

report

Meeting	NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY	
Date	22 OCTOBER 2004	agenda item number

REPORT OF THE TREASURER

PRUDENTIAL CODE MONITORING REPORT

1 PURPOSE OF REPORT

The purpose of this report is to inform Members of the performance of the Fire Authority with regard to the prudential indicators for capital accounting and treasury management which were agreed by the authority at its meeting on 13th February 2004.

2 BACKGROUND

2.1 The Local Government Act 2003 set out a new framework for the financing of capital investments in local authorities which apply from April 2004. The principles underpinning this framework offer much more freedom in the way that capital expenditure is financed such that local authorities may choose the level of capital expenditure (and thus financing) which best suits their needs and investment priorities.

2.2 In order to assist authorities in determining the most appropriate levels of spending and indebtedness the Chartered Institute of Public Finance and Accountancy (CIPFA) have developed a "Prudential Code" which requires a number of limits and indicators to be set.

2.3 As part of this process it is necessary for the Fire Authority to receive reports which set out the performance of the Authority against these prudential targets.

3 PRUDENTIAL CODE TARGETS

3.1 The Authority set an operational boundary for 2004/5 of £5.232m and an authorised limit of £5.755m. Although these limits are effectively year end targets the authority is required to demonstrate that it has not exceeded them at any time during the financial year. During the period 1st April to 31st August 2004 the maximum indebtedness of the authority was £2.187m including any requirements for temporary overdrafts thus keeping within these limits. The graph given as Appendix A illustrates the levels of borrowing during the period.

3.2 In terms of lending the Authority has maintained the policy of lending only to institutions on the authorised lending list but has recently changed the method of dealing with overnight money. A graph of cumulative interest earnings is also given on Appendix A but it is noticeable that since the policy change on overnight lending there has been something of a surge in interest earning. The prudential targets in terms of lending that fixed interest rate exposures should be between 70% and 100% of total lending and that variable rate exposures should be between 0% and 30%. All lending during the period was at fixed rates.

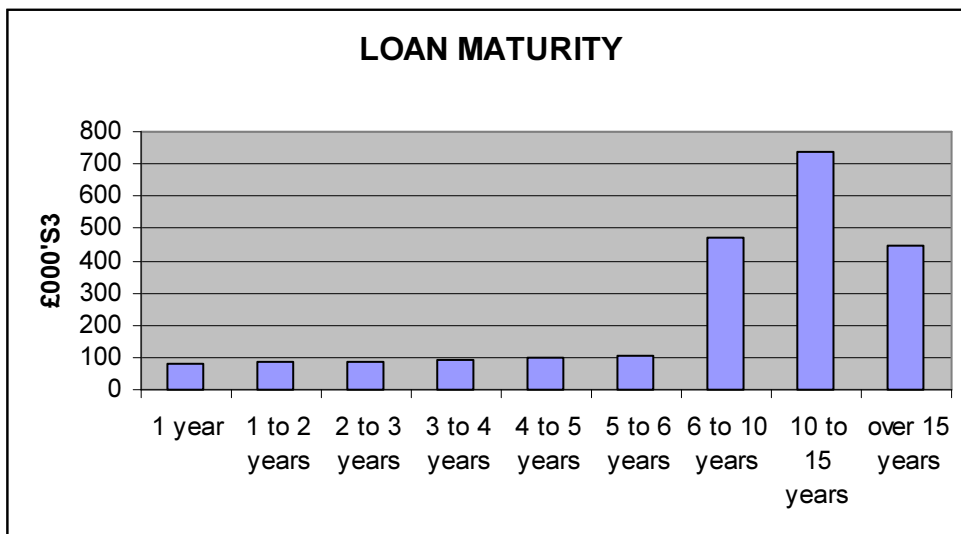
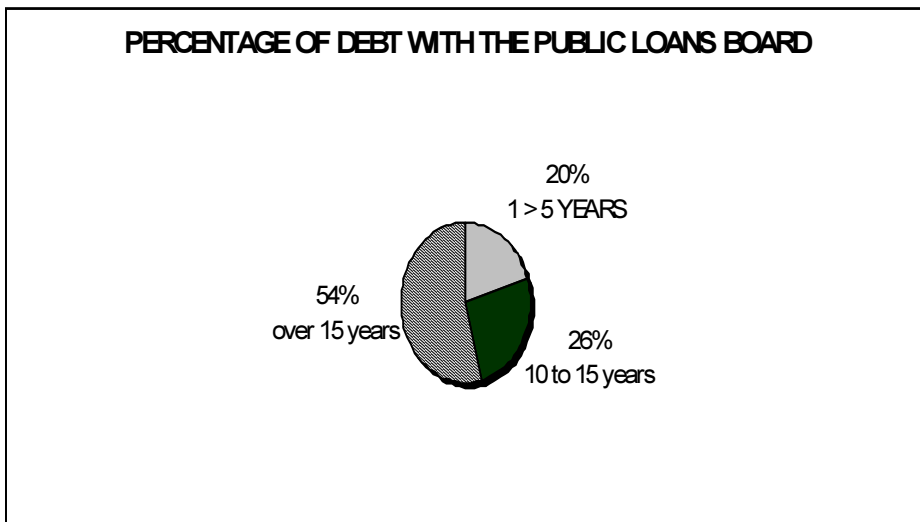
3.3 The other prudential target in respect of cash management is the level of the overdraft. The target for this figure is that it should not exceed £500,000. The highest level of overdraft during the period was £420,000 for a period of 24 hours. The second largest overdraft during the period was £88,400 also for a period of 24 hours.

