COUNCIL
31ST JANUARY 2008

ITEM NO. 6 (b)

PRUDENTIAL INDICATORS UPDATE AND TREASURY MANAGEMENT HALF-YEAR REVIEW

Responsible Cabinet Member - Councillor Stephen Harker, Resources Portfolio
Responsible Director - Paul Wildsmith, Director of Corporate Services

Purpose of Report

1. This report provides an update of the Prudential Indicators and a half yearly review of the Council's Treasury Management borrowing and investment activities. Council are requested to approve the revised indicators. Note the changes to MTFP with regard to the Treasury Management Budget and approve new money limits for Counterparties.

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 a summary of the revised headline indicators are presented in the table below, more detailed explanations of each indicator any changes are within the body of the report. The revised indicators reflect the approved movement in the Capital MTFP since its inception in March 2007 its also reflects the new profile of spend.

Table 1

	2006/07 Actual	2007/08 Revised Estimate	2008/09 Revised Estimate	2009/10 Revised Estimate
	£m	£m	£m	£m
Capital Expenditure	41.203	49.452	27.301	18.898
Capital financing requirement	93.470	99.346	103.210	105.651
Operational boundary for external debt	97.722	101.346	105.210	107.651
Authorised limit for external debt	112.380	116.548	120.992	123.791
Ratio of financing costs to net revenue stream – General Fund	2.04%	1.89%	2.12%	2.53%
Ratio of financing costs to net revenue stream – HRA	7.1%	10.68%	12.92%	12.85%
Incremental impact of capital investment decisions on the band D Council Tax	£1.97	Nil	Nil	Nil
Incremental impact of capital investment decisions on Housing Rents levels	Nil	Nil	Nil	Nil

Introduction

3. From 1st April 2004 Local Authorities were given extra freedoms with regard to borrowing. 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 by CIPFA, "The Prudential Code for Capital Finance", which is mandatory under the Local Government Act 2003. As part of this framework all authorities must report to Council at the beginning of each year certain statistics, the Prudential Indicators, these 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 are also 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 this one mid year. Because our capital programme changes throughout the year then the statistics behind the

capital programme also change and it is essential that Council approves those changes. The following tables show the new statistics that are expected by the end of the year, against those approved at the beginning of the year.

Information and Analysis

Capital Expenditure and Borrowing Indicators

6. **Table 2** shows the first Prudential Indicator which is actual and expected levels of Capital Expenditure for 2006/07 and 2007/08 to 2008/09. The changes to the 2007/08 capital expenditure estimates have been notified to Cabinet as part of the Capital Budget Monitoring process.

Table 2

Capital Expenditure	2006/07 Actual	2007/08 Original Estimate	2007/08 Revised Estimate	2007/08 Variance	2008/09 Original Estimate	2008/09 Revised Estimate	2008/09 Variance	2009/10 Original Estimate	2009/10 Revised Estimate	2009/10 Variance
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total non-HRA-	29.173	32.622	37.395	4.773	12.678	17.765	5.087	7.861	11.580	3.719
Total HRA -	12.030	11.372	12.057	0.685	8.786	9.536	0.750	7.318	7.318	0.00
Total	41.203	43.994	49.452	5.458	21.464	27.301	5.837	15.179	18.898	3.719

7. The main changes are detailed below:-

(a) The original Prudential Indicators assumed that all the capital funding secured for 2007/08 would be expended that year. However, resources of c£25.800m have been carried forward from 2006/07, whilst some of this was slippage the majority of this wasn't expected to be spent until a later date. This, together with other additional approvals already approved by Members as part of the capital budget monitoring process, has increased the anticipated Capital Expenditure for 2007/08.

(b) Although the total capital resources available to the Authority is £64.653m, as per Cabinet report on 13th November 2007, it is again unlikely that this full amount will be incurred in 2007/08. Therefore, where the profile of spend is expected to cover more than 2007/08, future years Capital expenditure has been amended to reflect this profile.

