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

PRUDENTIAL CODE MONITORING REPORT TO 31 AUGUST 2013

Report of the Treasurer to the Fire Authority

Agenda Item No:

Date: 11 October 2013

Purpose of Report:

To inform Members of performance for the period March 2013 up to 31 August 2013 relating to the prudential indicators for capital accounting and treasury management. This period covers the last month of the 2012/13 financial year and the first five months of the 2013/14 financial year.

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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 which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code, which CIPFA updated in 2011.

1.2 The objectives of the Prudential Code are to ensure that the capital investment plans of authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. The Prudential Code sets out a number of indicators which authorities must use to support decision making. These are not designed to be comparative performance indicators.

1.3 The Fire Authority approved these prudential indicators for 2013/14 at its meeting on 22 February 2013.

1.4 The Prudential Code requires that local authorities report performance against prudential targets to Members.

2. REPORT

PRUDENTIAL INDICATORS

2.1 Some of the prudential indicators set cannot easily be measured during the year and will be reported on in the Treasury Management Annual Report for 2013/14 after the end of the financial year. These indicators are:

- ratio of financing costs to net revenue stream 2013/14 (affordability);
- incremental impact of capital investment decisions on Council Tax 2013/14 (affordability);
- total capital expenditure 2013/14;
- Capital Financing Requirement as at 31 March 2014.

2.1 In terms of borrowing, the indicator "gross borrowing and the capital financing requirement (CFR)" (a prudence indicator) requires that gross external borrowing does not, except in the short term, exceed the CFR. The CFR at 1 April 2013 is £25.004m and estimated to be £26.032m by the year end. During the period 1 April 2013 to 31 August 2013 the gross indebtedness of the Authority, calculated at the start of each month, did not exceed £25.539m including any requirements for temporary overdrafts. As at 31 August 2013, the gross debt of the Authority was £25.539m, which is below the estimated CFR for the end of the year.

2.3 The Authority set an operational boundary for 2013/14 of £27,233m and an authorised limit of £29,956m. 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. Again, the maximum indebtedness of the Authority during the period, as shown in the paragraph above, is within the limits set.

The graph given as Appendix B illustrates the levels of borrowing during the period up to the end of August 2013.

TREASURY MANAGEMENT INDICATORS

2.4 A graph of cumulative interest received is shown on Appendix C. An interest earnings budget of £125k was set for 2013/14 and as at 31 August 2013 £130k had been received although the current forecast for investment income for the year is £125k, which reflects the fact that interest due at the end of the year is accrued for. Cumulative interest earned for 2012/13 up to the end of March 2013 was £143k. The amount of cash invested is relatively high due to the Authority's current level of reserves and this is resulting in additional investment income.

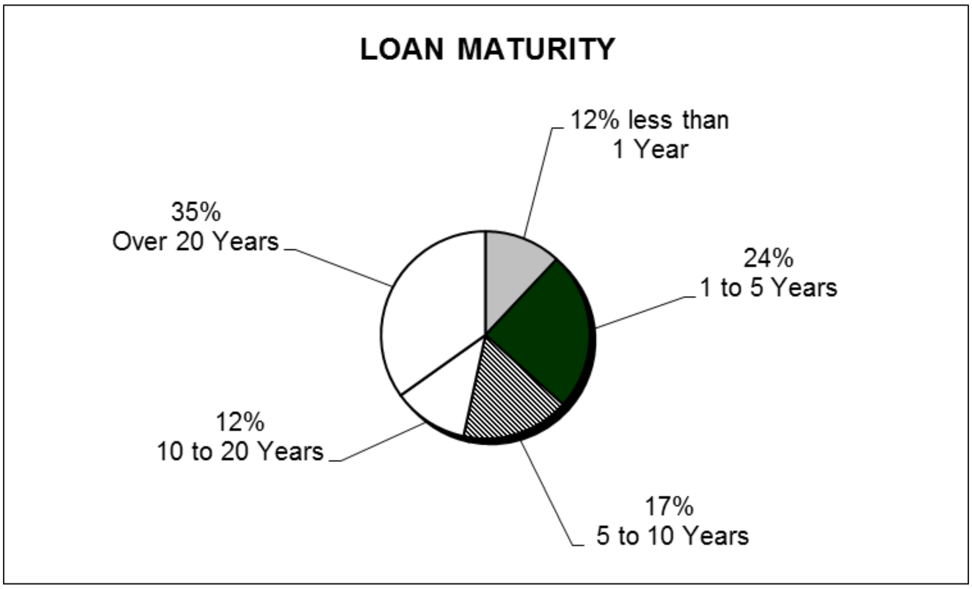
2.5 The treasury management target relating to interest rate exposure is that fixed interest rate exposures should be between 0% and 100% of total lending and that variable interest rate exposures should be between 0% and 30%. During the period up to 31 August 2013, 100% of lending was at fixed interest rates.