A graph of cash balances is given as appendix B.

3.4 In terms of the maturity of loans the prudential target is as follows:

Loan Maturity		
	Upper Limit	Lower Limit
Under 12 months	20%	0%
12months to 5 years	20%	0%
5 years to 10 years	75%	0%
Over ten Years	90%	25%

Actual performance is shown in the following graphs:



4 PERSONNEL IMPLICATIONS

There are no specific personnel implications which arise directly from this report.

5 FINANCIAL IMPLICATIONS

The financial implications are set out in full within the body of the report. However it is clear from the performance against the prudential indicators that the Authority is performing within its prudential limits.

6. RISK MANAGEMENT IMPLICATIONS

The prudential code is a framework which sets out to both quantify and minimise financial risk which emanates from the financing of capital, the investment of surplus funds and the operating cash balances of the Authority. Compliance with the prudential targets shows that all these areas are being managed effectively.

7. EQUAL OPPORTUNITIES IMPLICATIONS

There are no equal opportunities implications arising from this report.

8. RECOMMENDATIONS

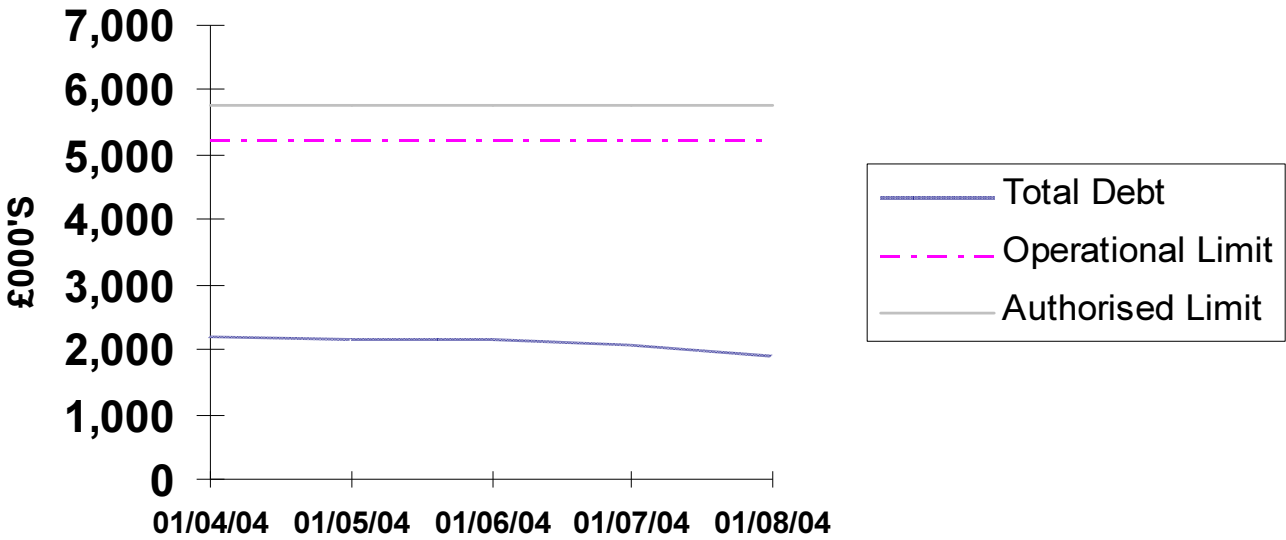
That Members note the contents of this report.

