report

meeting	**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY** **FINANCE AND RESOURCES COMMITTEE**	
date	**13 April 2007**	agenda item number

REPORT OF THE TREASURER TO THE FIRE & RESCUE AUTHORITY

PRUDENTIAL CODE MONITORING REPORT TO 28 FEBRUARY 2007

1. PURPOSE OF REPORT

To inform Members of the performance of the Nottinghamshire & City of Nottingham Fire & Rescue Authority, up to 28 February 2007, 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 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. REPORT

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 28 February 2007 the maximum indebtedness of the Authority was £6.175m, 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.

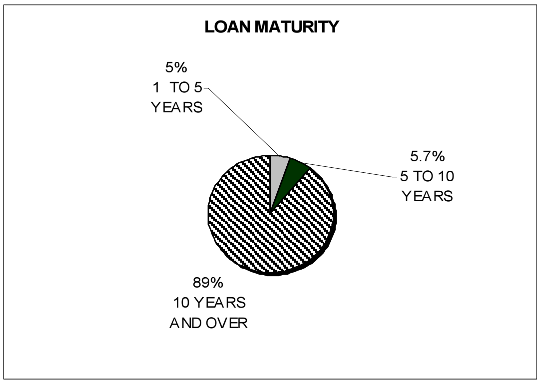
3.2. During the period, the Authority has maintained the policy of lending only to institutions on the authorised lending list. A graph of cumulative interest earnings is also shown on Appendix B. An interest earnings target of £150,000 has been set for 2006/07. As at 28 February 2007, £176,057 has been 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 28 February 2007, 100% of lending was at fixed interest rates.

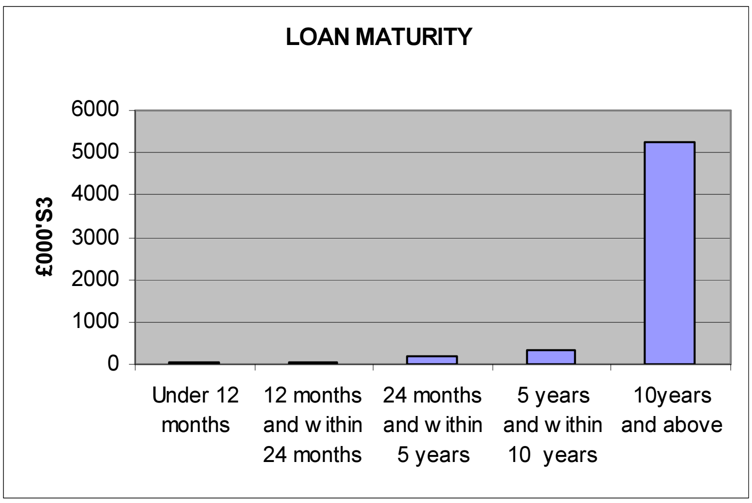
3.3. The prudential target in respect of cash management is that the Authority's bank overdraft should not exceed £500,000. The highest level of overdraft during the period was £8,700. A graph of cash balances for the 3 months up to 28 February 2007 is shown on Appendix A.

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 28 February 2007 is shown in the following graphs:





3.5. The Authority's debt portfolio was restructured in February. One new loan of £1.900m was taken and used to repay five existing loans with a total outstanding principal of £1.905m. The maturity profile has altered as a consequence, with a higher proportion of debt now maturing in more than ten years time. The proportion (89%) is still within the prudential indicator limit of 90%. The benefit of the restructuring is ongoing savings in interest payments of £3k per annum. In addition the Authority received a discount of £65k, which will be credited to the revenue account over the term of the new loan (46 years), generating savings of almost £1.5k per annum.

4. 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.

5. FINANCIAL IMPLICATIONS

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

6. PERSONNEL IMPLICATIONS

There are no personnel implications arising directly from this report.

7. EQUALITY IMPACT ASSESSMENT

An initial assessment has revealed there are no equality issues arising directly from this report.

8. RECOMMENDATIONS

That Members note the contents of this report.

