


Decision Record – Changes to the Prudential Framework of Capital Finance – Responding to the Government’s Consultation

Cabinet Portfolio Holder taking the decision	Cllr Peter Butlin Deputy Leader - Finance & Property
Date of Decision	19 DECEMBER 2017

Decision Taken	
The Deputy Leader:	
1) Approves the use of the proposed response to the consultation, attached as the Appendix.	
2) Delegates authority to the Head of Finance to approve any further adjustments to the consultation response prior to the submission date of December 22 nd 2017, providing they are consistent with the proposed responses in this report.	

Reasons for Decisions
Responses to consultations require the approval of the relevant Portfolio Holder.

Background Information
<p>The Statutory Guidance on Local Authority Investments outlines the proper practices that local authorities are required to follow when making investment decisions, while the Statutory Guidance on Minimum Revenue Provision (MRP) determines how authorities must include the impact of borrowing decisions on the annual revenue budget. The Local Government Act of 2003 gives these documents statutory status alongside the Prudential Code and the Treasury Management Code, both from CIPFA, to form the overall Prudential framework for local authorities.</p> <p>The Statutory Guidance on Local Authority Investments was last updated in 2010. In the past seven years the economic landscape has changed significantly, affecting authorities’ treasury management decisions. Additionally, the General Power of Competence in the Localism Act of 2011 has given local authorities more flexibility in related areas, including the use of non-financial yield bearing and other investments. This has led Government to review the guidance to reflect changes in the way local authorities now invest. The consultation suggests a number of ways to increase transparency and accessibility as investment activities broaden in nature. It also addresses measures to ensure that debt levels and aggregate risk are proportionate to the size of the authority, without discouraging investment to deliver local regeneration.</p> <p>The Statutory Guidance on MRP was last updated in 2012. As resources available to local authorities have reduced in recent years, many authorities have reviewed their methodology for setting MRP charges. The consultation aims to update the guidance in response to aspects of this emerging practice, to clarify what is expected of local authorities in terms of making prudent decisions. In Warwickshire we revised our methodology in 2017 and the OOP 2020 savings</p>

plan included a £3million saving from reducing our MRP charge as a result. The delivery of this saving will not be put at risk by the proposals in the consultation paper.

The published report discusses the consultation proposals for each document and briefly explains the proposed response from the Council. A full draft response is included as an **Appendix** to the report.

Financial Implications

Report Author	Vicki Barnard
Head of Service	John Betts
Joint Managing Director	David Carter
Portfolio Holder	Councillor Peter Butlin

Checklist

Urgent matter?	No
Confidential or Exempt? (State the category of exempt information)	No
Is the decision contrary to the budget and policy framework?	No

List of Reports considered

Link to published proposed decision report:

<https://democratic.warwickshire.gov.uk/cm5/CalendarofMeetings/tabid/128/ctl/ViewMeetingPublic/mid/645/Meeting/4122/Committee/586/Default.aspx>

List of Background Papers

None

Members and officers consulted or informed

Portfolio Holder – Councillor Peter Butlin
 Legal – Jane Pollard
 Finance – Virginia Rennie
 Equality – Polly Sharma
 Democratic Services – Paul Williams
 Cllr Heather Timms, Cllr Parminder Singh Birdi, Cllr Maggie O'Rourke, Cllr Sarah Boad