



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 NOVEMBER 2008

Report of the Treasurer to the Fire and Rescue Authority

Agenda Item No:

Date: 09 January 2009

Purpose of Report:

To inform Members of performance up to 30 November 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 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 November 2008 the maximum indebtedness of the Authority was £14.640m, including any requirements for temporary overdrafts thus keeping within these limits. During the period the Authority borrowed £7.0m from the Public Works Loans Board to fund this year's anticipated capital programme expenditure.

The new loans, which were all maturity loans, were as follows:

Term of Loan (years)	Amount	Interest rate
4	£2m	3.46%
5	£3m	3.71%
6	£2m	3.93%

The graph given as Appendix B illustrates the levels of borrowing during the period to the end of November.

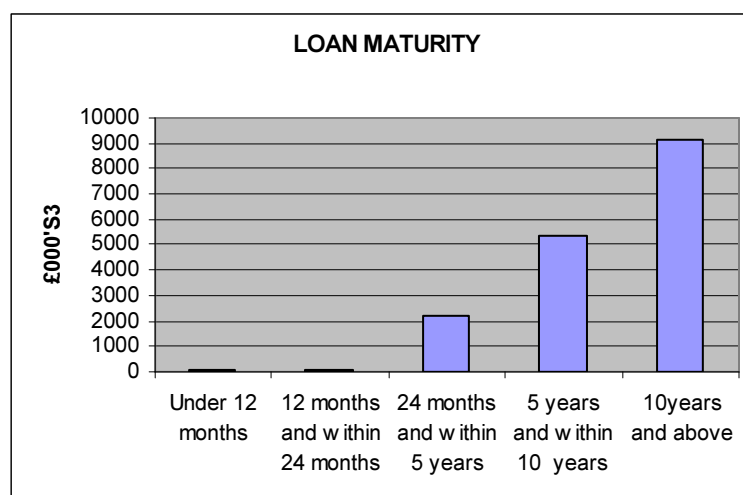
- 2.2 During the period, the Authority has maintained the policy of lending only to institutions on the current authorised lending list, which was approved by the Finance and Resources Committee on 4 April 2008. Since then several

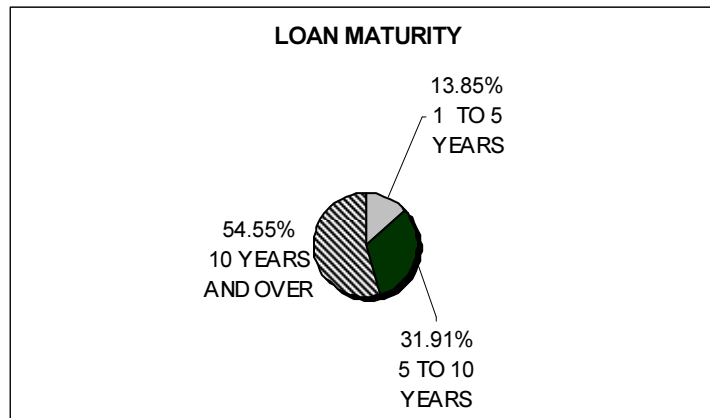
institutions have been removed from the list because their ratings have been downgraded. The current amended list is shown in Appendix C.

- 2.3 During the period the Authority invested £2.0m with the Bank of Ireland, this was for 365 days at a fixed rate of 4.56%. The interest of £91,200 will be received at the end of the investment period.
- 2.4 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 November 2008, £175,826 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 November 2008, 100% of lending was at fixed interest rates.
- 2.5 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 30 November 2008 the Authority did not use the overdraft. A graph of cash balances for the 3 months up to 30 November 2008 is shown on Appendix A.
- 2.6 Prudential targets relating to loan maturity are shown below:

Loan Maturity		
	<i>Upper Limit</i>	<i>Lower Limit</i>
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 November 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.

