meeting	**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY** **FINANCE AND RESOURCES COMMITTEE**	
date	**15 September 2006**	agenda item number

REPORT OF THE TREASURER

PRUDENTIAL CODE MONITORING REPORT TO 31 MAY 2006

1. PURPOSE OF REPORT

To inform Members of the performance of the Fire & Rescue Authority, during the two months to 31 May 2006, with regard to the prudential indicators for capital accounting and treasury management. These prudential indicators for 2006/07 were agreed by the Authority at its meeting on 24 February 2006.

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 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) has developed a “Prudential Code” which requires a number of limits and indicators to be set each year.

2.3. The Fire & Rescue Authority approved these “prudential limits” for 2006/07 at its meeting on 24 February 2006.

2.4 The Prudential Code requires that local authorities report performance against prudential targets to Members.

3. PRUDENTIAL CODE TARGETS

3.1. In terms of borrowing, the Authority set an operational boundary for 2006/07 of £13.743m and an authorised limit of £15.117m. Although these limits are 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 2006 to 31 May 2006 the maximum indebtedness of the Authority was £3.800m, including any requirements for temporary overdrafts thus keeping within these limits. The graph given as Appendix B illustrates the levels of borrowing during the period.

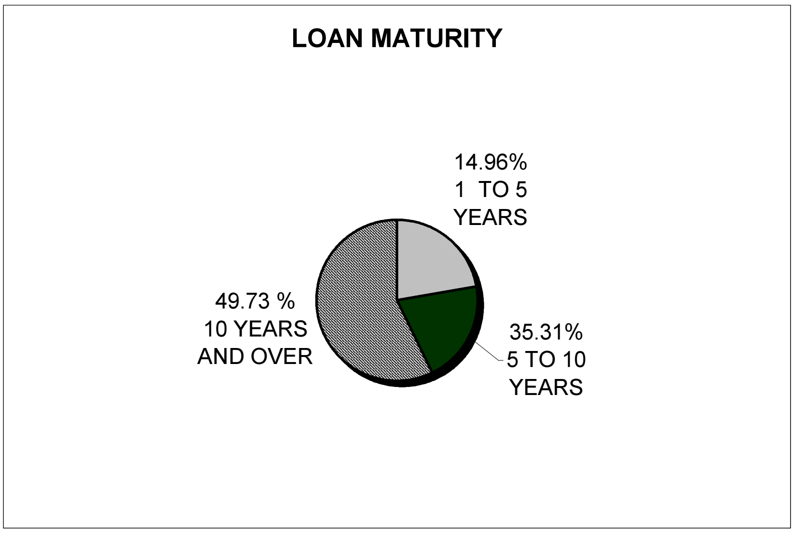
3.2. During the period, the Authority has maintained the policy of lending only to institutions on the authorised lending list. A graph of cumulative interest earnings is also shown on Appendix B. An interest earnings target of £150,000 has been set for 2006/07. As at 31 May 2006, £38,229 has been earned. The prudential targets relating to interest rate exposure are that fixed interest rate exposures should be between 70% and 100% of total lending and that variable interest rate exposures should be between 0% and 30%. During the period to 31 May 2006, 100% of lending was at fixed interest rates.

