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 30 SEPTEMBER 2008

Report of the Treasurer to the Fire and Rescue Authority

Agenda Item No:

Date: 24 October 2008

Purpose of Report:

To inform Members of performance up to 30 September 2008 relating to the prudential indicators for capital accounting and treasury management. These prudential indicators for 2008/09 were agreed by the Fire and Rescue Authority at its meeting on 22 February 2008.

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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.

1.3 The Fire and Rescue Authority approved these 'prudential limits' for 2008/09 at its meeting on 22 February 2008.

1.4 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 2008/09 of £22.473m and an authorised limit of £24.720m. 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 2008 to 30 September 2008 the maximum indebtedness of the Authority was £9.820m, 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 to the end of September.

2.2 During the period, the Authority has maintained the policy of lending only to institutions on the authorised lending list. Since the list was approved by the Authority, five institutions have been removed from the list because their ratings have been downgraded (American Express Bank Ltd; Dexia Bank Belgium; Dexia Banque Luxembourg; Fortis Bank; Fortis Banque Luxembourg). At the time of writing this report, the Treasury Management Strategy is under review given the current global economic turmoil. The Chair of Finance and Resources Committee will be kept informed of any proposed amendments to the strategy which may require immediate implementation in order to protect the security of the Authority's cash resources. If there are changes, a revised strategy will be reported to the next Finance and Resources Committee.

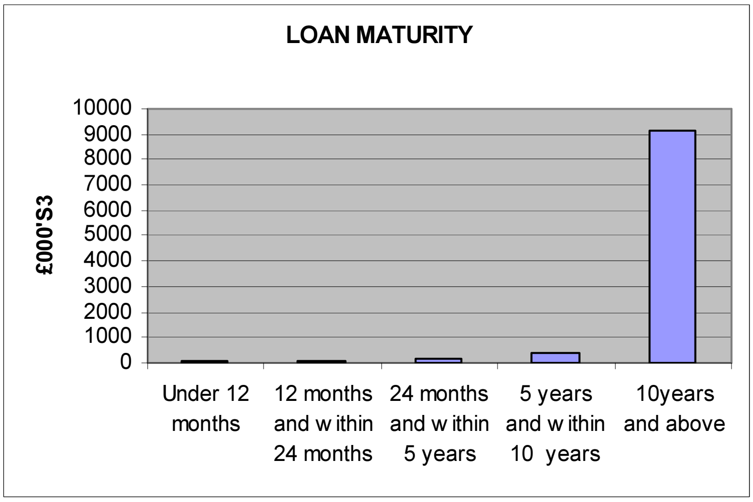
2.3 A graph of cumulative interest earnings is also shown on Appendix B. An interest earnings target of £220,000 was set for 2008/09. As at 30 September 2008, £133,083.46 has been earned. The prudential targets relating to interest rate exposure are that fixed interest rate exposures should be between 0% and 100% of total lending and that variable interest rate exposures should be between 0% and 30%. During the period up to 30 September 2008, 100% of lending was at fixed interest rates.

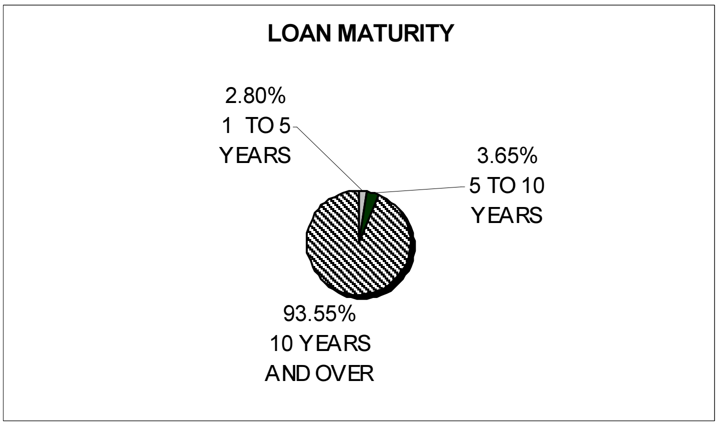
2.4 The prudential target in respect of cash management is that the Authority's bank overdraft should not exceed £500,000. During the three month period up to 30 September 2008 the highest level of overdraft was £56,000. A graph of cash balances for the three months up to 30 September 2008 is shown on 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 30 September 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 and learning and development implications arising directly from this report.

5. EQUALITY IMPACT ASSESSMENT

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. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. 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.

