

Audit Committee – 27th January 2011

8. Prudential Indicators regarding External Debt

Strategic Director: Mark Williams, Chief Executive
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Purpose of the Report

- To review the Prudential Indicators for the Authorised Limit for External Debt and the Operational Boundary for External Debt and amend the split between borrowing and long term liabilities.

Recommendations

- The Audit Committee is asked to note the split between borrowing and long term liabilities whilst still maintaining the overall total for the Authorised Limit for External Debt and the Operational Boundary for External Debt, as follows:

The Authorised Limit for External Debt (Prudential Indicator 8)	
Borrowing	£11,450,000
Other long term liabilities	£550,000
TOTAL	£12,000,000

The Operational Boundary for External Debt (Prudential Indicator 9)	
Borrowing	£9,500,000
Other long term liabilities	£500,000
TOTAL	£10,000,000

Background

- The move to local authorities implementing International Financial Reporting Standards (IFRS) has implications for the Capital Financing Requirement (CFR) components on the Balance Sheet. Analysis of the Council's leases against IFRS implications have resulted in the related assets and liabilities having to be brought onto the Council's balance sheet. This has impacted on estimates for the CFR, which have now been updated. This has resulted in changes being required to the Council's Authorised Limit and the Operational Boundary, which require Council agreement and approval.
- The Assistant Director (Finance and Corporate Services) has delegated authority, within the total limit for any individual year, to affect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next Council meeting.

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Conclusion

5. Following the restatement of the financial statements to fall in line with International Financial Reporting Standards and the reclassification of operational leases to finance leases the value of long term liabilities as at 31st March 2010 is £445,411. Therefore, by not agreeing the recommendation we would be breaching the Prudential Indicators on External Debt.

Background Papers: *Prudential Indicators Working Paper, Treasury Management Strategy Statement*