(c) A full reconciliation of the changes in Capital Expenditure by Service is attached at **Appendix 1.**

Changes to the financing of the capital programme and estimates and actuals for the capital financing requirement and the external debt

8. **Table 3a** below draws together the main strategy elements of the capital plans, highlighting the supported and unsupported elements of the capital programme, and the expected financing arrangements for this capital expenditure. The net financing need for the year- Borrowing is the total spend for the year less all of the other forms of financing that capital expenditure.

9. Key variances in this table in the main relate to :-

   (a) Capital receipts £4.200M assumes the additional spend on the Darlington Eastern Transport Corridor and the Pedestrian heart slippage will be covered by capital receipts.
   (b) Capital grants -£4.478M this relates to Hummersknott assuming that payments made in 2008/09 will be covered by grant.
   (c) Net Financing Need for the year £4.924M relates to Departmental borrowing approved but not yet taken mainly Housing and Corporate Prudential borrowing approved but not yet taken.

10. The second half of the **Table 3b** shows the Capital Financing Requirement (CFR), which is the Council's underlying external indebtedness for capital purposes, compared to the expected borrowing and financing position. The actual 2006/07 position is shown for comparative purposes. The Council's CFR flows directly from the capital expenditure plans and is also adjusted for annual revenue charge for debt repayment.

Table 3a

	2006/07 Actual	2007/08 Original Estimate	2007/08 Revised Estimate	2007/08 Variance	2008/09 Original Estimate	2008/09 Revised Estimate	2008/09 Variance	2009/10 Original Estimate	2009/10 Revised Estimate	2009/10 Variance
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital Expenditure										
Supported Spend	29.103	39.671	40.424	0.753	19.272	24.359	5.087	13.569	17.288	3.719
Unsupported Spend	12.100	4.323	9.028	4.705	2.192	2.942	0.750	1.610	1.610	0.00
Total spend	41.203	43.994	49.452	5.458	21.464	27.301	5.837	15.179	18.898	3.719
Capital receipts	4.377	3.578	7.778	4.200	3.700	4.350	0.600	0.700	.0700	0.00
Capital grants	16.675	30.461	25.983	-4.478	9.169	13.606	4.437	6.789	10.508	3.719
Capital Reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Contribution	0.602	0.00	0.724	0.724	0.00	0.000	0.00	0.00	0.00	0.00
Revenue	3.275	2.186	2.274	0.088	1.644	1.644	0.00	1.258	1.258	0.00
Net Financing Need for the year- Borrowing	16.274	7.769	12.693	4.924	6.951	7.701	0.750	6.432	6.432	0.00

Table 3b

	2006/07 Actual	2007/08 Original Estimate	2007/08 Revised Estimate	2007/08 Variance	2008/09 Original Estimate	2008/09 Revised Estimate	2008/09 Variance	2009/10 Original Estimate	2009/10 Revised Estimate	2009/10 Variance
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
CFR – Non Housing	67.070	67.056	67.962	0.906	68.767	69.254	0.487	70.260	70.605	0.345
CFR - Housing	26.400	33.293	31.384	-1.909	35.003	33.956	-1.047	36.011	35.046	-0.965
Total CFR	93.470	100.349	99.346	-1.003	103.770	103.210	-0.562	106.271	105.651	-0.620
Net movement in CFR	13.575	4.627	5.876	1.249	3.421	3.864	0.443	2.501	2.441	0.060
Borrowing	95.242	100.349	99.346	-1.003	103.770	103.210	-0.560	106.271	105.651	-0.620
Other long term liabilities	0.197	0.172	0.172	0.00	0.132	0.132	0.00	0.00	0.00	0.00
Total Debt 31 March	95.439	100.521	99.518	-1.003	103.902	103.342	-0.560	106.271	105.651	-0.620

Limits to Borrowing Activity

11. **Table 4** shows the relationship of net borrowing to the Capital Financing Requirement. The first key control over the Council's activity is a Prudential Indicator to ensure that over the medium term, net borrowing will only be for a capital purposes. Net external borrowing should not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for 2007/08 and next two financial years. This allows some flexibility for limited early borrowing for future years.