9. RECOMMENDATIONS

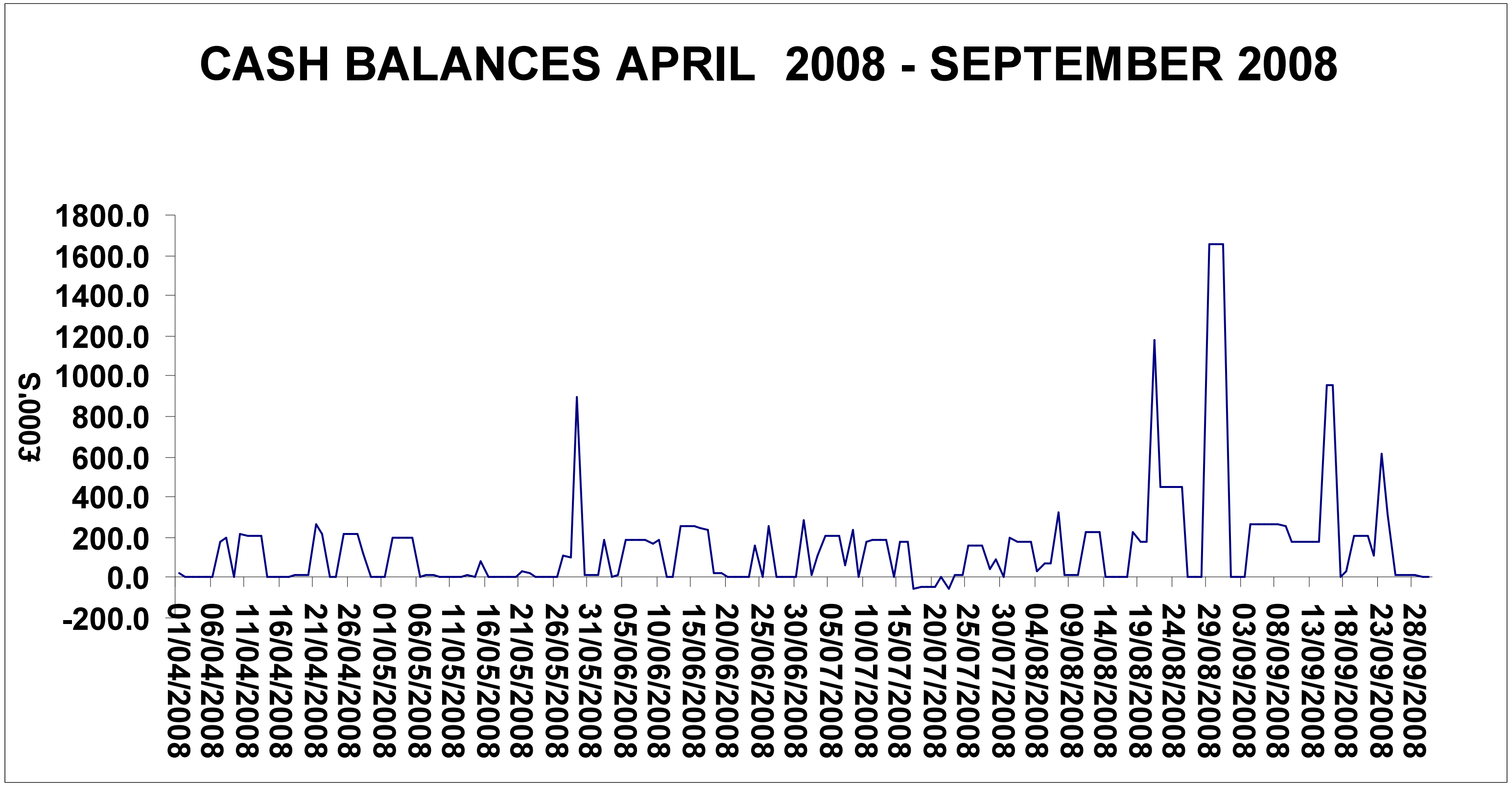
That Members note the contents of this report.

