

report

meeting	NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY	
	FINANCE AND RESOURCES COMMITTEE	
date	12 October 2007	agenda item number

REPORT OF THE TREASURER TO THE FIRE AND RESCUE AUTHORITY

PRUDENTIAL CODE MONITORING REPORT TO 31 AUGUST 2007

1. PURPOSE OF REPORT

To inform Members of the performance of the Fire & Rescue Authority, up to 31 August 2007, with regard to the prudential indicators for capital accounting and treasury management. These prudential indicators for 2007/08 were agreed by the Authority at its meeting on 13 April 2007.

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 2007/08 at its meeting on 13 April 2007.
- 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 2007/08 of £17.853m and an authorised limit of £19.638m. 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 2007 to 31 August 2007 the maximum indebtedness of the Authority was £6,360.4m, 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.

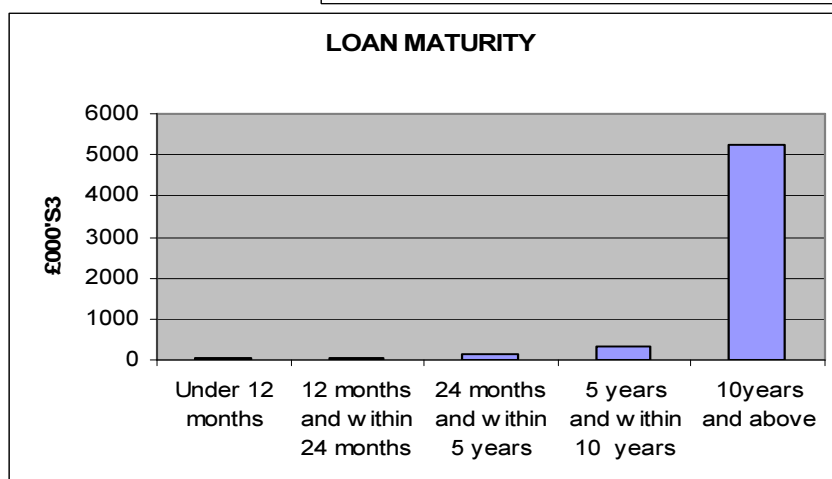
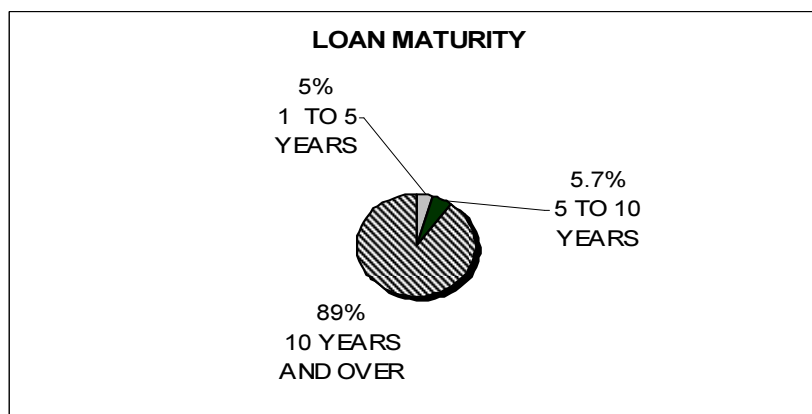
3.2 During the period, the Authority has maintained the policy of lending only to institutions on the authorised lending list. A graph of cumulative interest earnings is also shown on Appendix B. An interest earnings target of £150,000 has been set for 2007/08. As at 31 August 2007, £50,504 has been earned. This sum is below the target for the year to date because the Authority has been using its cash balances to subsidise the firefighter's pension scheme deficit. The pension top up grant of £4.8m has now been received, and will be invested, resulting in an increase in interest receivable. 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 up to 31 August 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. During the 3 month period up to 31 August there have been no overdrafts. A graph of cash balances for the 3 months up to 31 August 2007 is shown on Appendix A.

3.4 Prudential targets relating to loan maturity are shown below:

Loan Maturity		
	<u>Upper Limit</u>	<u>Lower Limit</u>
Under 12 months	20%	0%
12 months to 5 years	20%	0%
5 years to 10 years	75%	0%
Over 10 years	100%	25%

Actual performance against these targets in the period to 31 August 2007 is shown in the following graphs:



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

There are no equality implications arising directly from this report.

8. RECOMMENDATIONS

That Members note the contents of this report.

9. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None

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CASH BALANCES JUNE 2007 - AUGUST 2007