Table 4

	2006/07 Actual	2007/08 Original Estimate	2007/08 Revised Estimate	2007/08 Variance	2008/09 Original Estimate	2008/09 Revised Estimate	2008/09 Variance	2009/10 Original Estimate	2009/10 Revised Estimate	2009/10 Variance
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Borrowing	95.242	100.349	99.346	-1.003	103.770	103.210	-0.560	106.271	105.651	-0.620
Investments	43.466	45.080	47.740	2.660	38.399	49.591	11.192	36.665	42.204	5.539
Net Borrowing	51.776	55.269	51.606	-3.663	65.371	53.619	-11.752	69.606	63.447	-6159
CFR	95.439	100.349	99.346	-1.003	103.770	103.210	-0.560	106.271	105.651	-0.620

12. The Director of Corporate Services reports that the Council complied with the requirement to keep net borrowing below the relevant CFR in 2006/07, and no difficulties are envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this report.

13. **Table 5** shows the further two Prudential Indicators that control the overall level of borrowing. These are :-

(a) **The authorised limit** – This represents the limit beyond which borrowing is prohibited, and 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 the 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 (for England and Wales). The amendments that are proposed to this Prudential Indicator reflect the profile of spend now predicted for 2007/08, 2008/09 and 2009/10.

(b) **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 exceed this boundary for short times during the year. CIPFA expect that this should act as an indicator to ensure the authorised limit is not breached. Again this limit has been amended to reflect changes in the profile of spend.

Table 5

Authorised limit for external debt	2006/07 Actual	2007/08 Original Estimate	2007/08 Revised Estimate	2007/08 Variance	2008/09 Original Estimate	2008/09 Revised Estimate	2008/09 Variance	2009/10 Original Estimate	2009/10 Revised Estimate	2009/10 Variance
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Authorised Limit	112.380	117.701	116.548	-1.153	121.635	120.992	-0.643	124.511	123.791	-0.712
Operational Boundary	97.722	102.349	101.346	-1.003	105.770	105.210	-0.560	108.089	107.651	-0.438

Affordability Prudential Indicators

14. **Actual and estimates of the ratio of financing costs to net revenue stream – Table 6** This indicator identifies the trend in the cost of capital (borrowing costs net of interest and investment income) as a percentage of net revenue budget. The variations in Non HRA are due to improvements in to the Authority's Treasury Management Budget as detailed at paragraph 28-33. The changes in the HRA line reflect the actual use of prudential borrowing for that service as opposed to what was estimated.

Table 6

	2006/07 Actual	2007/08 Original Estimate	2007/08 Revised Estimate	2007/08 Variance	2008/09 Original Estimate	2008/09 Revised Estimate	2008/09 Variance	2009/10 Original Estimate	2009/10 Revised Estimate	2009/10 Variance
Non-HRA	2.04%	2.60%	1.89%	-0.71%	2.80%	2.12%	-0.68%	2.75%	2.53%	-0.22%
HRA	7.1%	12.17%	10.68%	-1.49%	13.73%	12.92%	-0.81%	14.72%	12.85%	-1.87%

15. **Estimates of the incremental impact of new capital investment decisions on the council tax –Table 7**. This indicator identifies the trend in the cost of changes in the three-year capital programme compared to the Council's original budget commitments. There is no new Corporate unsupported borrowing within the capital programme for 2007-2010 and this has remained the same therefore there is no effect on Council Tax levels. Although some departmental unsupported borrowing is anticipated 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 able to be accommodated within Departmental resource allocations, which will therefore have no incremental effect on Council Tax

Table 7

	2006/07 Actual £	2007/08 Original Estimate	2007/08 Revised Estimate	2007/08 Variance	2008/09 Original Estimate	2008/09 Revised Estimate	2008/09 Variance	2009/10 Original Estimate	2009/10 Revised Estimate	2009/10 Variance
Council Tax – Band D	1.97	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

16. **Actual and estimates of the incremental impact of capital investment decisions on housing rent levels** – **Table 8**. Similar to the Council tax calculation this indicator identifies the trend in the cost of changes in the housing capital programme compared to the Council's original commitments, expressed as a change in weekly rent levels. Within the Housing's Capital programme unsupported borrowing is to be undertaken to ensure that the authority meets the Decent Homes Standard. However the additional repayment costs 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 no incremental effect on housing rent levels.