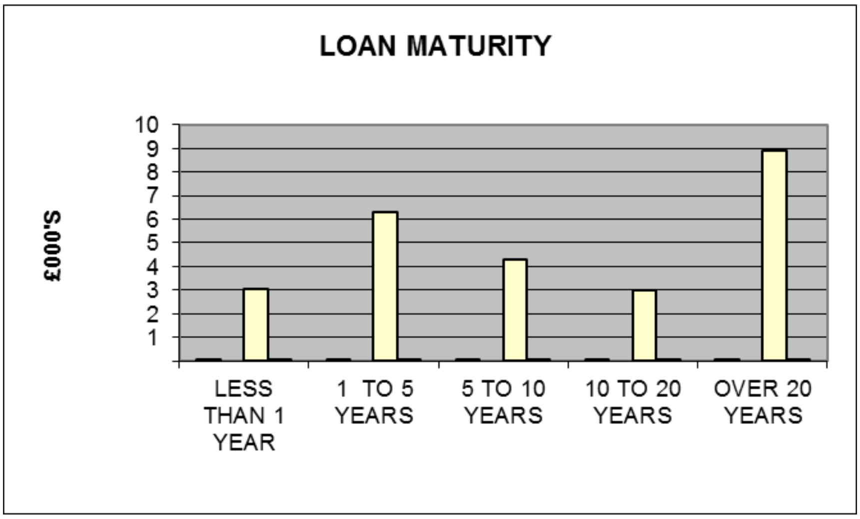
2.6 The treasury management target in respect of cash management is that the Authority's bank overdraft should not exceed £500,000. During the two month period up to 31 August 2013 the account has been overdrawn on one occasion by £45k. A graph of cash balances for the period up to 31 August 2013 is shown on Appendix A.

Treasury management limits 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%
10 years to 20 years	100%	0%
Over 20 years	100%	30%

Actual performance against these targets in the period to 31 August 2013 is shown in the following graphs and demonstrates that the limits have not been breached.





2.7 The upper limit for sums invested for longer than 364 days is £2m. During the period to 31 August 2013, no sums were invested for longer than 364 days.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full within this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

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

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because this report gives detail of performance against the approved Treasury Management Strategy and Prudential Code. These are financial policies and do not directly impact on employees or members of the public.

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.

