NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

PRUDENTIAL CODE MONITORING REPORT TO 29 FEBRUARY 2008

Report of the Treasurer of the Fire and Rescue Authority

Agenda Item No:

Date: 4 April 2008

Purpose of Report:

To inform Members of performance up to 29 February 2008 relating to the prudential indicators for capital accounting and treasury management. These prudential indicators for 2007/08 were agreed by the Finance and Resources Committee at its meeting on 13 April 2007.

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1. BACKGROUND

1.1 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.

1.2 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. The Committee approved these "prudential limits" for 2007/08 at its meeting on 13 April 2007. The Prudential Code requires that local authorities report performance against prudential targets to Members.

2. REPORT

2.1 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 29 February 2008 the maximum indebtedness of the Authority was £5,468m, including any requirements for temporary overdrafts thus keeping within these limits. (A loan of £4m was taken out on 7 March 2008 – the effect of this loan will be reported to the next Finance and Resources Committee meeting). The graph given as Appendix B illustrates the levels of borrowing during the period to the end of February.

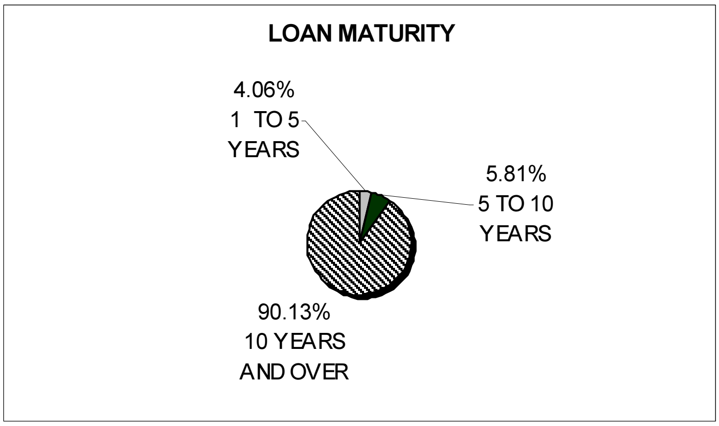
2.2 During the period, the Authority has maintained the policy of lending only to institutions on the authorised lending list. A graph of cumulative interest earnings is also shown on Appendix B. An interest earnings target of £150,000 was set for 2007/08. As at 29 February 2008, £211,325 has been earned. The pension top up grant of £4.8m has now been received, and has been invested, resulting in an increase in interest receivable above the budget set. The prudential targets relating to interest rate exposure are that fixed interest rate exposures should be between 0% and 100% of total lending and that variable interest rate exposures should be between 0% and 30%. During the period up to 29 February 2008, 100% of lending was at fixed interest rates.

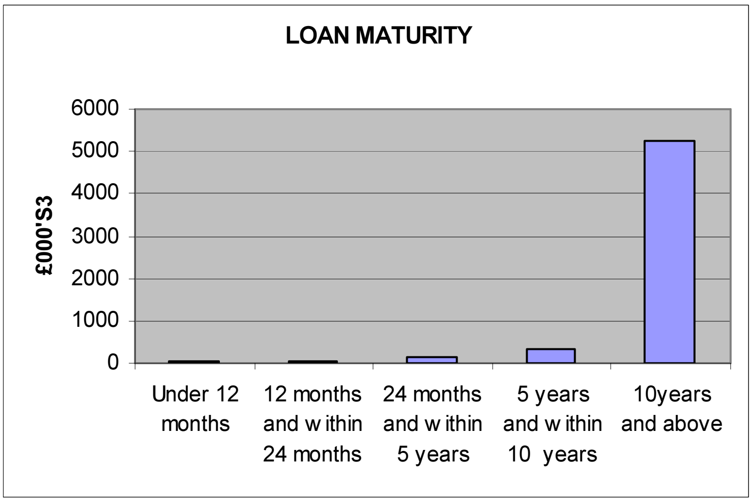
2.3 The prudential target in respect of cash management is that the Authority's bank overdraft should not exceed £500,000. During the four month period up to 29 February 2008 the highest level of overdraft was £145,935. A graph of cash balances for the four months up to 29 February 2008 is shown at Appendix A.

