

Audit Committee – 23rd February 2012

## 6. Prudential Indicators regarding External Debt

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

1. 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

2. The Audit Committee is asked to note the amended 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	£11,000,000
Other long term liabilities	£1,000,000
<b>TOTAL</b>	<b>£12,000,000</b>

#### The Operational Boundary for External Debt (Prudential Indicator 9)

Borrowing	£9,200,000
Other long term liabilities	£800,000
<b>TOTAL</b>	<b>£10,000,000</b>

### Background

3. Additional leases have been taken out, which have been classified as finance leases rather than operational leases. This has increased other long term liabilities so that they are now greater than the limits set within the Authorised Limit for External Debt (Prudential Indicator 8) and the Operational Boundary for External Debt (Prudential Indicator 9). This has resulted in changes being required to the split within the Council's Authorised Limit and the Operational Boundary.
4. 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. This report is being brought before Audit Committee as the limits were originally approved as part of the annual Treasury Strategy.

### Conclusion

5. Following the increase of assets financed by finance leases, the Council's long term liabilities has increased by an amount that now exceeds the limits of other

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long term liabilities within the Authorised Limit for External Debt (Prudential Indicator 8) and the Operational Boundary for External Debt (Prudential Indicator 9) previously approved. 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*

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