	£2.15	Nil	Nil	Nil
Incremental impact of capital investment decisions on Housing Rents levels	Nil	Nil	Nil	Nil

Table 2

	2007/08 Upper		2008/09 Upper		2009/10 Upper	
Limits on fixed interest rates	100%		100%		100%	
Limits on variable interest rates	40%		40%		40%	
Maturity Structure of fixed interest rate borrowing						
	Lower	**Upper**	**Lower**	**Upper**	**Lower**	**Upper**
Under 12 months	0%	25%	0%	25%	0%	25%
12 months to 2 years	0%	40%	0%	40%	0%	40%
2 years to 5 years	0%	60%	0%	60%	0%	60%
5 years to 10 years	0%	80%	0%	80%	0%	80%
10 years and above	0%	100%	0%	100%	0%	100%
Maximum principal sums invested > 364 days	£10m		£10m		£10m	

8. This budgetary cycle provides for the fourth full year of the operation of the CIPFA Prudential Code. The Prudential Code operates by the provision of prudential indicators, which highlight aspects of the capital expenditure planning. Each indicator provided during the 2006/07 budget process has been updated and provided for the next three years. These are detailed below. This is in accordance with the Prudential Code, which requires that Council approve as a minimum certain mandatory indicators.

9. The purpose of the indicators is to provide a framework for capital expenditure decision-making. It highlights through the prudential indicators the level of capital expenditure; the impact on borrowing and investment levels and the overall controls in place to ensure the activity remains affordable, prudent and sustainable.

10. Within this overall capital expenditure framework there is a clear impact on the Council's treasury management activity, either through increased borrowing levels or the application of investment balances. As a consequence the Treasury Management Strategy for 2007/08 is included in this report. This report also includes the Treasury Management Prudential Indicators. The production of the Treasury Management Strategy is a requirement of the CIPFA Code of Practice on Treasury Management.

11. In addition, part of the Treasury Management Strategy requirements is the formulation of an investment strategy. Investment guidance issued by the DCLG during March 2004 overlaps into the Code of Practice requirements. The reporting requirements of the DCLG guidance have therefore been incorporated into the Treasury Management Strategy.

Capital Expenditure and the Capital Financing Requirement

12. The capital expenditure plans will be partially financed by resources such as capital receipts, capital contributions and capital grants. The remaining element, which cannot be immediately financed from other sources, will impact on the Council's underlying need to borrow, the Capital Financing Requirement (CFR). The summary of capital expenditure financing and the impact on the CFR are show in **Tables 3 and 4** below. This forms one of the required prudential indicators. A more detailed analysis from which the figures in this report are drawn, breaking down the General Fund and the Housing Revenue Account split,

and the impact on the Council's debt and investment levels, is shown in greater detail at **Appendix 1.**

13. A certain level of capital expenditure will be supported by the Government; anything above this level will be unsupported and will need to be financed from the Council's own resources.

14. There are two main limiting factors on the Council's ability to undertake unsupported capital expenditure.

    (a) Whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing and ongoing running costs. i.e. Can the Council afford the implications of the unsupported borrowing?

    (b) The Government may use a long stop control to ensure that either the total of all Councils' plans do not jeopardise national economic policies, or in the event of an assessment by Central Government that local plans are unaffordable at a council, it may implement a specific control to limit its capital expenditure plans. No such control was implemented during 2004/05, 2005/06 or 2006/07 and there is no such indication of controls for 2007/08.

15. A risk of the plan is that the level of government support has been estimated for years 2008/09 and 2009/10 and is therefore subject to change. Similarly some of the estimates for other sources of funding such as capital receipts may be subject to change over this timescale.

16. The Council is asked to approve the capital expenditure projections below; service details are in Appendix 1 and further details of Capital expenditure are contained in the Capital MTFP report. This forms the first prudential indicator.