9. BACKGROUND PAPERS FOR INSPECTION

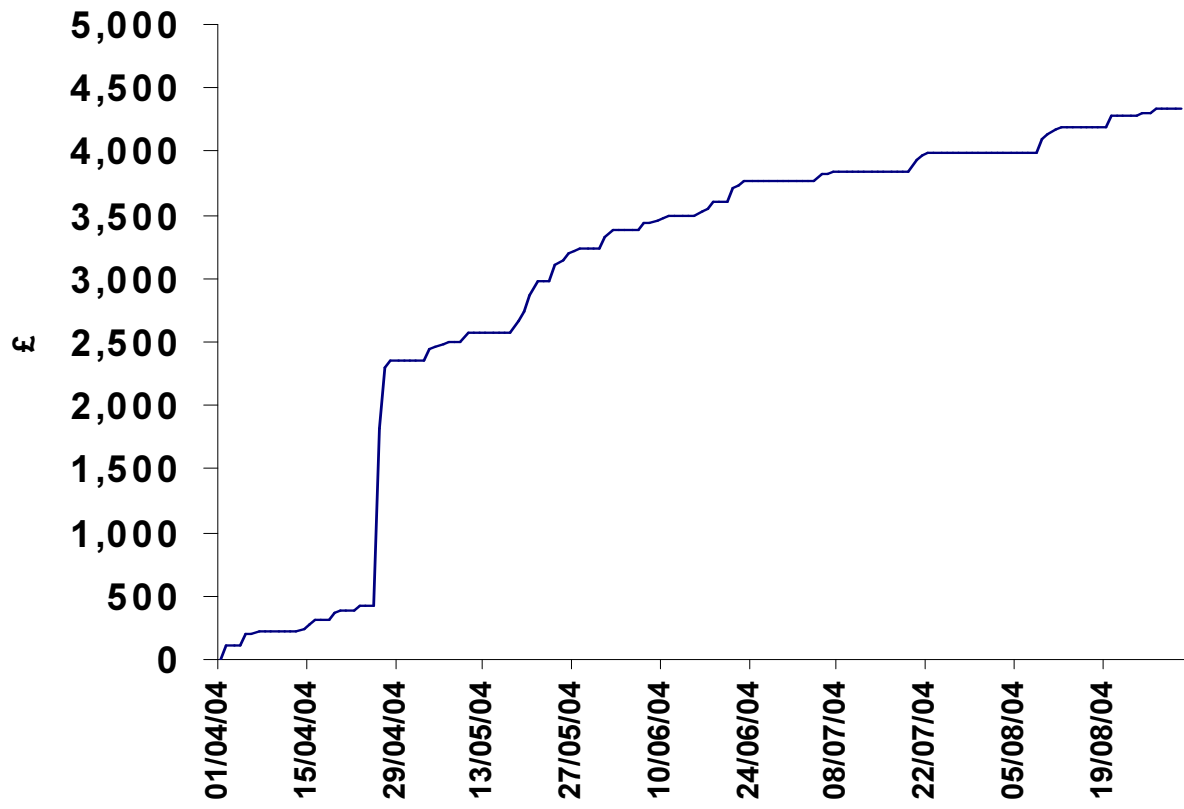
None.

Alan Sumbly
TREASURER OF THE FIRE AUTHORITY

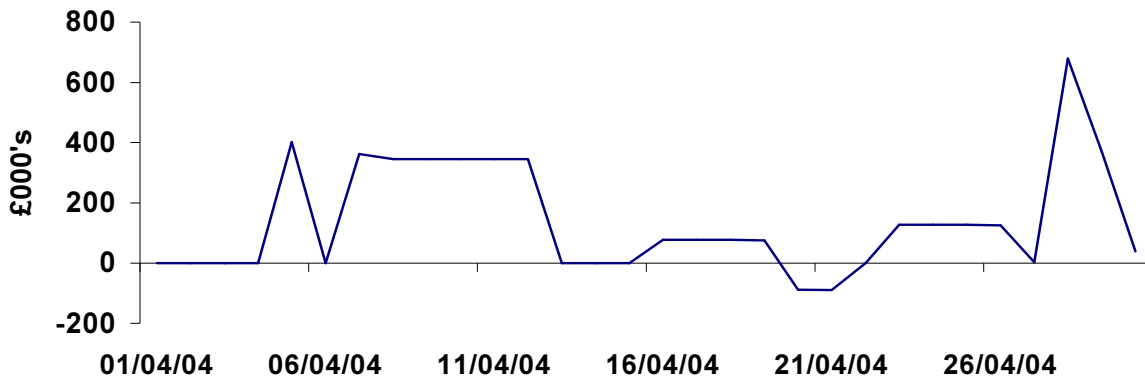
Total Debt compared with Prudential Limits