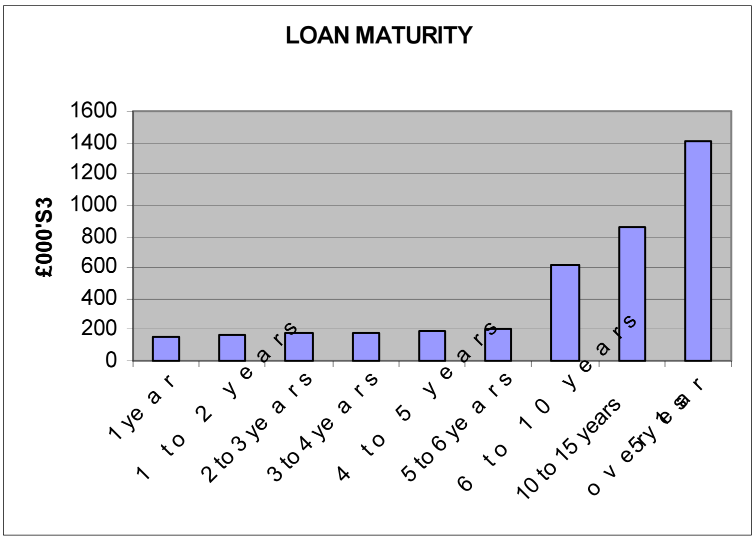
3.3. The prudential target in respect of cash management is that the Authority's bank overdraft should not exceed £500,000. The highest level of overdraft during the period was £383,600. Graphs of cash balances for the 2 months to 31 May 2006 are shown on Appendix A.

3.4. Prudential targets relating to loan maturity are shown below :

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

Actual performance against these targets in the period to 31 May 2006 is shown in the following graphs :





4. FINANCIAL IMPLICATIONS

The financial implications are set out in full within this report. Performance during the period is within the prudential limits.

5. PERSONNEL IMPLICATIONS

There are no personnel implications arising directly from this report.

6. EQUALITY IMPACT ASSESSMENT

An initial impact assessment has revealed there are no specific equalities issues associated with this report.

7. RISK MANAGEMENT IMPLICATIONS

The Prudential Code is a framework which sets out to quantify and minimise financial risk arising from the financing of capital, the investment of surplus funds and the maintenance of operating cash balances for the Authority. The favourable performance against the prudential targets demonstrates that these areas of operation are being managed effectively.

8. RECOMMENDATIONS

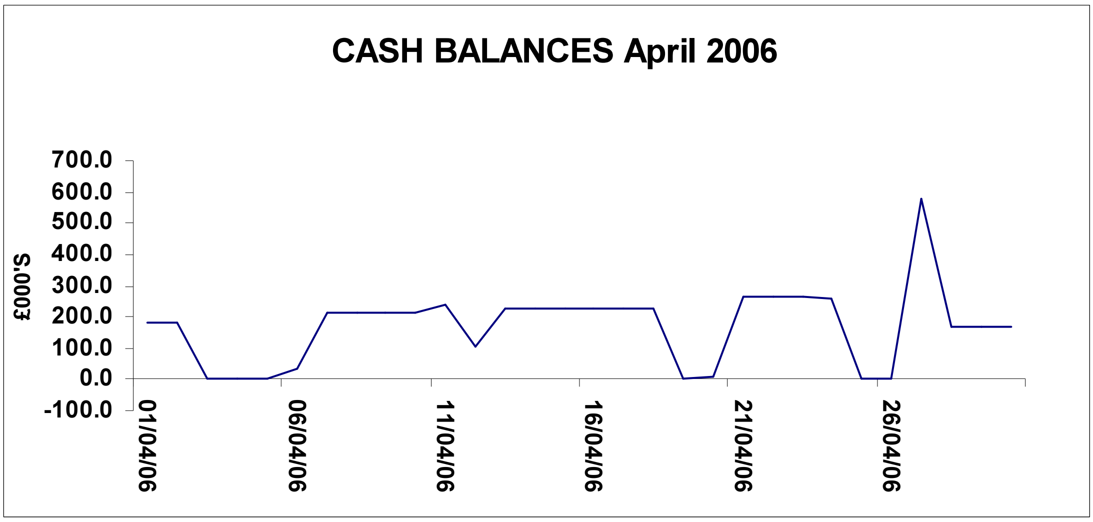
That Members note the contents of this report.

