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 28 FEBRUARY 2010

Report of the Treasurer to the Fire Authority

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**Agenda Item No:**

**Date:** 09 April 2010

**Purpose of Report:**

To inform Members of performance up to 28 February 2010 relating to the prudential indicators for capital accounting and treasury management.

**CONTACT OFFICER**


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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 Authority approved these “prudential limits” for 2009/10 at its meeting on 20 February 2009.

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 2009/10 of £25.492m and an authorised limit of £28.041m. 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 2009 to 28 February 2010 the maximum indebtedness of the Authority was £19.670m, including any requirements for temporary overdrafts thus keeping within these limits. On 14 December 2009, the Authority borrowed the two loans of £1.5m each from the Public Works Loans Board to finance capital expenditure in the year. The first loan was at a rate of 3.76% maturing on 14 December 2018 and the second loan was at a rate of 3.97% and matures on 14 June 2020.

The graph given as Appendix B illustrates the levels of borrowing during the period up to the end of February 2010.

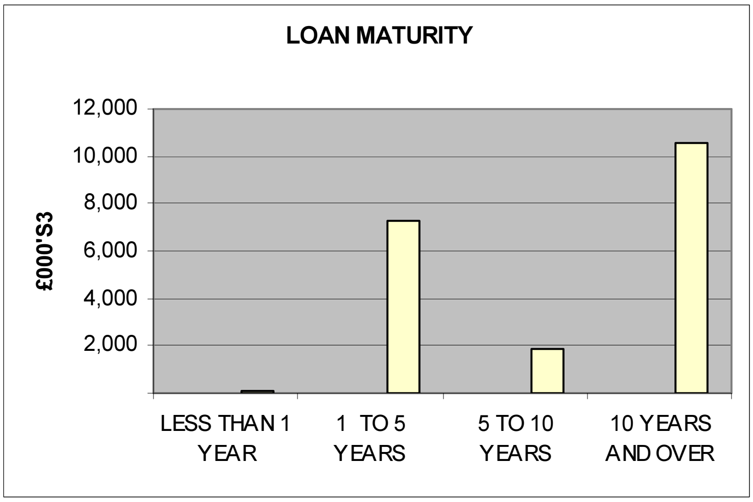
2.2 A graph of cumulative interest earnings is shown on Appendix C. An interest earnings target of £220,000 was set for 2009/10. As at 28 February 2010, £61k has been earned, of which £56k was received in November from the Bank of Ireland relating to an investment of £2m over one year. The target will not be achieved in the year due to continuing low interest rates and this issue has been reported to Members as part of revenue budget monitoring, and has been addressed in the budget for next year. 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 28 February 2010, 100% of lending was at fixed interest rates.

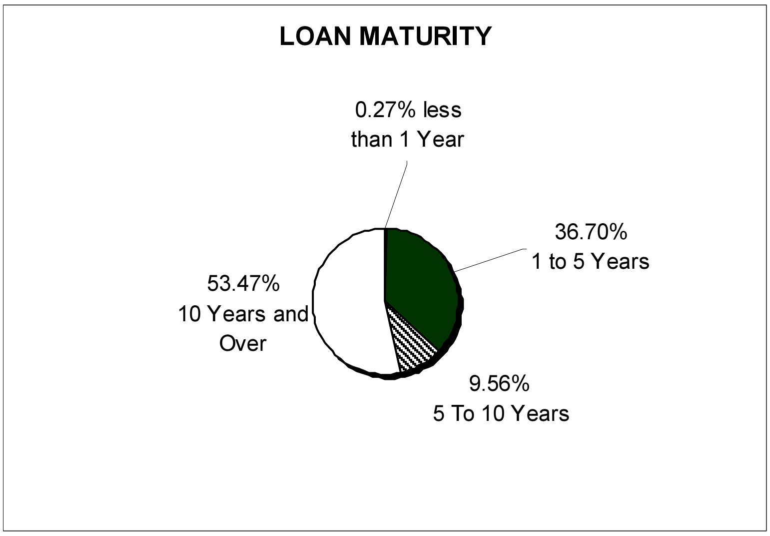
2.3 The prudential target in respect of cash management is that the Authority's bank overdraft should not exceed £500,000. During the three month period up to 28 February 2010 the account has not been overdrawn. A graph of cash balances for the three months up to 28 February 2010 is shown on Appendix 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 | 30% | 0% |
| 5 years to 10 years | 75% | 0% |
| Over 10 years | 100% | 25% |

Actual performance against these targets in the period to 28 February 2010 is shown in the following graphs. The indicator for debt maturing within 1 to 5 years has been exceeded by 6.70%. This is not a cause for concern and will be rectified when borrowing takes place later in the year, by taking out loans with a term of over 10 years.