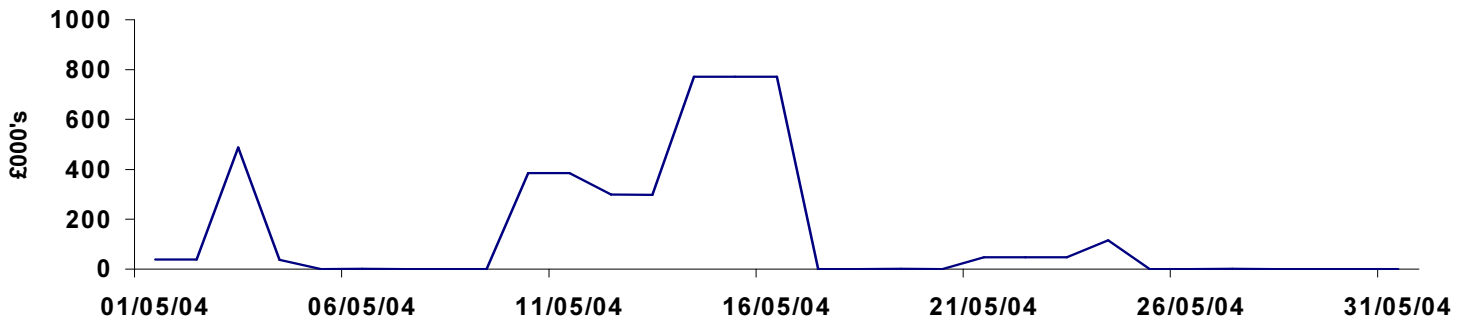
OVERNIGHT INTEREST (CUMULATIVE) TO DATE



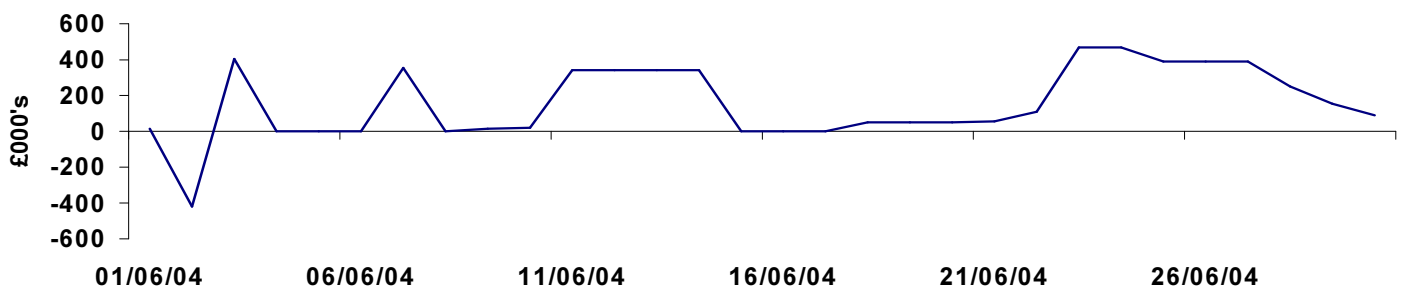
CASH BALANCES APRIL 2004



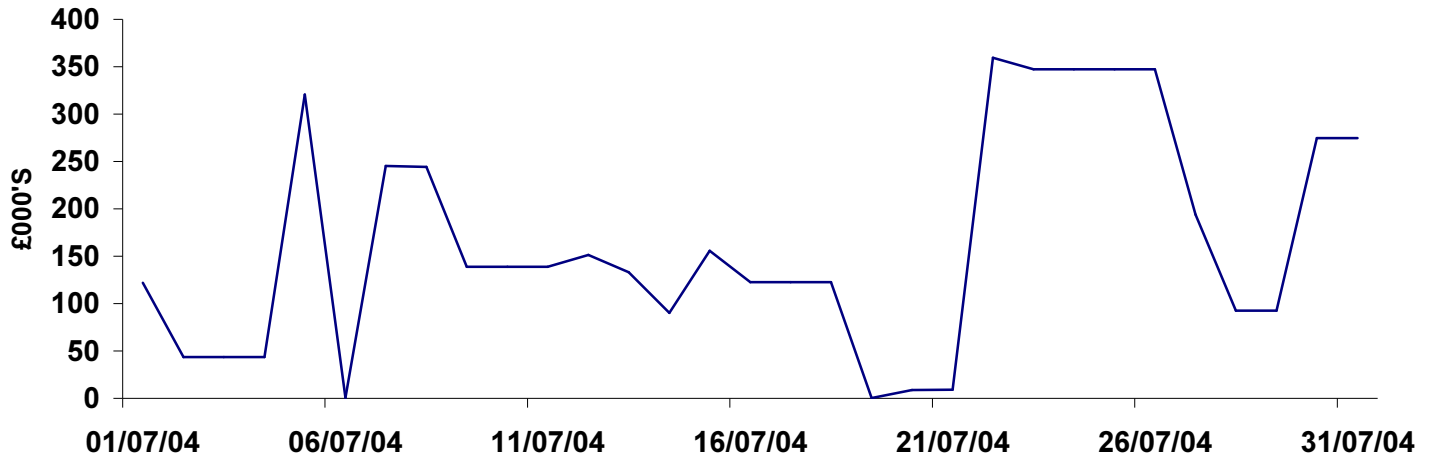
CASH BALANCES MAY 2004



CASH BALANCES JUNE 2004



CASH BALANCES JULY 2004



CASH BALANCES AUGUST 2004