Table 3

	2006/07 Revised	**2007/08 Estimate**	**2008/09 Estimate**	**2009/10 Estimate**
	£m	**£m**	**£m**	**£m**
Capital Expenditure				
Total Expenditure	49.726	43.994	21.464	15.179
Financed by				
Capital Receipts	4.365	3.578	3.700	0.700
Capital Grants	21.629	30.461	9.169	6.789
Capital Contributions	1.806	0.000	0.000	0.000
Revenue	3.523	2.186	1.644	1.258
Net financing need for the year	18.403	7.769	6.951	6.432

The Council's Borrowing Need (the Capital Financing Requirement)

17. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure, which has not yet been paid for

from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above which has not been immediately been paid for will increase the CFR.

18. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), the Council may also make additional voluntary payments (VRP) to further reduce the CFR. Departments when repaying their departmental unsupported borrowing make the VRP's.

19. The Council is asked to approve the CFR projections below:

Table 4

	2006/07 Revised	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
	£m	£m	£m	£m
Capital Financing Requirement				
CFR – General Fund	65.827	67.056	68.767	70.260
CFR – Housing	29.895	33.293	35.003	36.011
Total CFR	95.722	100.349	103.770	106.271
Net movement in CFR	15.870	4.627	3.421	2.501
Movement in the CFR represented by				
Net financing need for the year	18.403	7.769	6.951	6.432
MRP/VRP and other financing movements	-2.533	-3.142	-3.530	-3.931
Movement in CFR	15.870	4.627	3.421	2.501

20. The expected impact of the capital expenditure decisions on the Council's debt and investment position are shown below.

Limits to Borrowing Activity

21. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits.

22. For the first of these the Council needs to ensure that its total borrowing net of any investments does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2007/08 and next two financial years. This allows some flexibility for limited early borrowing for future years.

Table 5

	2006/07 Revised	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
	£m	£m	£m	£m
Gross Borrowing	95.722	100.349	103.770	106.271
Investments	45.971	45.080	38.399	36.665
Net Borrowing	49.751	55.269	65.371	69.606
CFR	95.722	100.349	103.770	106.271

23. The Council complied with the prudential indicator requirement to keep net borrowing below the relevant CFR in the current year, and the above table confirms that no difficulties are envisaged for the current or future years. This view takes in account current commitments, existing plans and the proposals in the Revenue and Capital Medium Term Financial Plans.

24. A further two prudential indicators control the overall level of borrowing. These are:

25. The Operational Boundary – This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

26. **The Authorised Limit –** This represents the limit beyond which borrowing is prohibited, and this limit needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

27. The Council is asked to approve the following operational and authorised limits.

Table 6

	2006/07 Revised	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
Operational Boundary	**£m**	**£m**	**£m**	**£m**
Borrowing as per Capital MTFP	95.722	100.349	103.770	106.271
Estimated additional supported borrowing	0.500	0.500	0.500	0.500
Prudential Borrowing to cover leasable assets	1.000	1.000	1.000	1.000
Possible Prudential Borrowing under Directors delegated powers	0.500	0.500	0.500	0.500
Operational Boundary	97.722	102.349	105.770	108.089
Additional Headroom as a % of Operational Boundary for External Debt	15%	15%	15%	15%
Authorised Limit	112.380	117.701	121.635	124.511

Affordability Prudential Indicators

28. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the overall Council finances. The Council is asked to approve the following indicators:

29. **Actual and Estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing costs net of investment income) as a percentage of the net revenue budget, both for the General Fund and the Housing Revenue Account.

Table 7 - Ratio of financing costs to net revenue stream

	2006/07 Comparator	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
General Fund	2.99%	2.60%	2.80%	2.75%
HRA	10.82%	12.17%	13.73%	14.72%

30. The estimates of financing costs include current commitments and the proposals in Revenue and Capital MTFP reports.

31. **Estimates of the incremental impact of capital investment decisions on the Council Tax** This indicator identifies the trend in the cost of proposed changes in the three year capital programme recommended in this budget report compared to the Council's existing

commitments and current plans, and therefore relates to ***new schemes*** within this MTFP round. There are no new schemes within this Capital MTFP that are dependant on new unsupported corporate prudential borrowing which will increase Council Tax. However, there may be some departmental unsupported borrowing to be undertaken in the form of 'invest to save' schemes and replacing leased assets i.e. computer equipment with assets paid for by prudential borrowing, the repayment of this borrowing will be accommodated within Departmental resource allocations, which will therefore have no incremental effect on Council Tax.