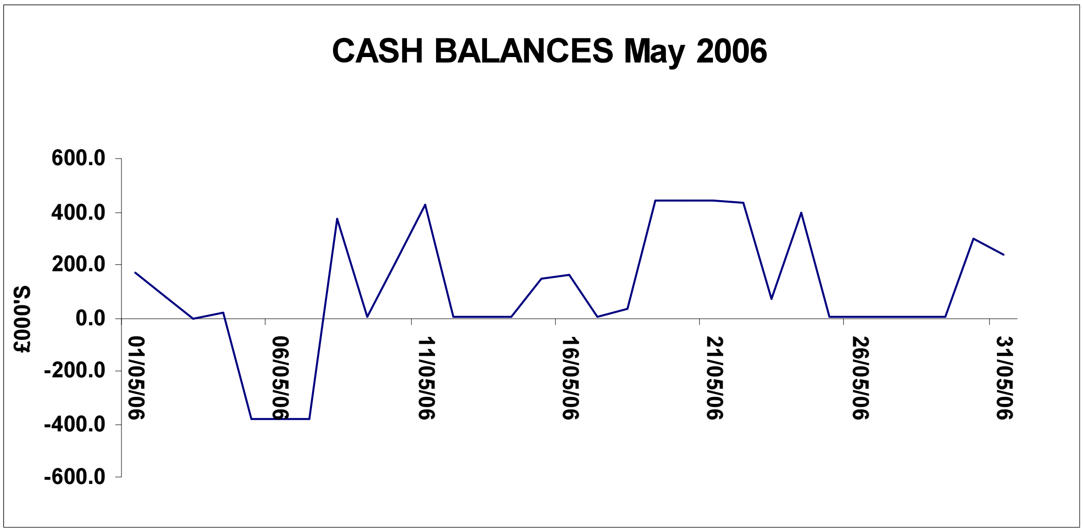
9. BACKGROUND PAPERS FOR INSPECTION

None.

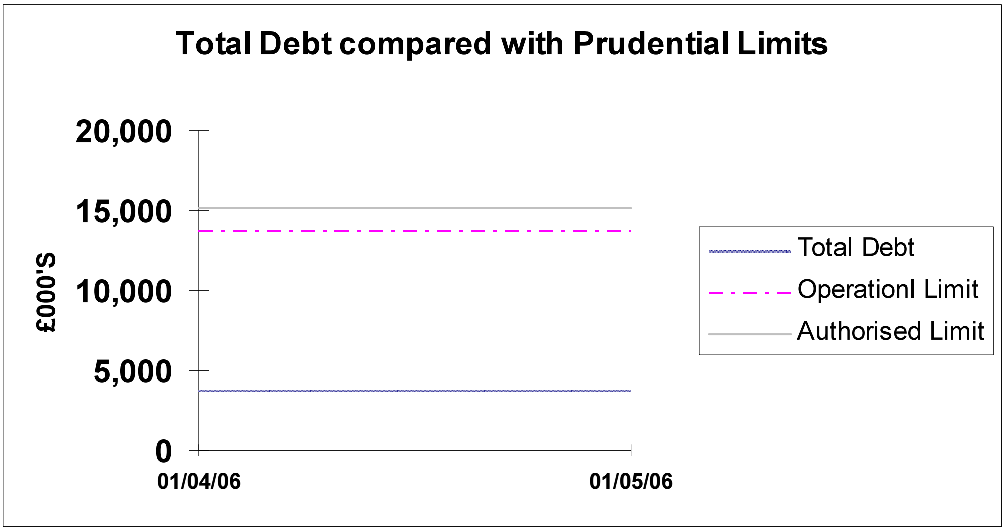
Alan Sumby
TREASURER TO THE FIRE & RESCUE AUTHORITY

CONTACT OFFICER	
Name :	Neil Timms Head of Finance & Resources
Tel. No :	0115 967 0880
E-mail :	neil.timms@notts-fire.gov.uk