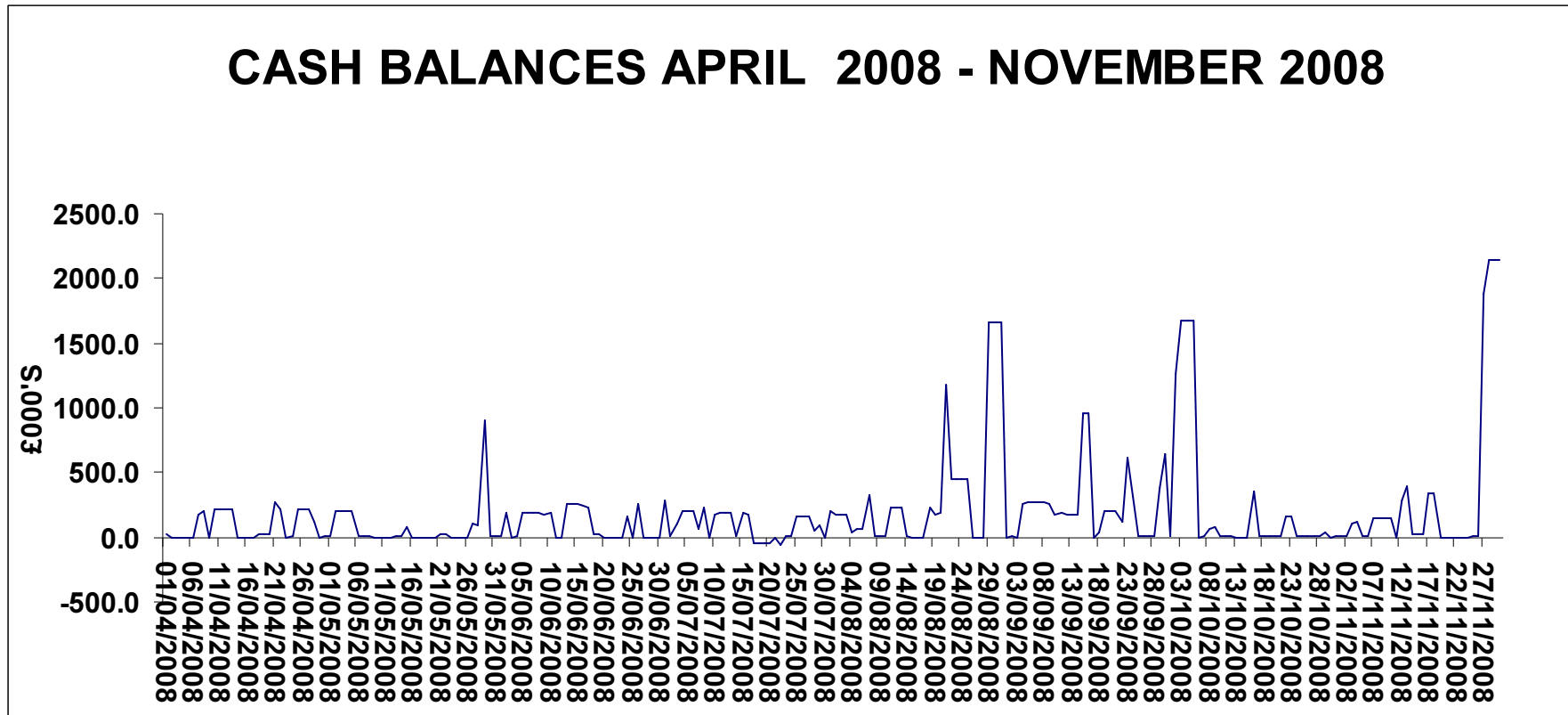
9. RECOMMENDATIONS

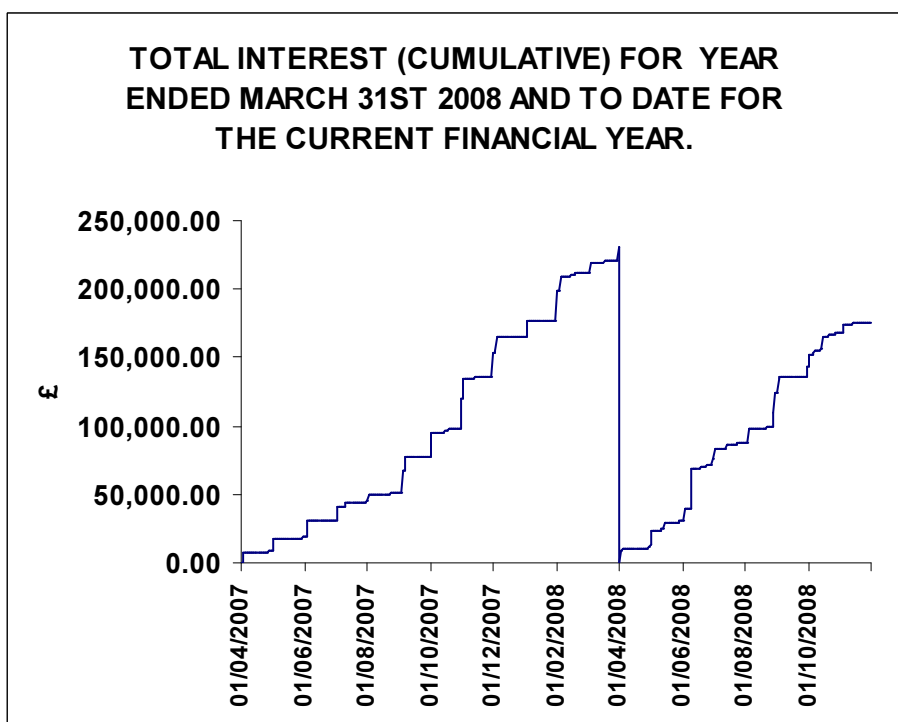
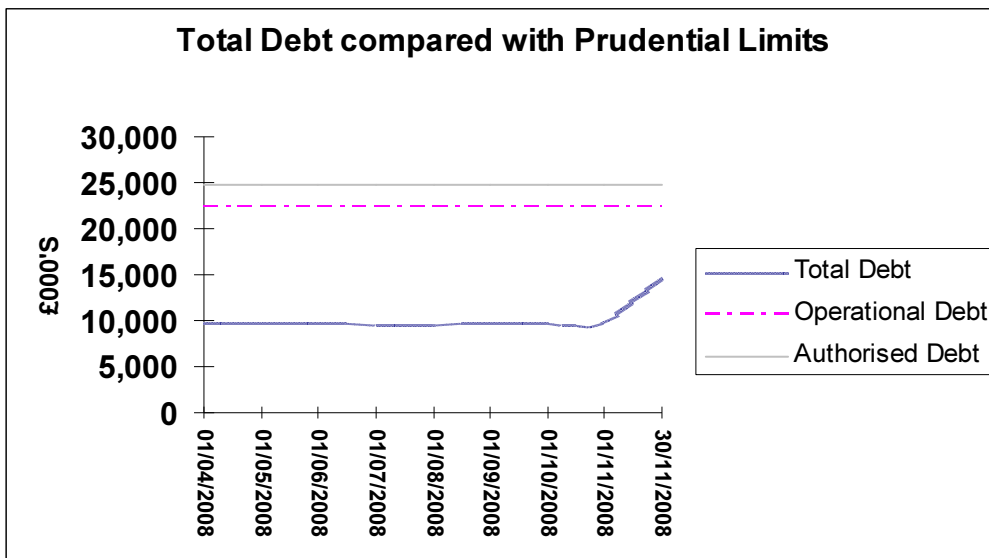
That Members note the contents of this report.