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	100%	25%

Actual performance against these targets in the period to 29 February 2008 is shown in the following graphs:





3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report.

5. EQUALITY IMPACT ASSESSMENT

An initial equality impact assessment is attached at Appendix C. There are no equality implications arising directly from this report.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from 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

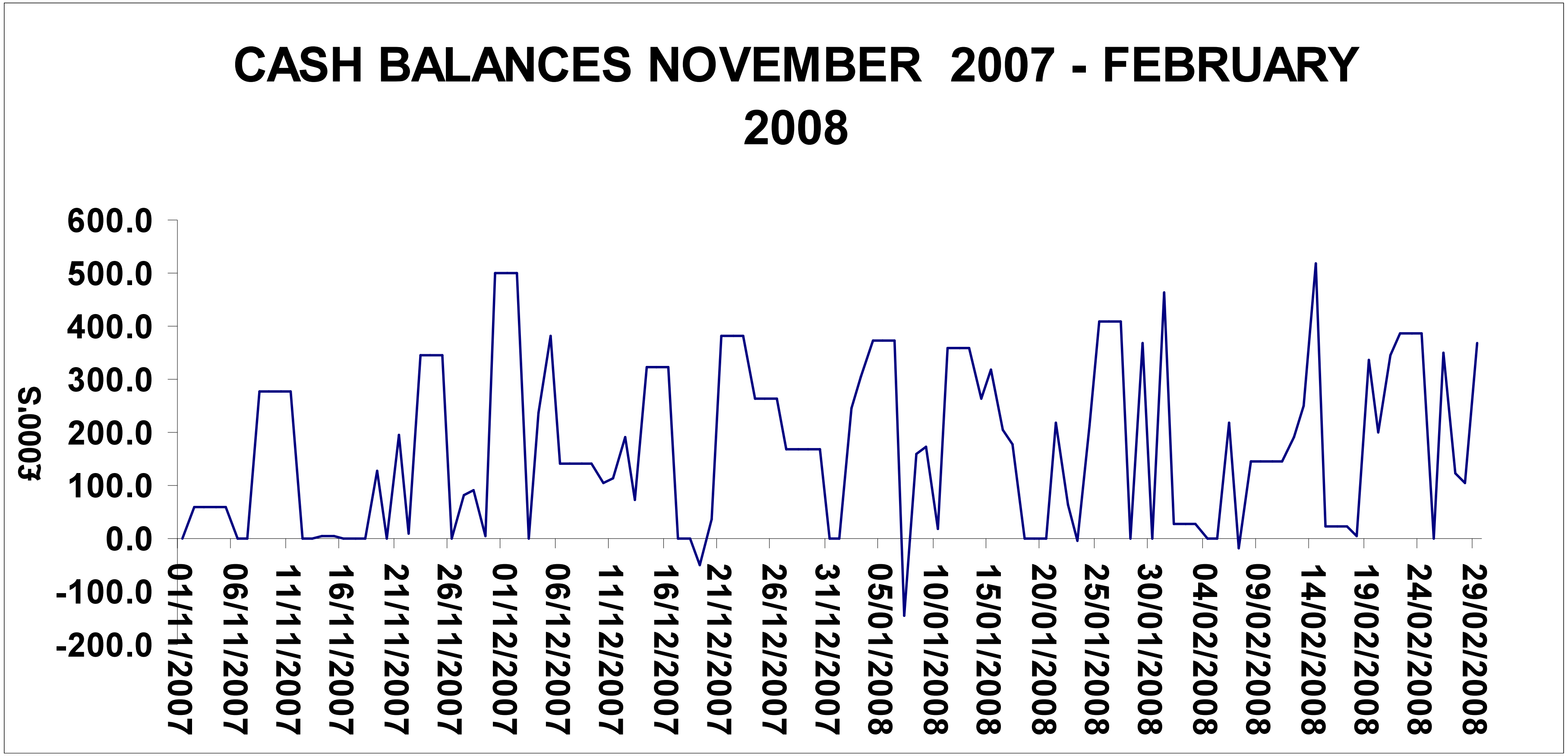
That Members note the contents of this report.