## 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 directly 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

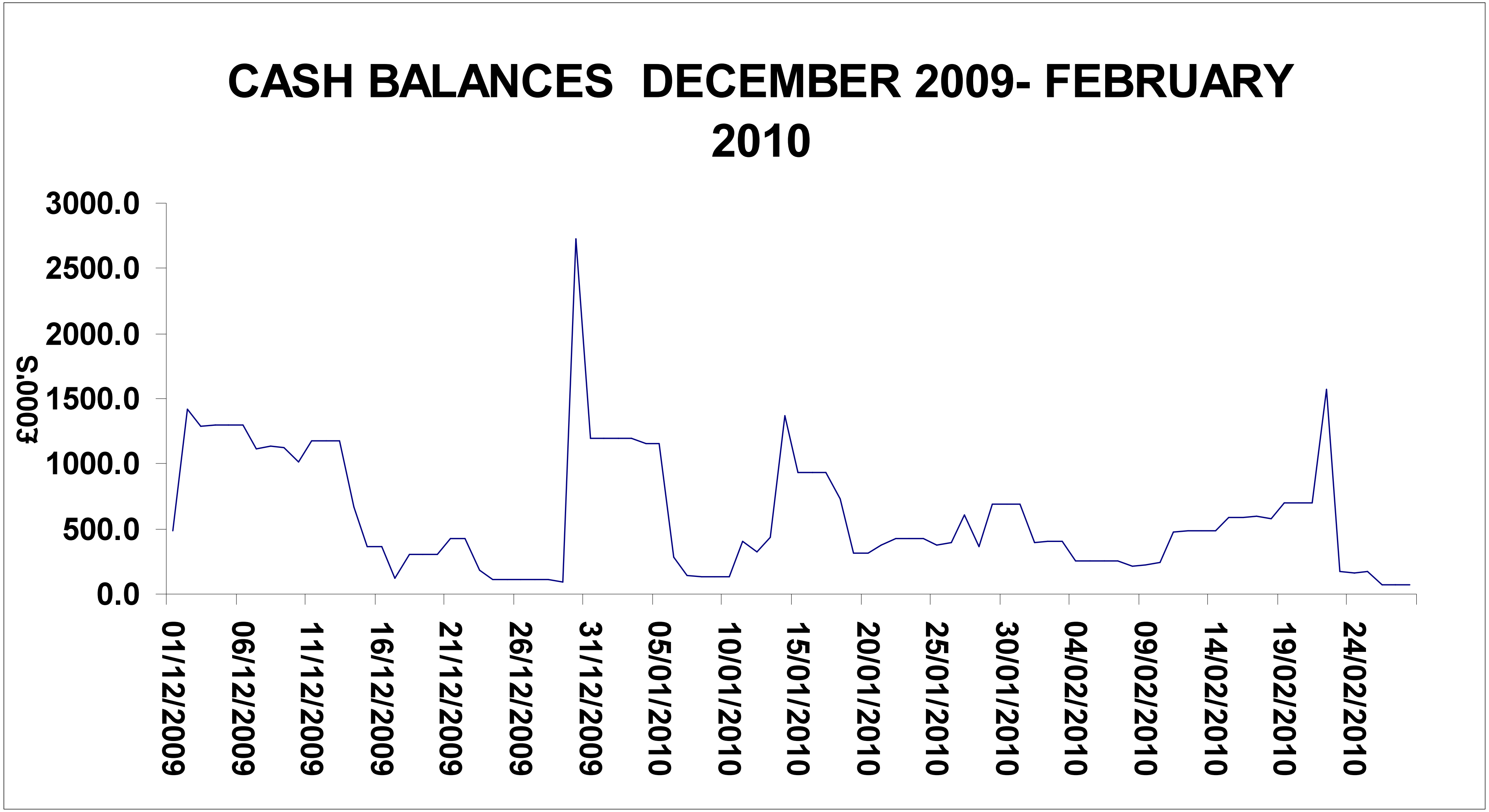
That Members note the contents of this report.

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

None.