Table 8 - Incremental impact of capital investment decisions on the Band D Council Tax

	Proposed Budget 2007/08 £	Forward Projection 2008/09 £	Forward Projection 2009/10 £
Incremental impact of **new** capital investment decisions on the Band D Council Tax.	Nil	Nil	Nil

32. **Estimates of the incremental impact of capital investment decisions on Housing Rent levels** – Similar to the Council tax calculation this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report, compared to the Council's existing commitments and current plans, expressed as a change in weekly rent levels. In July 2004 Council approved a decision to prudentially borrow up to £20m over six years to invest in Council Housing in order to meet the Decent Homes Standard. However, the additional repayment costs of the debt incurred are to be accommodated within the Housing Revenue Account resources, the increased financing charges will be compensated by a reduction in other management costs, therefore, there is to be no incremental effect on housing rent levels.

Table 9 - Incremental impact of capital investment decisions Housing Rent levels

	Proposed Budget 2007/08 £	Forward Projection 2008/09 £	Forward Projection 2009/10 £
Weekly Housing Rents	Nil	Nil	Nil

Treasury Management Strategy 2007/08 – 2009/10

33. The Treasury Management service is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Code. It covers the borrowing and investment activities and the effective management of associated risks. Whilst the prudential indicators above consider the affordability and impact of capital expenditure decisions, the treasury management service covers the effective funding of these decisions. There are also specific treasury management prudential indicators included in this strategy which need approval.

34. The Council's activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management on 21st March 2002 (Min. Ref.

63/Mar/2002 refers), and as a result adopted a Treasury Management Policy Statement. This adoption meets the requirements of the first of the Treasury Management prudential indicators and so the Council consistently and continually complies with this indicator.

35. The Treasury Management Policy requires an annual strategy to be reported to Cabinet/Council outlining the expected treasury activity for the forthcoming 3 years. Two further reports are produced one mid-year reporting on activity part way through the year and the other after the year-end to report on actual activity for the year.

36. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the Treasury Management service.

37. This strategy covers:

    (a) The Council's debt and investment projections.
    (b) The expected movement in interest rates.
    (c) The Council's borrowing and investment strategies.
    (d) Treasury Management performance indicators.
    (e) Specific limits on Treasury Management activities.
    (f) Any local Treasury Management issues.

Debt and Investment Projections 2007/08 – 2009/10

38. The borrowing requirement comprises of the expected movement in the CFR and any maturing debt, which will need to be refinanced. The table below shows this effect on the treasury position over the next three years. It also highlights the expected change in investment balances.

Table 10

	2006/07 Revised £m	2007/08 Estimate £m	2008/09 Estimate £m	2009/10 Estimate £m
External Debt				
Debt at 1st April	86.847	95.722	100.349	103.770
Movement in CFR	15.870	4.627	3.421	2.501
Maturing Debt Replacement	0.000	0.000	0.000	0.000
Adjustment for prior years	-6.995	0.000	0.000	0.000
Debt at 31st March	95.722	100.349	103.770	106.271
Annual change in debt	8.875	4.627	3.421	2.501
Investments				
Total Investments at 31st March	45.971	45.080	38.399	36.665
Investment Change	-.052	-.0891	-6.681	-1.734

Expected Movement in Interest Rates

39. There is always a risk to the Treasury Management Budget from an adverse move in interest rates. The Prudential Code is constructed on the basis of affordability, part of which is related to borrowing costs and investment returns. The Council employs Butlers, the treasury consultants, to advise on the Treasury Management Strategy, to provide economic data and interest rate forecasts, to assist planning and reduce the impact of unforeseen

adverse movements. Paragraphs 41 to 44 outline Butlers view of the UK and world economy and the effects this will have on UK interest rates.