Table 8

	2006/07 Actual	2007/08 Original Estimate	2007/08 Revised Estimate	2007/08 Variance	2008/09 Original Estimate	2008/09 Revised Estimate	2008/09 Variance	2009/10 Original Estimate	2009/10 Revised Estimate	2009/10 Variance
Weekly Housing Rents	Nil	Nil	Ni	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Treasury Management Prudential Indicators

17. The first Treasury Management indicator is a simple yes or no regarding the adoption of 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 so the Council consistently and continually complies with the indicator.

18. There are four further indicators:-

Upper Limits On Variable Rate Exposure – **Table 9.** This indicates a maximum limit for variable interest rates based upon the debt position net of investments.

Upper Limits On Fixed Rate Exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

Historically for a number of years this council has used these percentages; together they give flexibility to the treasury management strategy allowing the Council to take advantage of both fixed and variable rates in their portfolio whilst ensuring that its exposure to variable rates of interest is limited. The council's portfolio of debt is currently all fixed to take advantage of low rates and to give stability to future years financing costs.

Table 9

	2006/07 Actual	2007/08 Original Limit	2007/08 Revised Limit	2007/08 Variance	2008/09 Original Limit	2008/09 Revised Limit	2008/09 Variance	2009/10 Original Limit	2009/10 Revised Limit	2009/10 Variance
Prudential indicator limits based on debt net of investments										
Limits on fixed interest rates	100%	100%	100%	0%	100%	100%	0%	100%	100%	0%
Limits on variable interest rates	0%	40%	40%	0%	40%	40%	0%	40%	40%	0%

19. **Maturity Structures of Borrowing** – **Table 10.** These gross limits are set to reduce the Council's exposure to large values fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing within short periods. The higher limits for longer periods reflect that longer maturity periods currently attract lower interest rates. **Appendix 2** shows the current maturity profile of debt held by the Council, although all debts are currently over 10 years and above this is spread over a number of years.

Table 10

	2006/07 Actual	2007/08 Original Limit	2007/08 Revised Limit	2007/08 Variance	2008/09 Original Limit	2008/09 Revised Limit	2008/09 Variance	2009/10 Original Limit	2009/10 Revised Limit	2009/10 Variance
Maturity Structure of fixed borrowing upper limits										
Under 12 months	0%	25%	25%	0%	25%	25%	0%	25%	25%	0%
12 months to 2 years	0%	40%	40%	0%	40%	40%	0%	40%	40%	0%
2 years to 5 years	0%	60%	60%	0%	60%	60%	0%	60%	60%	0%
5 years to 10 years	0%	80%	80%	0%	80%	80%	0%	80%	80%	0%
10 years and above	100%	100%	100%	0%	100%	100%	0%	100%	100%	0%

20. **Total Principal Funds Invested** – **Table 11**. These limits are based on the Authority's projected reserves and are the level of core investments available to the Authority. It is proposed that this limit be increased from £10M to £15M to allow the authority additional flexibility when securing advantageous interest rates when placing investments. This limit allows the authority to invest for longer periods if they give better rates of return than shorter periods. It also allows some stability in the interest returned to the authority.