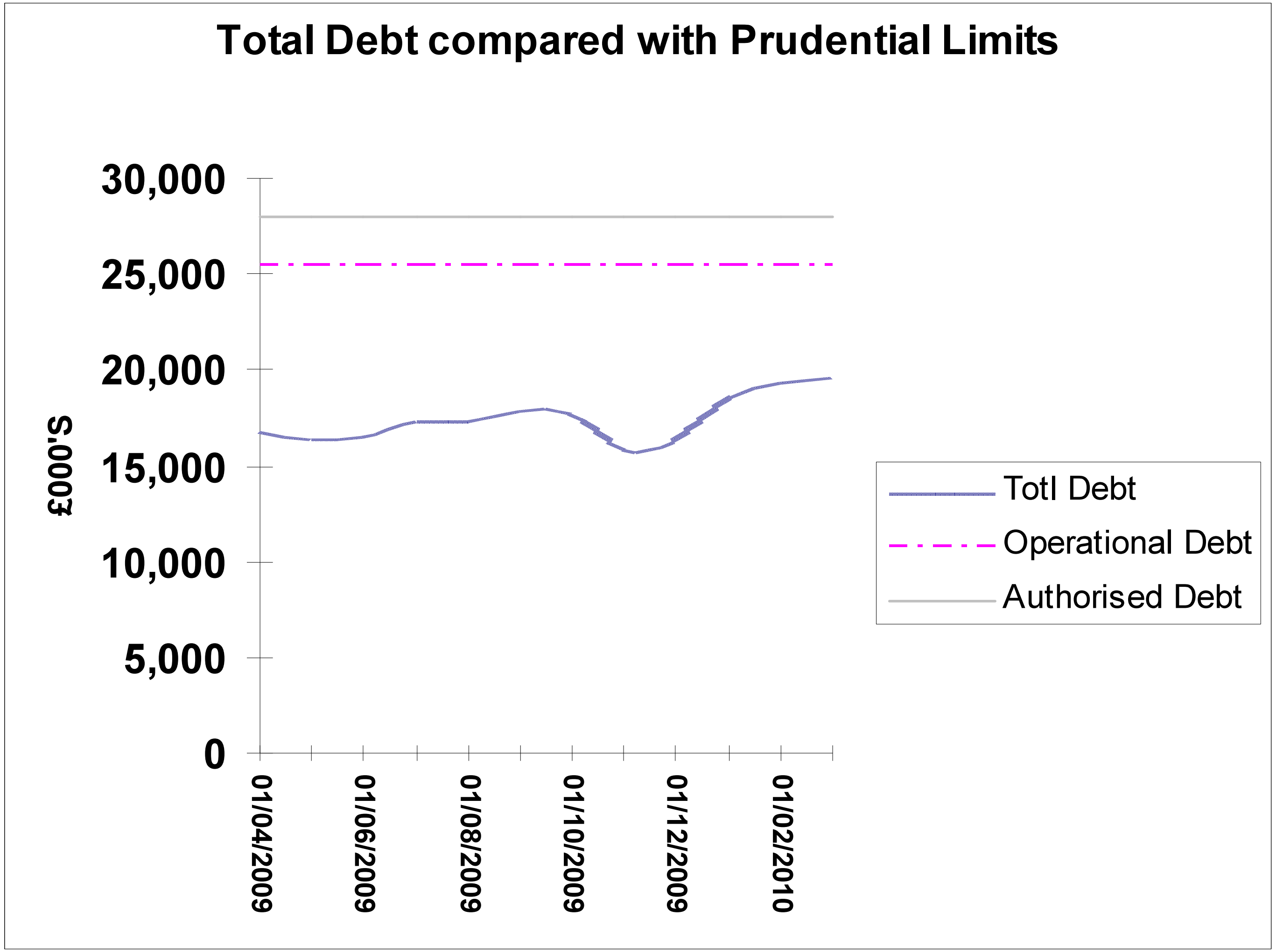
Peter Hurford
**TREASURER TO THE FIRE AUTHORITY**