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

None.

Peter Hurford
TREASURER TO THE FIRE AUTHORITY

Appendix A



CASH BALANCES NOVEMBER 2007 - FEBRUARY 2008
£000'S
600.0
500.0
400.0
300.0
200.0
100.0
0.0
-100.0
-200.0
01/11/2007
06/11/2007
11/11/2007
16/11/2007
21/11/2007
26/11/2007
01/12/2007
06/12/2007
11/12/2007
16/12/2007
21/12/2007
26/12/2007
31/12/2007
05/01/2008
10/01/2008
15/01/2008
20/01/2008
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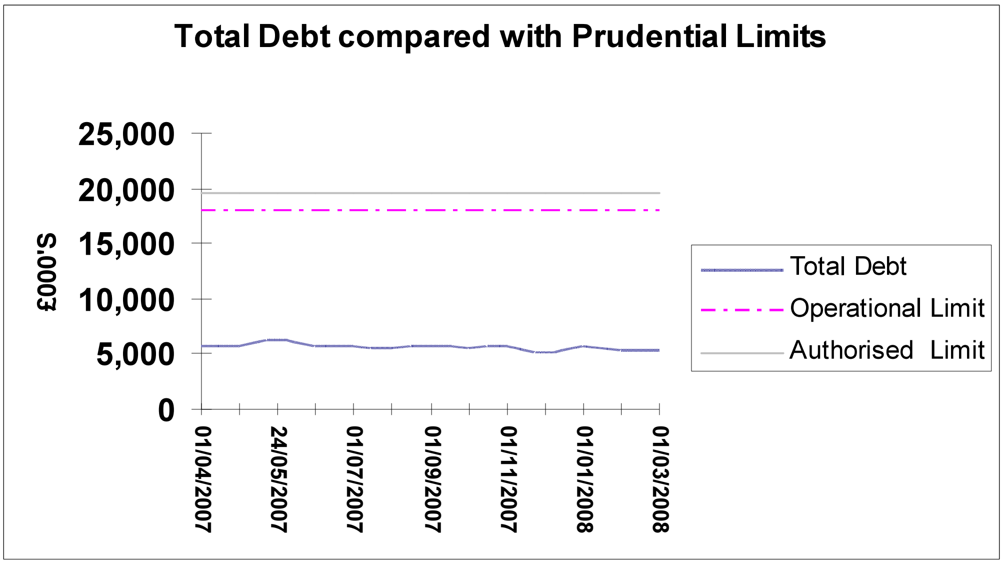
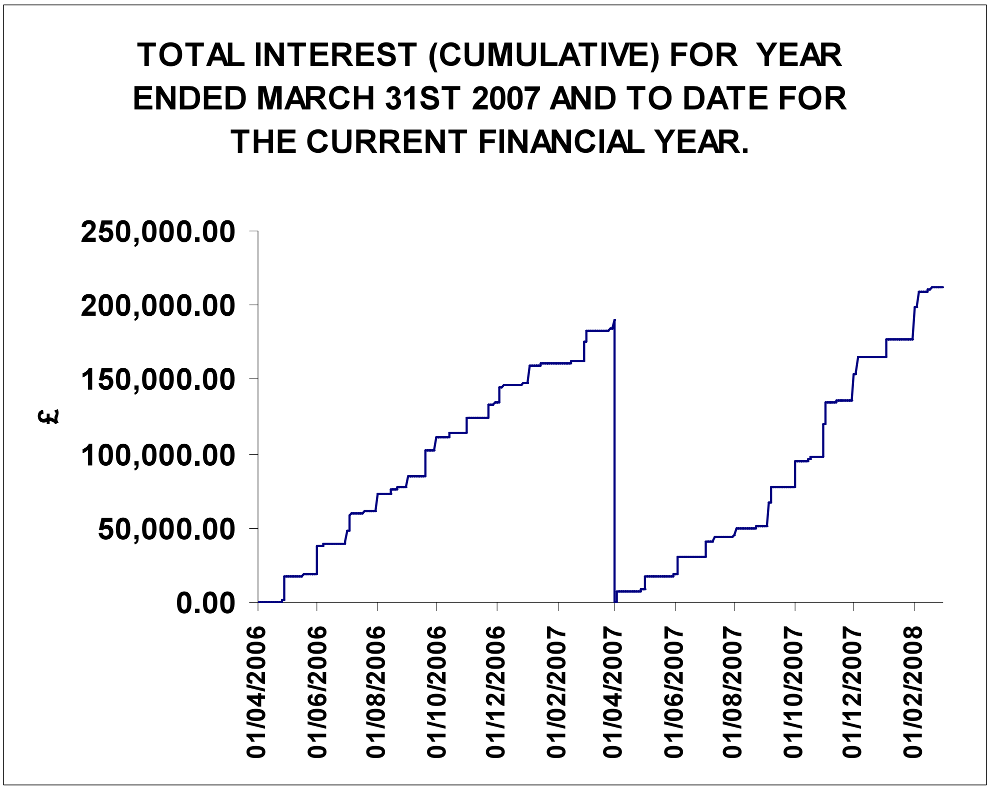
04/02/2008
09/02/2008
14/02/2008
19/02/2008
24/02/2008
29/02/2008