Table 11

	2006/07 Actual	2007/08 Original Limit	2007/08 Revised Limit	2007/08 Variance	2008/09 Original Limit	2008/09 Revised Limit	2008/09 Variance	2009/10 Original Limit	2009/10 Revised Limit	2009/10 Variance
Maximum principal sums invested > 364 days	£8M	£10M	£15M	£5M	£10M	£15M	£5M	£10M	£15M	£5M

Half Yearly Treasury Management Review

21. The next part of the report provides a half yearly review of the Council's Treasury Management borrowing and investment activities. The Council defines its Treasury Management activities as: -

    'The management of the organisation's cashflow, it's banking, money market and capital market transactions; the effective management of risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

22. Investment decisions must always balance the twin objectives of maximising the rate of return and minimising risk. Hence the Council has a prudent policy of limiting the exposure of the Authority's funds to certain financial institutions and maintaining a maximum limit of investment with any such institution.

Treasury Management Activity from 1st April 2007 to 30th September 2007

Short Term Cashflow Investments

23. Cash balances are invested on a daily basis to maximise the benefit of temporary surplus funds. A total of 167 investments were made in the period 1st April 2007 to 30th September 2007 totalling £145.120M. These were for periods of between 1 and 364 days and earned interest of £0.783m at an average daily rate of 5.7%.

Long Term Capital Investments

24. The Council's reserves and capital receipts are invested for varying periods up to the maximum permitted time of 4 years. The investments have been at an average level of £24.416M. Some individual loans within the £24.416m have matured and been renewed during this period. The long-term investments have earned interest of £0.663M for the first six months of 2007/08 at an average rate of 5.45%.

Investment returns measured against the Finance Service Plan

25. The target for our investments returns is to better or at least match a number of external comparators.

26. As can be seen from **Table 12** below, the short term cashflow investments achievements are above market expectations. These are higher than the average of short-term indicators again due to undertaking longer-term investments at periods when rates were higher and also taking advantage of competitive short-term rates. The long term capital investments are below the long term indicators due to placing investments for longer periods of time when interest rates were lower than they have been recently, the result of a market where interest rates have been rising. The position on long term capital investments being below the comparative rates may prevail until after the end of the financial year when interest rates are generally expected to start falling.

Table 12

	Short Term Cashflow Investments %	**Long Term Capital Investments %**
Darlington Borough Council -Actual	**5.70**	**5.45**
External Comparators		
Local Authority- 2 day	5.59	
Local Authority - 7 day	5.59	
Local Authority - 6 months		6.03
Local Authority - 12 months		6.14
London Inter Bank Bid Rate – 7 day	5.59	5.59
Average of External Comparators	**5.59**	**5.92**

Borrowing

27. To date during 2007-08 no new loans have been taken. Although it is expected that new loans will be taken later this financial year.

28. Throughout the year to date 8 loans have been rescheduled amounting to £15.389M, these loans have been replaced with loans at a reduced annual interest rate, saving the general fund annual interest of £0.030M per annum.

29. The impact of these rescheduled loans has reduced the authority's Consolidated Interest Rate (CRI) from 4.40% at the end of 2006/07 to 4.37% at the end of September 2007. Long term interest rates are higher than this level at present and it is likely that any new loans taken will be around 4.5% which will inevitably increase our CRI in the future.

Treasury Management Budget

30. There are three main elements within the Treasury Management Budget:-

.

(a) Long term capital investments interest earned – a cash amount of £24m, which earns interest and represents the Council's revenue and capital balances, unused capital receipts, reserves and provisions.

(b) Cashflow interest earned – since becoming a unitary council in 1997, the authority has consistently had a positive cashflow. Unlike long term capital investments it does not represent any particular sum but it is the result of the council doing business. This is difficult to forecast, as it is the consequence of many different influences such as receipt of grants, the relationship of debtors to creditors, cashing of cheques and payments to suppliers.

(c) Debt servicing costs – This is the principal and interest on the Council's long-term debt to finance the capital programme.

(d) The Treasury Management budget has recently been reviewed and the following changes to the 2007/08 budget should now be made. These changes are as the result of proactive management decisions and a more optimistic view on the quantum of cashflow and interest rate outlook.

