

EXETER CITY COUNCIL

**EXECUTIVE
10 FEBRUARY 2009**

THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES

1. PURPOSE OF THE REPORT

- 1.1 To set out the proposed 2009/10 prudential indicators for capital finance for adoption by the Council.
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) have published the Prudential Code for Capital Finance in Local Authorities as a professional code of practice to support local authorities in making their capital investment decisions. Since 1 April 2004, local authorities have been required by Regulation to comply with the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003.
- 1.3 The Prudential Code has replaced the previous complex regulatory frameworks governing local authority capital expenditure. The new system is one based largely on self-regulation by local authorities themselves.
- 1.4 The Prudential Indicators report will be incorporated within the Budget Book for approval at the full Council meeting as per the statutory requirement.

2. BACKGROUND

- 2.1 With effect from 1 April 2004, the Government abolished the capital finance legislation in Part 4 of the Local Government and Housing Act 1989 and the Local Authorities (Capital Finance) Regulations 1997 (Statutory Instrument 1997/319) and replaced it with a new Prudential system based on self regulation. This means that Councils are free to borrow for capital investment where the borrowing is affordable.

3. PRUDENTIAL INDICATORS

- 3.1 The proposed prudential indicators for the next three years are shown in Appendix A-C.
- 3.2 There are very few changes to the indicators from last year other than updating of the capital programme and the impact on the Council Tax of newly approved schemes. The council will start to borrow during 2009-10 and this is reflected in the Authorised Limit of the Council and the Operational Boundary. This will be sufficient to manage the capital programme and any daily borrowing requirements.

4. RECOMMENDATION

4.1 It is recommended that:

- The prudential indicators set out in Appendix A–C be adopted.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

1. The Prudential Code for Capital Finance in Local Authorities
2. The Prudential Code Guidance Notes