9. BACKGROUND PAPERS FOR INSPECTION

None

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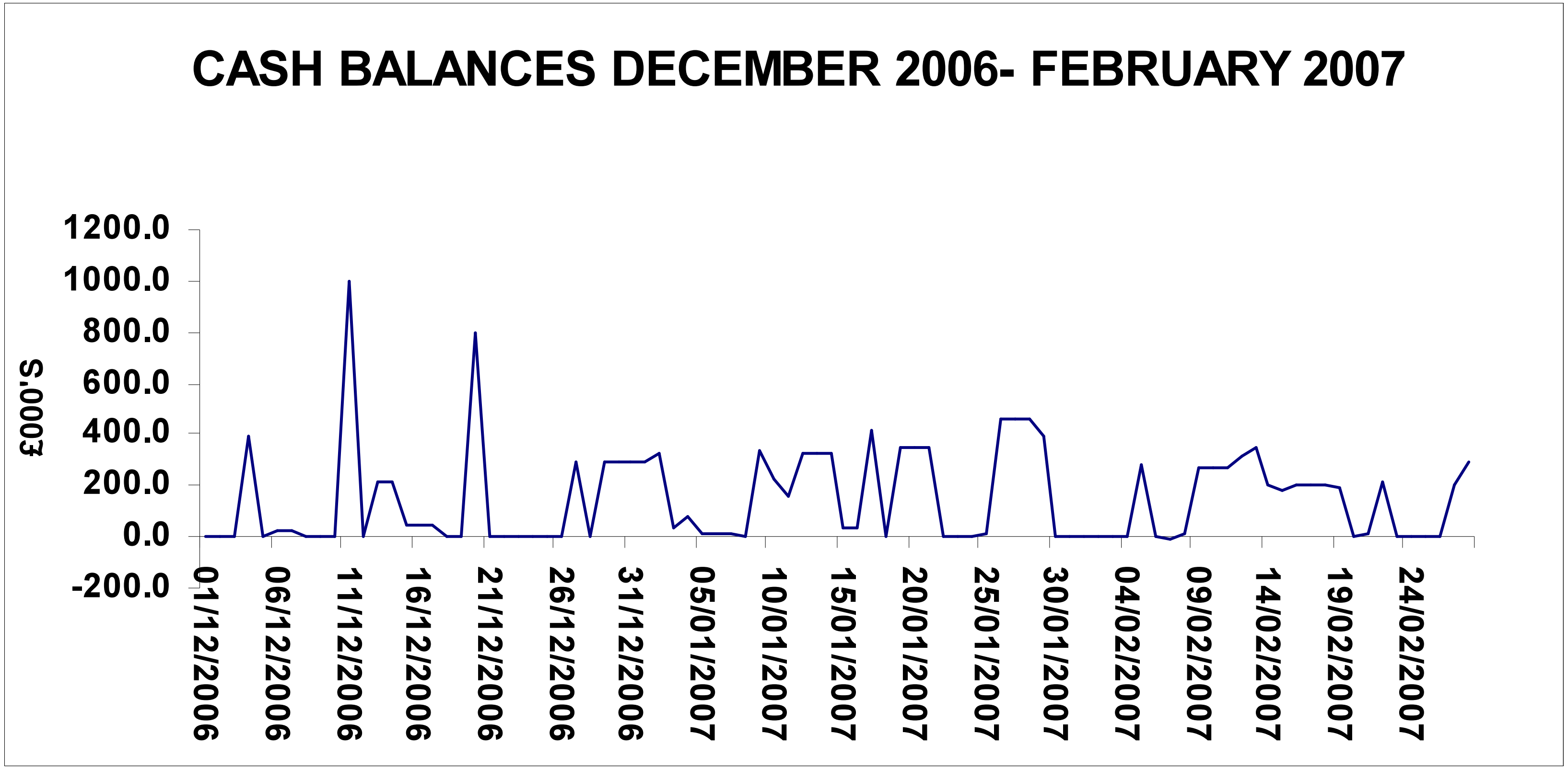
Appendix A