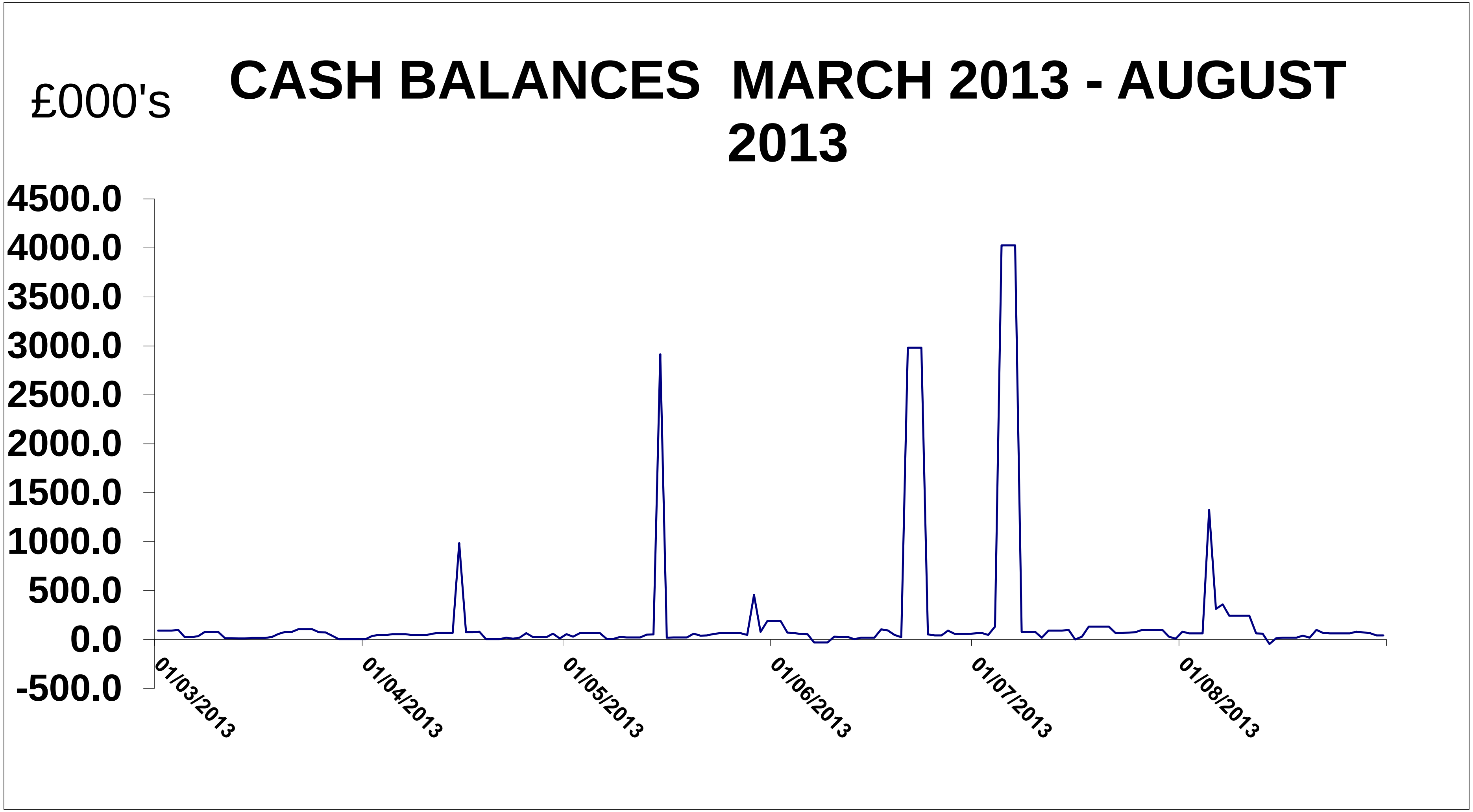
9. RECOMMENDATIONS

That Members note the contents of this report.

