

report

meeting	NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY		
date	9 September 2005	agenda item number	12

REPORT OF THE TREASURER OF THE FIRE & RESCUE AUTHORITY

PRUDENTIAL CODE MONITORING REPORT

1 PURPOSE OF REPORT

The purpose of this report is to inform Members of the performance of the Fire & Rescue Authority with regard to the prudential indicators for capital accounting and treasury management which were agreed by the Authority at its meeting on 25 February 2005.

2 BACKGROUND

- 2.1 The Local Government Act 2003 set out a framework for the financing of capital investments in local authorities. 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 The Fire & Rescue Authority approved these "prudential limits" at the meeting on 25 February 2005.
- 2.4 As part of this process it is necessary for the Fire & Rescue Authority to receive reports which set out the performance of the Authority against these prudential targets.

3 PRUDENTIAL CODE TARGETS

- 3.1 The Fire & Rescue Authority set an operational boundary for 2005/6 of £7.983m and an authorised limit of £8.781m. 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 1 April to 30 June 2005 the maximum indebtedness of the Authority was £2.163m 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. A graph of cumulative interest earnings is also given on Appendix A. An ambitious target of £70,000 has been set for 2005/6 in terms of interest earnings, and expectations for the first quarter have been exceeded with over £30,000 being earned. 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.

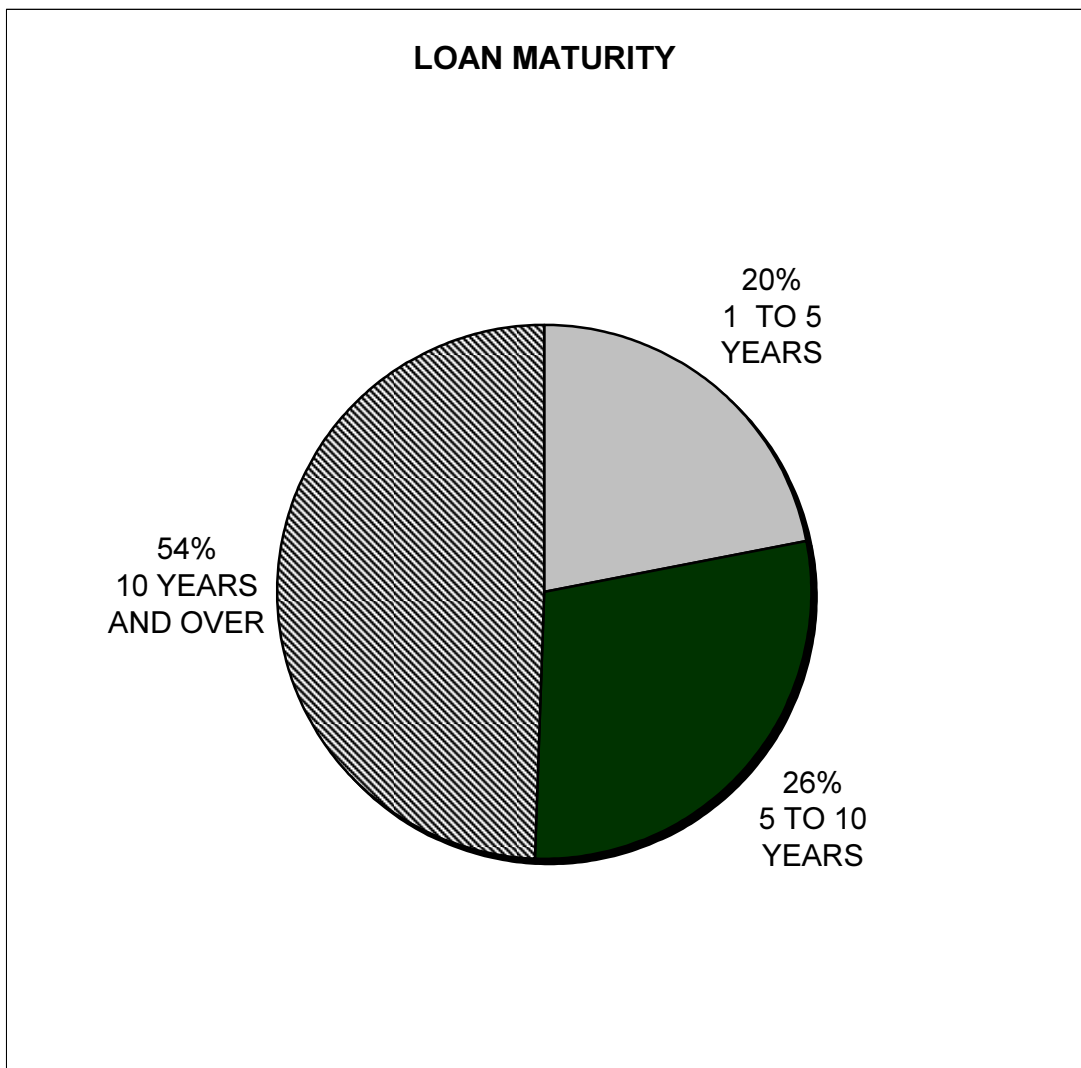
- 3.3 The other prudential target in respect of cash management is the level of the overdraft. The target for this figure is that it should not exceed £500,000. The highest level of overdraft during the period was £54,600.

A graph of cash balances is given as Appendix B.