CASH BALANCES DECEMBER 2006- FEBRUARY 2007
£000'S
1200.0
1000.0
800.0
600.0
400.0
200.0
0.0
-200.0
01/12/2006
06/12/2006
11/12/2006
16/12/2006
21/12/2006
26/12/2006
31/12/2006
05/01/2007
10/01/2007
15/01/2007
20/01/2007
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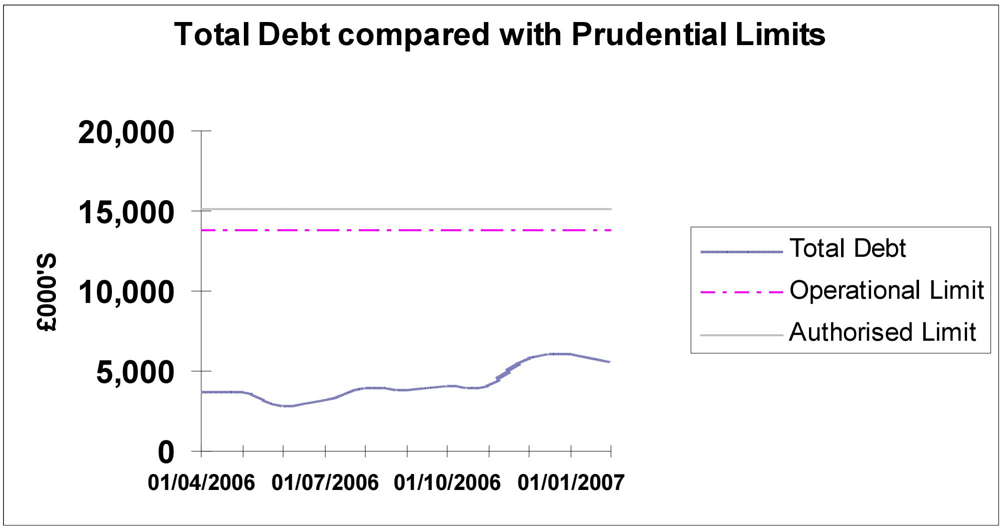
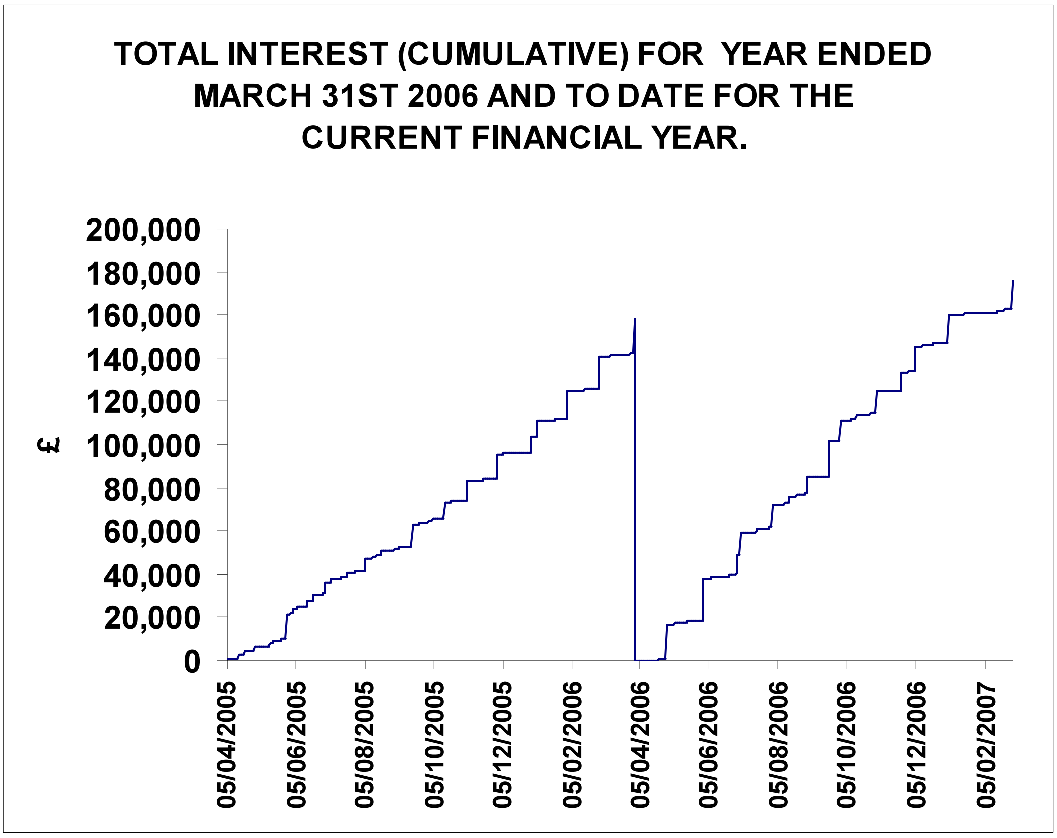
30/01/2007
04/02/2007
09/02/2007
14/02/2007
19/02/2007
24/02/2007

Appendix B


Total Debt compared with Prudential Limits
20,000
15,000
10,000
5,000
0
£000'S
01/04/2006
01/07/2006
01/10/2006
01/01/2007
Total Debt
Operational Limit
Authorised Limit


TOTAL INTEREST (CUMULATIVE) FOR YEAR ENDED MARCH 31ST 2006 AND TO DATE FOR THE CURRENT FINANCIAL YEAR.
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
£
05/04/2005
05/06/2005
05/08/2005
05/10/2005
05/12/2005
05/02/2006
05/04/2006
05/06/2006
05/08/2006
05/10/2006
05/12/2006
05/02/2007