Total Debt compared with Prudential Limits
25,000
20,000
15,000
10,000
5,000
0
£000'S
01/04/2007
24/05/2007
01/07/2007
01/09/2007
01/11/2007
01/01/2008
01/03/2008
Total Debt
Operational Limit
Authorised Limit


TOTAL INTEREST (CUMULATIVE) FOR YEAR ENDED MARCH 31ST 2007 AND TO DATE FOR THE CURRENT FINANCIAL YEAR.
250,000.00
200,000.00
150,000.00
100,000.00
50,000.00
0.00
£
01/04/2006
01/06/2006
01/08/2006
01/10/2006
01/12/2006
01/02/2007
01/04/2007
01/06/2007
01/08/2007
01/10/2007
01/12/2007
01/02/2008

INITIAL EQUALITY IMPACT ASSESSMENT

Appendix C

Section **Finance**	***Manager*** **Neil Timms**	Date of Assessment **February 2008**	New or Existing **New**
Name of Report to be assessed		PRUDENTIAL CODE MONITORING REPORT TO 29 FEBRUARY 2008	

1. Briefly describe the aims, objectives and purpose of the report.	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. Who is intended to benefit from this report and what are the outcomes?	The Prudential Code requires that local authorities report performance against prudential targets to Members.
3. Who are the main stakeholders in relation to the report?	Members of the Authority, Treasurer, Strategic Management Team and members of the public.
4. Who implements and who is responsible for the report?	Head of Finance and Resources.

5. Please identify the differential impact in the terms of the six strands below. Please tick yes if you have identified any differential impacts. Please state evidence of negative or positive impacts below.

STRAND	Y	N	*NEGATIVE IMPACT*	**POSITIVE IMPACT**
Race		**N**		
Gender		N		
Disability		N		
Religion or Belief		N		
Sexuality		N		
Age		N		

	Y	N		Y	N
6. Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group?			7. Should the policy/service proceed to a full impact assessment?		N

I am satisfied that this policy has been successfully impact assessed. I understand the impact assessment of this policy is a statutory obligation and that, as owners of this policy, we take responsibility for the completion and quality of this process.

Signed (completing person)………………Neil Timms………………………………………… Date ……29/2/2008………...