Table 11 - Butlers Medium-Term Rate Forecasts* - Expected Movement in Interest Rates

Average %	Base Rate	5-year Gilt	20-year Gilt	50-year Gilt
2006/07	4.8	4.9	4.4	4.0
2007/08	5.3	5.1	4.6	4.0
2008/09	5.0	4.8	4.5	3.9
2009/10	4.8	4.5	4.3	3.9

* Butlers' forecasts (November 2006)

40. *Interest rate uncertainty is set to persist in the year ahead. The threat of higher inflation is considered a real danger for the UK economy in the near term, not least the possibility that an annual increase in RPI of close to 4% in November 2006 could translate to a buoyant pay round.*

41. *The Bank of England remains concerned that domestically generated inflation could strengthen in the months ahead increase to unacceptably high levels. The key in this respect lies in a number of relationships within the economy:*
    - ✓ *The buoyancy of the international economy and the effect upon UK growth.*
    - ✓ *The strength of domestic activity and the extent of spare capacity.*
    - ✓ *The state of the labour market and the outcome of the forthcoming pay round.*
    - ✓ *The strength of domestic demand and the pricing power of companies.*

42. *UK growth has been stronger than expected. This has been driven mainly by domestic factors, in particular the buoyancy of consumer spending. While the recent rise in official interest rates may lead to some deceleration, the extent of this is expected to be comparatively modest.*

43. *Long-term interest rates have been underpinned by the twin effects of concerns about domestic inflation prospects and the unexpected buoyancy of the US and German economies. Uncertainties generated by these developments are likely to underpin yields in the months ahead, although market conditions will remain erratic and occasional phases of downbeat economic data should generate declines in interest rates.*

44. *However, these phases will prove temporary until the markets are convinced the US economy has unquestionably entered a weaker activity phase and a return to lower dollar interest rates is a near certainty. This, coupled with evidence of decelerating activity and moderating inflation on the domestic front should create conditions for a sustainable, yet moderate, decline in long-term yields.*

Borrowing and Debt Strategy 2007/08 – 2009/10

45. The uncertainty over future interest rates increases the risks associated with the Treasury Management Strategy. As a result the Council will continue to take a cautious approach to its Treasury Management Strategy.

46. Long-term fixed interest rates are expected to rise modestly and base rates are expected to peak at 5.25%. The Director of Corporate Services, under delegated powers, will take the

most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that longer term fixed rates will be considered if borrowing rates remain relatively low. This may include borrowing in advance of future years requirements.

47. With the likelihood of increasing interest rates any debt restructuring is likely to take place later in the financial year or in future years, although the Director of Corporate Services will monitor prevailing rates for any opportunities during the year.

48. During 2007/08 it is expected that the Council will need to borrow an additional £7.769m to cover part of its Capital Programme, see **Table 3,** and of this £3.446m will be supported by revenue grant through the Relative Needs Formula of the Revenue Grant Settlement. Although £4.323m will be unsupported, £3.643m for Housing Revenue Account already approved by Council and £0.680m proposed to be used to support the Capital MTFP for 2007/08.

Investment Counterparty and Liquidity Framework

49. The primary principle governing the Council's investment criteria is the security and liquidity of its investments before yield, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

    (a) It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may be prudently committed. These procedures also apply to the Councils prudential indicators covering maximum principal sums invested.

    (b) It maintains a policy covering both categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections in **Appendix 2** for approval.

50. The Director of Corporate Services will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit it to the Council for approval as necessary. This criteria is separate to that which chooses Specified and Non-Specified as it selects which counterparties the Council will choose rather than defining what its investments are.

    (a) Banks - The Council will use banks which have at least the following Fitch or equivalent ratings

        (i) Short Term – F1
        (ii) Long Term – A-
        (iii) Individual – C (Fitch/Moodys only)
        (iv) Support – 3 (Fitch only)

    (b) Building Societies – the Council will use all Building Societies with assets in excess of £1,000m.
    (c) Money Market Funds.

(d) UK Government including the Debt Management Office.
(e) Local Authorities etc.

51. In the normal course of the Council's cashflow operations it is expected that both Specified and Non-specified will be utilised for the control of liquidity as both categories allow for short term investments.

52. The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the council's liquidity requirements are safeguarded. The investment prudential indicator below will also limit this.