Changes to Treasury Management Budget 2007/08
Table 13

	£m	£m
Original Treasury Management Medium Term Financial Plan		**3.343**
Changes in Debt Repayments (Principal and Interest)		
Changes in the profile and size of the Capital Programme	-0.344	
Repayment of Principal charged to departmental resources for prudential borrowing	-0.269	-0.613
Changes to investment interest levels		
Increased interest rate on Capital investments	-0.093	
Increased volume and higher rate of interest for temporary cashflow investments	-0.277	
Payments to internal funds due to increased rates of Interest	0.045	-0.325
Revised Treasury Management Medium Term Financial Plan		**2.405**

31. This statement concludes that the Treasury Management budget is forecast to achieve an improvement of £0.938m 2007/08, which will be returned to Council balances.

Counterparty Limits

32. Since the Council became a Unitary Authority in 1997 the limits on total amounts of investment with any one counterparty (those institutions we invest with) has remained the same i.e. £3m for those institutions with the highest credit ratings down to £1m for unrated Building Societies with assets totalling more than £1 billion. These limits were in place when the council only had investments of around £12M. We asked our Treasury Management Consultants (Butlers) to review these limits in the light of our investments nearing £50M and that we sometimes have difficulty placing money as many of our higher rated counterparties have maximum amounts with them.

33. The subsequent review has concluded that it would be more prudent to have higher limits with better rated organisations than to expand the counterparty list to use lower rated organisations. Following discussions with officers it is proposed that limits should be

changed from £3M, £2M and £1M to £5M, £3M and £2M. Total fund levels are expected to remain at around £40M-£50M for this year and future years. The new highest limit would represent 10% to 12.5% of overall investments. Current investment guidance does not make any suggestions on individual limits but, our Treasury Management Consultants suggest that clients should try to limit their exposure to individual counterparties to a maximum of 20% of their investment portfolio. Even at the lowest expected fund levels the largest percentage exposure range is well within the recommended range.

34. **Table 14** below shows both the current and proposed changes to counterparty limits.

Table 14

Type	Time Limit	Current Money Limit	Proposed Money Limit
Specified - Rated institutions and investments less than 364 days			
Bank / Building Society	1 year	£3M	£5M
Building Society	9 months	£1M	£2M
Money Market Fund	1 year	£3M	£5M
Debt Management Office	1 year	£3M	£5M
Non-Specified - Unrated Building Societies and Investments over 364 days			
Un-rated Building Societies	6 months	£1M	£2M
Long term Banks / Building Societies	2 years	£2M	£3M
	4 years	£3M	£5M
	5 years	£3M	£5M

Outcome of Consultation

35. This report was submitted to Resources Scrutiny Committee on the 20th December 2007 and no issues were raised.

Legal Implications

36. 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

37. 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

38. The issues contained within this report are required to be considered by Council.

Conclusion

39. The prudential indicators have been updated to take account of the Council's borrowing position. The key borrowing indicators (the Authorised Limit and the Operational Boundary) have been reduced to reflect the new profile of the Capital Programme. The Council's return on investments has been reasonable, exceeding one of the targets set of matching external comparators for the first six months of the current financial year. Based on the first six months of 2007/08 the Council's borrowing and investments is forecast to achieve an improvement of £0.938m on the 2007/08 approved budget.

Recommendation

40. Council are requested to :-

    (a) Approve the revised prudential indicators and limits within the report in Tables 1 to 11.
    (b) Note the Treasury Management half yearly review.
    (c) Agree the new counterparty monetary limits in Table 14.

Reasons

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

    (d) In order to comply with the Prudential Code for Capital Finance in Local Authorities.
    (e) To inform Members of the performance of the Treasury Management function.
    (f) To comply with the requirements of the Local Government Act 2003
    (g) To enable further improvements to be made in the Council's Treasury Management function.

Paul Wildsmith
Director of Corporate Services

Background Papers

Capital Medium Term Financial Plan 2006/07-2008/09
Accounting Records
The Prudential Code for Capital Finance in Local Authorities

Elaine Hufford : Extension 2447