Appendix A

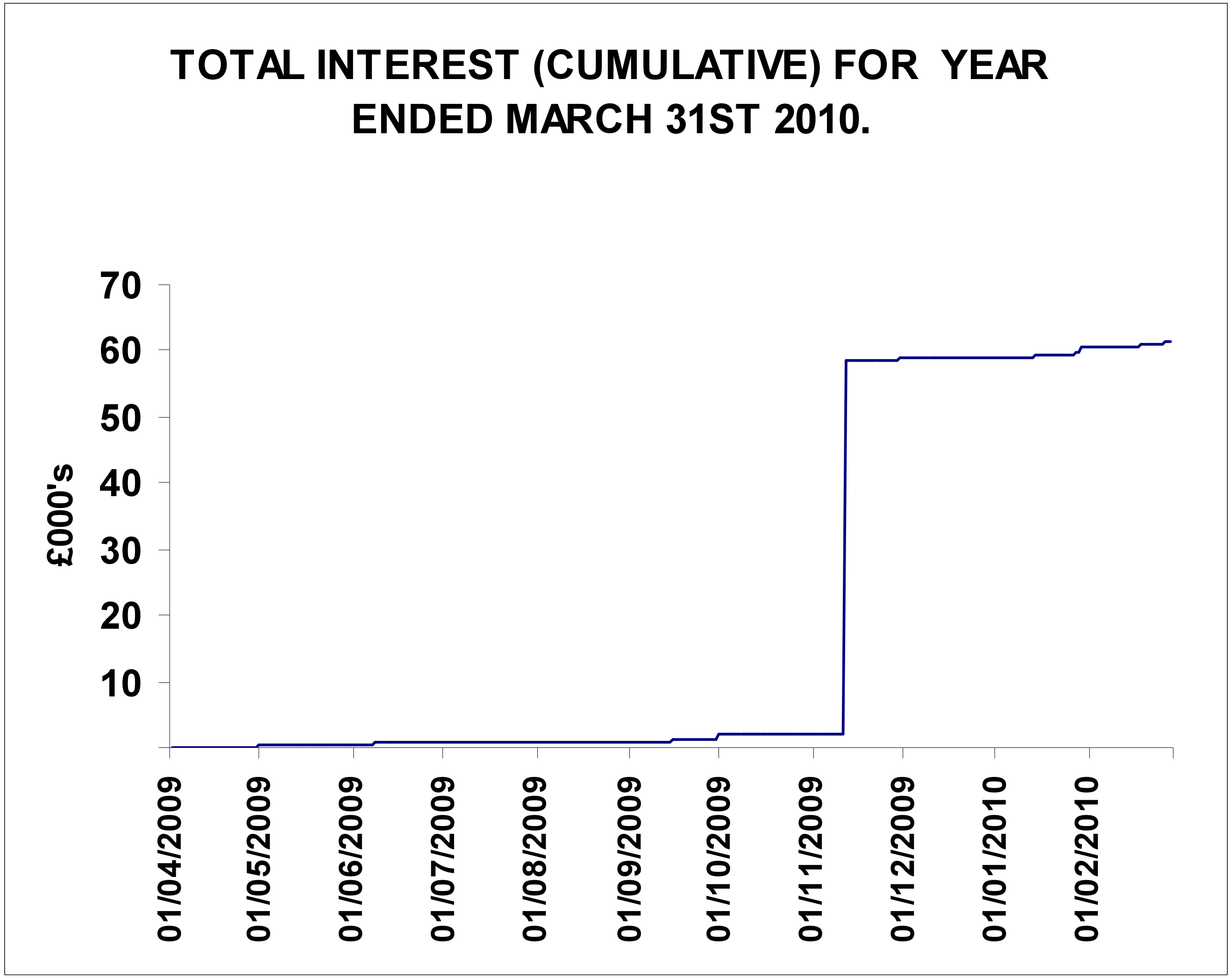


CASH BALANCES DECEMBER 2009- FEBRUARY 2010
£000'S
3000.0
2500.0
2000.0
1500.0
1000.0
500.0
0.0
01/12/2009
06/12/2009
11/12/2009
16/12/2009
21/12/2009
26/12/2009
31/12/2009
05/01/2010
10/01/2010
15/01/2010
20/01/2010
25/01/2010
30/01/2010
04/02/2010
09/02/2010
14/02/2010
19/02/2010
24/02/2010

Appendix B


Total Debt compared with Prudential Limits
30,000
25,000
20,000
15,000
10,000
5,000
0
£000'S
01/04/2009
01/06/2009
01/08/2009
01/10/2009
01/12/2009
01/02/2010
Totl Debt
Operational Debt
Authorised Debt

Appendix C


TOTAL INTEREST (CUMULATIVE) FOR YEAR ENDED MARCH 31ST 2010.
£000's
70
60
50
40
30
20
10
01/04/2009
01/05/2009
01/06/2009
01/07/2009
01/08/2009
01/09/2009
01/10/2009
01/11/2009
01/12/2009
01/01/2010
01/02/2010