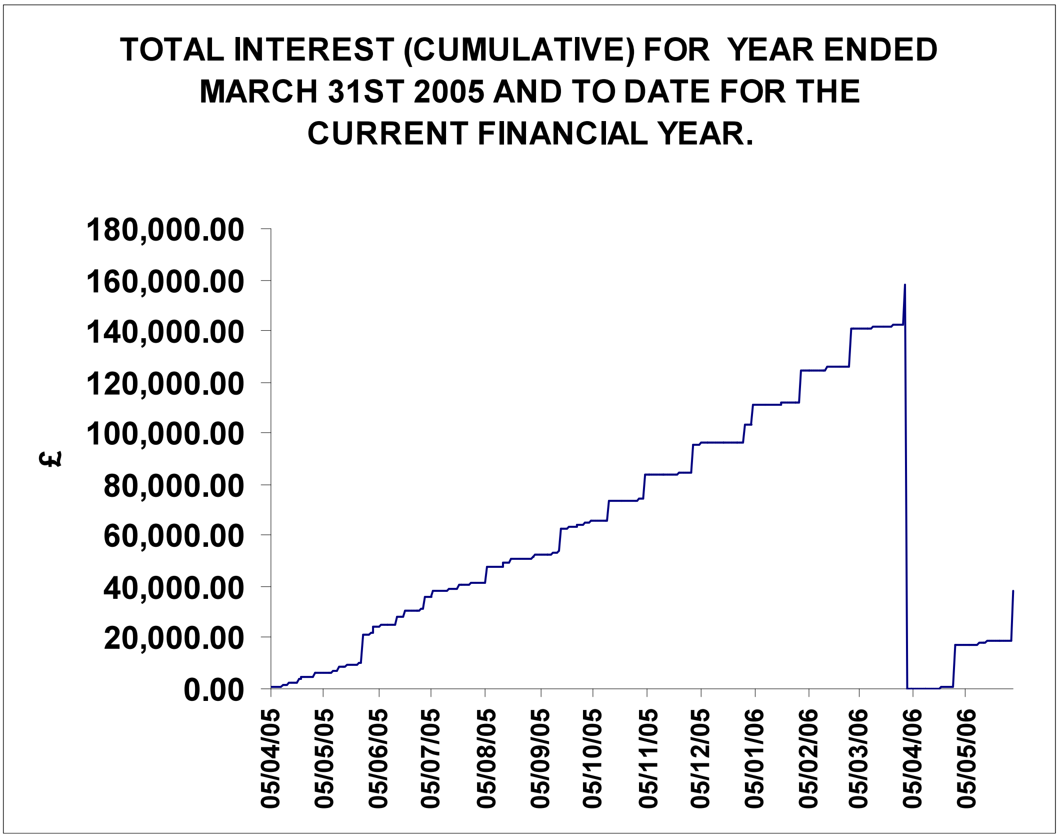

CASH BALANCES April 2006
£000'S
700.0
600.0
500.0
400.0
300.0
200.0
100.0
0.0
-100.0
01/04/06
06/04/06
11/04/06
16/04/06
21/04/06
26/04/06


CASH BALANCES May 2006
£000'S
600.0
400.0
200.0
0.0
-200.0
-400.0
-600.0
01/05/06
06/05/06
11/05/06
16/05/06
21/05/06
26/05/06
31/05/06

APPENDIX B



Total Debt compared with Prudential Limits
20,000
15,000
10,000
5,000
0
£000's
01/04/06
01/05/06
Total Debt
Operationl Limit
Authorised Limit



TOTAL INTEREST (CUMULATIVE) FOR YEAR ENDED MARCH 31ST 2005 AND TO DATE FOR THE CURRENT FINANCIAL YEAR.
180,000.00
160,000.00
140,000.00
120,000.00
100,000.00
80,000.00
60,000.00
40,000.00
20,000.00
0.00
£
05/04/05
05/05/05
05/06/05
05/07/05
05/08/05
05/09/05
05/10/05
05/11/05
05/12/05
05/01/06
05/02/06
05/03/06
05/04/06
05/05/06