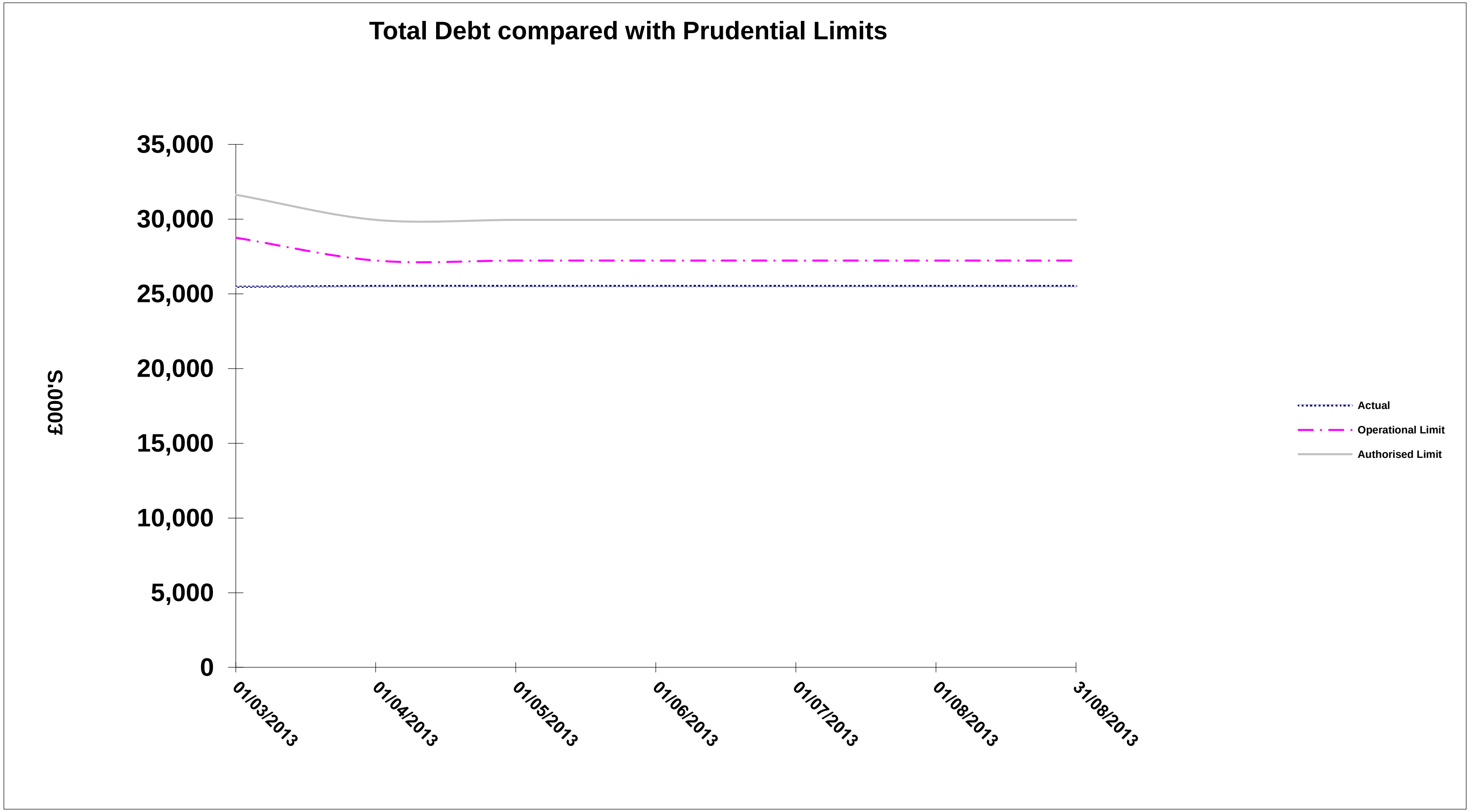
10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