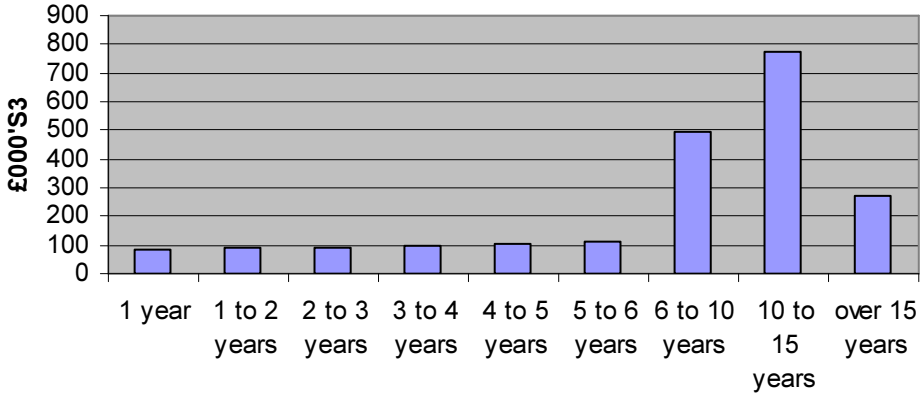
- 3.4 In terms of the maturity of loans the prudential target is as follows :

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 :



LOAN MATURITY



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. It is clear from the performance against the prudential indicators however, that the Fire & Rescue 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 Fire & Rescue Authority. Compliance with the prudential targets shows that all these areas are being managed effectively.

7. EQUALITY IMPACT ASSESSMENT

An initial Impact Assessment has revealed that there are no specific equality issues arising from this report.

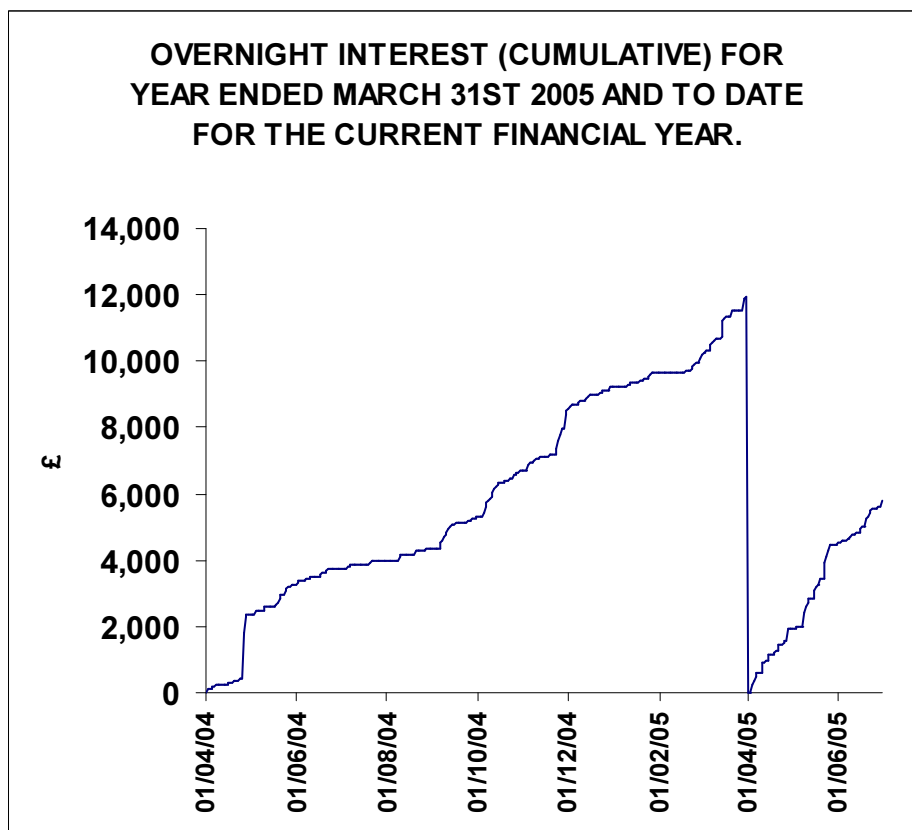
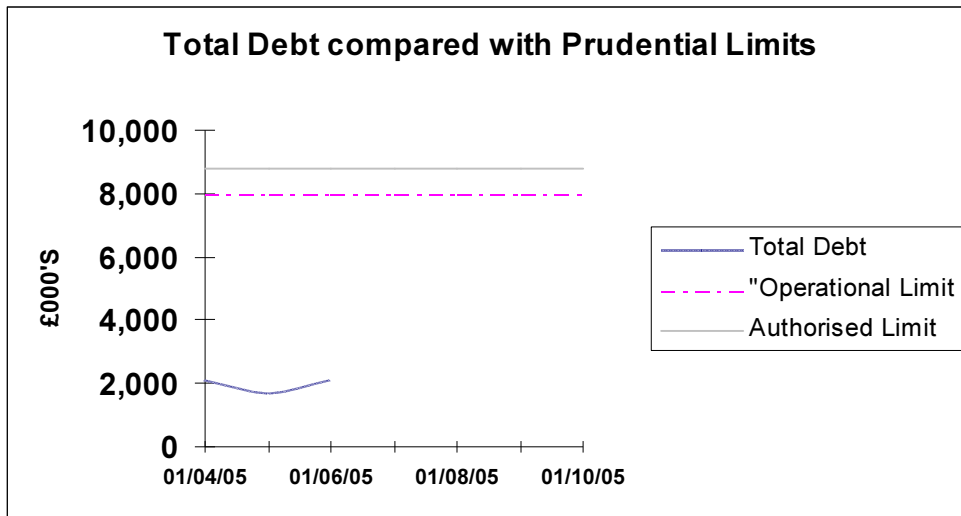
8. RECOMMENDATIONS

That Members note the contents of this report.

9. BACKGROUND PAPERS FOR INSPECTION

None.

Alan Sumbly
TREASURER OF THE FIRE & RESCUE AUTHORITY



APPENDIX B