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

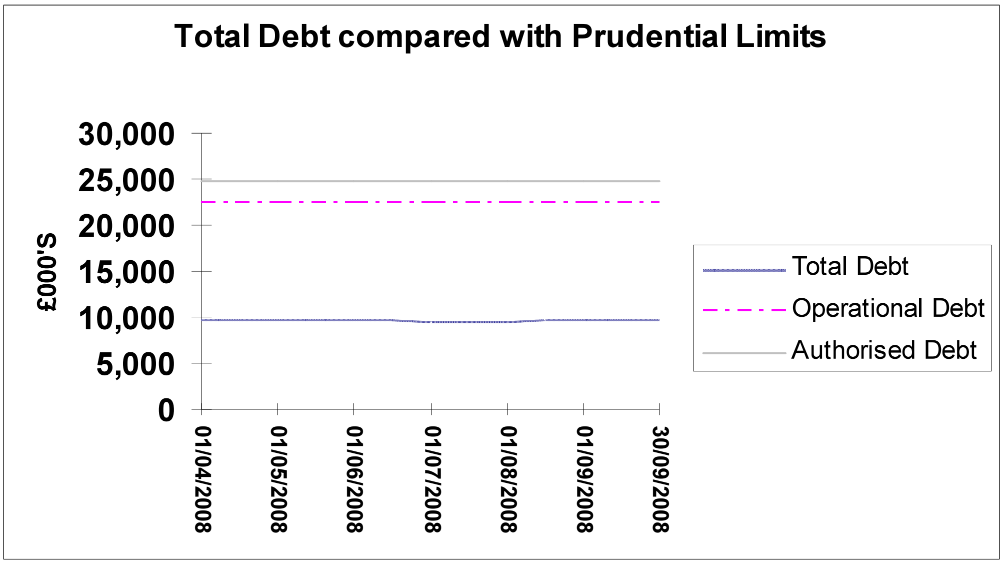
None.

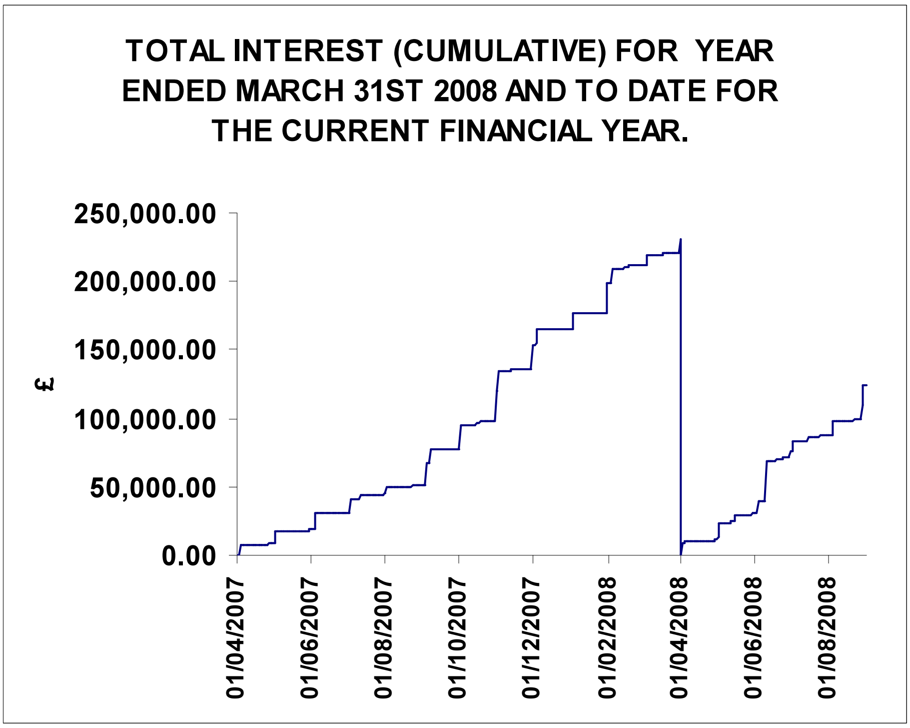
Peter Hurford
TREASURER TO THE FIRE AND RESCUE AUTHORITY

Appendix A


CASH BALANCES APRIL 2008 - SEPTEMBER 2008
£000's
1800.0
1600.0
1400.0
1200.0
1000.0
800.0
600.0
400.0
200.0
0.0
-200.0
01/04/2008
06/04/2008
11/04/2008
16/04/2008
21/04/2008
26/04/2008
01/05/2008
06/05/2008
11/05/2008
16/05/2008
21/05/2008
26/05/2008
31/05/2008
05/06/2008
10/06/2008
15/06/2008
20/06/2008
25/06/2008
30/06/2008
05/07/2008
10/07/2008
15/07/2008
20/07/2008
25/07/2008
30/07/2008
04/08/2008
09/08/2008
14/08/2008
19/08/2008
24/08/2008
29/08/2008
03/09/2008
08/09/2008
13/09/2008
18/09/2008
23/09/2008
28/09/2008

Appendix B


Total Debt compared with Prudential Limits
30,000
25,000
20,000
15,000
10,000
5,000
0
£000's
01/04/2008
01/05/2008
01/06/2008
01/07/2008
01/08/2008
01/09/2008
30/09/2008
Total Debt
Operational Debt
Authorised Debt


TOTAL INTEREST (CUMULATIVE) FOR YEAR ENDED MARCH 31ST 2008 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
£
01/04/2007
01/06/2007
01/08/2007
01/10/2007
01/12/2007
01/02/2008
01/04/2008
01/06/2008
01/08/2008