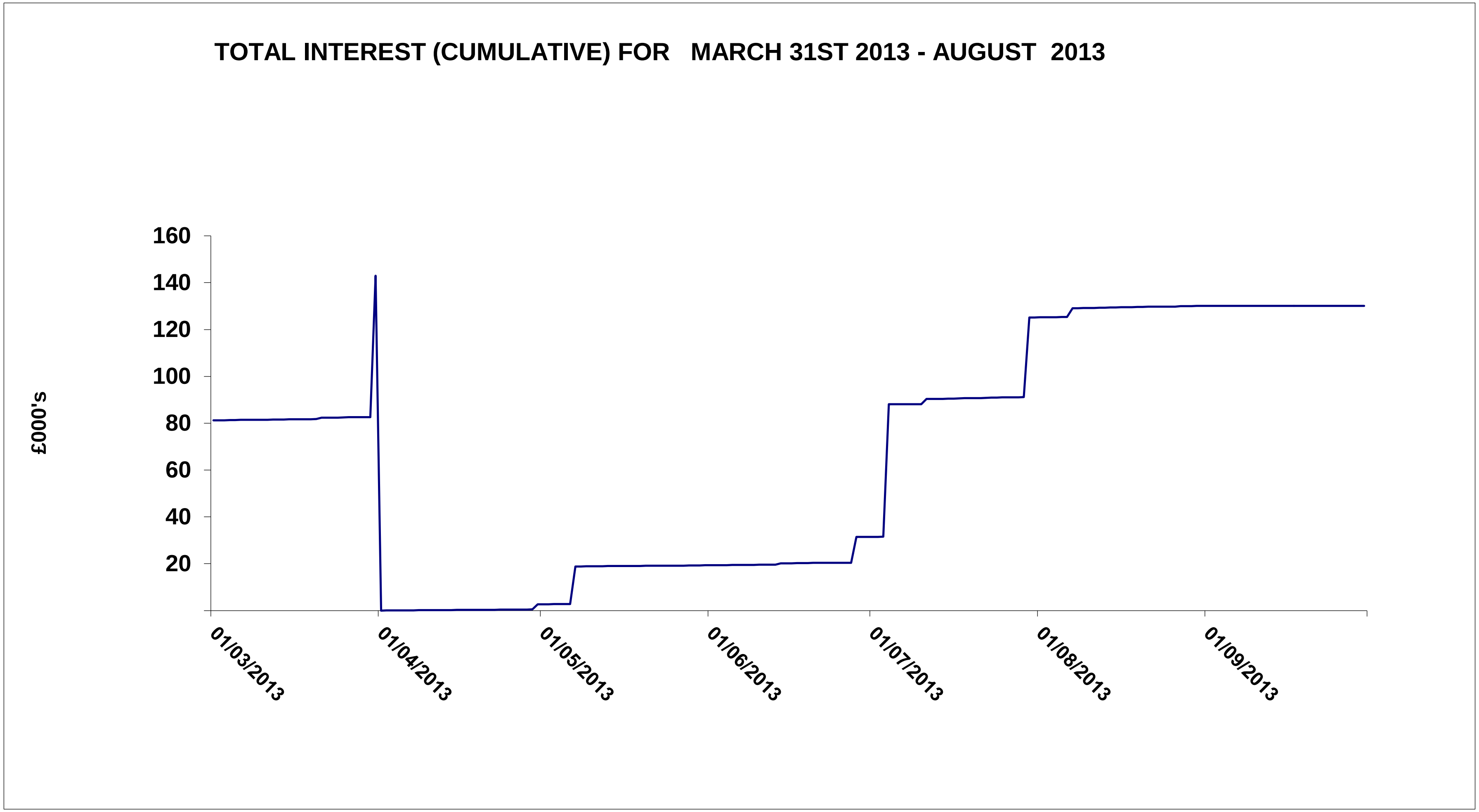
Peter Hurford
TREASURER TO THE FIRE AUTHORITY


£000's
CASH BALANCES MARCH 2013 - AUGUST 2013
4500.0
4000.0
3500.0
3000.0
2500.0
2000.0
1500.0
1000.0
500.0
0.0
-500.0
01/03/2013
01/04/2013
01/05/2013
01/06/2013
01/07/2013
01/08/2013

Appendix A


Total Debt compared with Prudential Limits
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
£000's
01/03/2013
01/04/2013
01/05/2013
01/06/2013
01/07/2013
01/08/2013
31/08/2013
Actual
Operational Limit
Authorised Limit

Appendix B


TOTAL INTEREST (CUMULATIVE) FOR MARCH 31ST 2013 - AUGUST 2013
£000's
160
140
120
100
80
60
40
20
01/03/2013
01/04/2013
01/05/2013
01/06/2013
01/07/2013
01/08/2013
01/09/2013

Appendix C