Investment Strategy 2007/08 – 2009/10

53. Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of peaking at 5.25% in early 2007. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts. It is likely that investment decisions will be made for longer periods with fixed investments rates to lock in good value and security of return if opportunities arise. The Director of Corporate Services, 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 shown in the forecast above.

Treasury Management Prudential Indicators and Limits on Activity

54. There are four further Treasury Management Prudential Indicators. The purpose of these prudential indicators is to contain the activity of the Treasury Management function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs. The indicators are:

    (a) Upper limits on fixed rate exposure – This indicator identifies a maximum limit for fixed interest rates based upon the debt position net of investments.

    (b) Upper limits on variable rate exposure – Similar to the previous indicator this covers a maximum limit on variable interest rates based upon the debt position net of investments.

    (c) Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing in any one year, both upper and lower limits are required.

    (d) Total principal funds invested for greater than 364 days – These limits are set to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end.

55. The Council is asked to approve the following prudential indicators:

Table 12

	2007/08		2008/09		2009/10	
	Upper		Upper		Upper	
Limits on fixed interest rates	100%		100%		100%	
Limits on variable interest rates	40%		40%		40%	
Maturity Structure of fixed interest rate borrowing						
	Lower	**Upper**	**Lower**	**Upper**	**Lower**	**Upper**
Under 12 months	0%	25%	0%	25%	0%	25%
12 months to 2 years	0%	40%	0%	40%	0%	40%
2 years to 5 years	0%	60%	0%	60%	0%	60%
5 years to 10 years	0%	80%	0%	80%	0%	80%
10 years and above	0%	100%	0%	100%	0%	100%
Maximum principal sums invested > 364 days	£10m		£10m		£10m	

56. **Table 13** below shows the maturity profile of debt outstanding at 31st March 2005.

Table 13

Analysis of Loans Maturity	Actual at 31st March 2006	
	£m	**%**
Under 12 months	Nil	0.0
12 months to 2 years	Nil	0.0
2 years to 5 years	Nil	0.0
5 years to 10 years	5.000	5.8%
10 years and above	81.603	94.2%
Total	86.603	100.0
Variable Debt	9.600	14.8%

Performance Indicators

57. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the Treasury Management function over the year. These are distinct historic performance indicators, as opposed to the Prudential Indicators, which are predominantly forward looking. Below are the performance indicators currently used by Darlington Borough Council for its Treasury Management function :-

    (a) **Debt** – Average overall interest rate paid compared with previous years.

    (b) **Investments – Short term** - cashflow investment rate returned against comparative average rates.

(c) **Investments – Longer term** - capital investment rates returned against comparative average rates.

The results of these indicators will be reported in the Treasury Management Half Year Review and Annual Reports for 2007/08.

Outcome of Consultation

58. The Issues Contained in this report do not require formal consultation.

Legal Implications

59. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

60. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

61. This is a matter that is required to be considered by Council.

Decision Deadline

62. For the purpose of the 'call-in' procedure this does not represent an urgent matter. However this item is being considered by a special meeting of the Resources Scrutiny Committee on 16th February 2007.

Key Decisions

63. This is a key decision and as such has been reported on the Forward Plan.

Recommendation

64. It is recommended that: -

(a) The Council adopt the prudential indicators and limits for 2007/08 to 2009/10 contained within this report in **Tables 3 to 11.**

(b) Council approve the Treasury Management Strategy 2007/08 contained in paragraphs 33 to 57 and the treasury prudential indicators contained in **Table 12.**

(c) Approve the Investment Strategy 2007/08 contained in the Treasury Management Strategy, and the detailed criteria included in **Appendix 2**. Specifically approving the criteria for specified investments and the criteria for non-specified investments.

Reasons

65. The recommendations are supported by the following reasons: -

(a) In order to comply with the Prudential Code for Capital Finance in Local Authorities and ODPM guidance on investments.

(b) To comply with the requirements of the Local Government Act 2003.

(c) To approve a framework for Officers to work within when making investment decisions.

Paul Wildsmith
Director of Corporate Services

Background Papers

CIPFA The Prudential Code for
Capital Finance in Local Authorities
Annual Statement of Accounts 2005/06

Elaine Hufford : Extension 2447