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

None.

Peter Hurford
TREASURER TO THE FIRE AND RESCUE AUTHORITY





NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY

APPENDIX C

APPROVED LENDING LIST

UK Based Institutions

Abbey plc	GBR	
Bank of Scotland plc	GBR	}
Lloyds TSB Bank	GBR	}
Barclays Bank plc	GBR	
HSBC Bank plc	GBR	
MBNA Europe Bank Ltd	GBR	
National Westminster Bank	GBR	} Downgraded 20/10/08
Royal Bank of Scotland plc	GBR	} Downgraded 20/10/08
Ulster Bank Ltd	GBR	} Downgraded 20/10/08
Nationwide Building Society	GBR	

Overseas Institutions

ABN AMRO Bank N.V.	NLD	Downgraded 20/10/08
Allied Irish Banks	IRL	
American Express Bank Ltd	HKG	Downgraded 20/03/08
Banco Bilbao Vizcaya Argentaria (BBVA)	ESP	
Banco Santander Central Hispano	ESP	
Banco Santander Totta SA	PRT	
Bank Nederlandse Gemeenten	NLD	
Bank of America N.A.	USA	
Bank of Ireland	IRL	
Bank of Montreal	CAN	
Bank of Nova Scotia	CAN	
Bank of Tokyo – Mitsubishi UFJ Ltd	JPN	Downgraded 10/11/08

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BNP Paribas	FRA	
Caixa Geral de Depositos	PRT	
Canadian Imperial Bank of Commerce	CAN	
Citibank, N.A.	USA	Downgraded 25/11/08
Credit Agricole	FRA	
Credit Suisse	CHE	
Danske Bank	DNK	
DBS Bank (Hong Kong)	HKG	
Deutsche Bank AG	DEU	
Dexia Bank Belgium	BEL	Downgraded 01/10/08
Dexia Banque Internationale a Luxembourg	LUX	Downgraded 01/10/08
Dexia Credit Local	FRA	
DNB NOR Bank	NOR	
First Active plc	IRL	Downgraded 20/10/08
Fortis Bank	BEL	Downgraded 30/09/08
Fortis Banque Luxembourg	LUX	Downgraded 30/09/08
Hongkong and Shanghai Banking Corporation	HKG	
HSBC Bank USA NA	USA	
ING Bank NV	NLD	
Intesa Sanpaolo Spa	ITA	
JPMorgan Chase Bank	USA	
KBC Bank Ireland plc (was IIB Bank Limited)	IRL	Name change 28/10/08, Downgraded 04/12/08
Mitsubishi Trust & Banking Corporation (MTBC)	JPN	
Mitsubishi UFJ Trust and Banking Corporation	JPN	
Mizuho Corporate Bank Ltd	JPN	Downgraded 10/11/08
National Bank of Kuwait	KWT	
Nordea Bank AB	SWE	
Nordea Bank Finland plc	FIN	
Rabobank International	NLD	
Royal Bank of Canada	CAN	

Skandinaviska Enskilda Banken AB	SWE	
Societe Generale (SG)	FRA	
Sumitomo Mitsui Banking Corporation Europe	JPN	
Svenska Handelsbanken	SWE	
Swedbank (ForeningsSparbanken AB)	SWE	Downgraded 08/10/08
Toronto-Dominion Bank	CAN	
UBS AG	CHE	Downgraded 27/10/08
Unicredito Italiano	ITA	Downgraded 04/10/08