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 2014

Report of the Treasurer to the Fire Authority

Date: 16 January 2015

Purpose of Report:

To inform Members of performance for the two month period to 30 November 2014 relating to the prudential indicators for capital accounting and treasury management.

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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 2014/15 at its meeting on 28 February 2014.

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 2014/15 after the end of the financial year. These indicators are:

- Ratio of financing costs to net revenue stream 2014/15 (affordability);
- Incremental impact of capital investment decisions on Council Tax 2014/15 (affordability);
- Total capital expenditure 2014/15;
- Capital Financing Requirement as at 31 March 2015.

2.2 In terms of borrowing, the indicator "net borrowing and the capital financing requirement (CFR)" (a prudence indicator) requires that net external borrowing does not, except in the short term, exceed the CFR. The CFR at 1 April 2014 was £22.667m and was estimated to be £26.996m by the year end. During the period 1 September 2014 to 30 November 2014 the net indebtedness of the Authority, calculated at the start of each month, did not exceed £22.432m including any requirements for temporary overdrafts. As at 30 November 2014, the net indebtedness of the Authority was £20.442m, which is well within the estimated CFR for the end of the year.

2.3 The Authority set an operational boundary for 2014/15 of £26.346m and an authorised limit of £28.981m. 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 for the 12 months up to the end of November 2014.

TREASURY MANAGEMENT INDICATORS

2.4 An interest earnings budget of £86k was set for 2014/15 and as at 30 November 2014 £44k had been received (after deducting interest relating to the 2013/14 financial year which was accrued for). It is expected that the budget target will be achieved by the year end, as there are significant sums of interest earned on investments which have not yet matured.

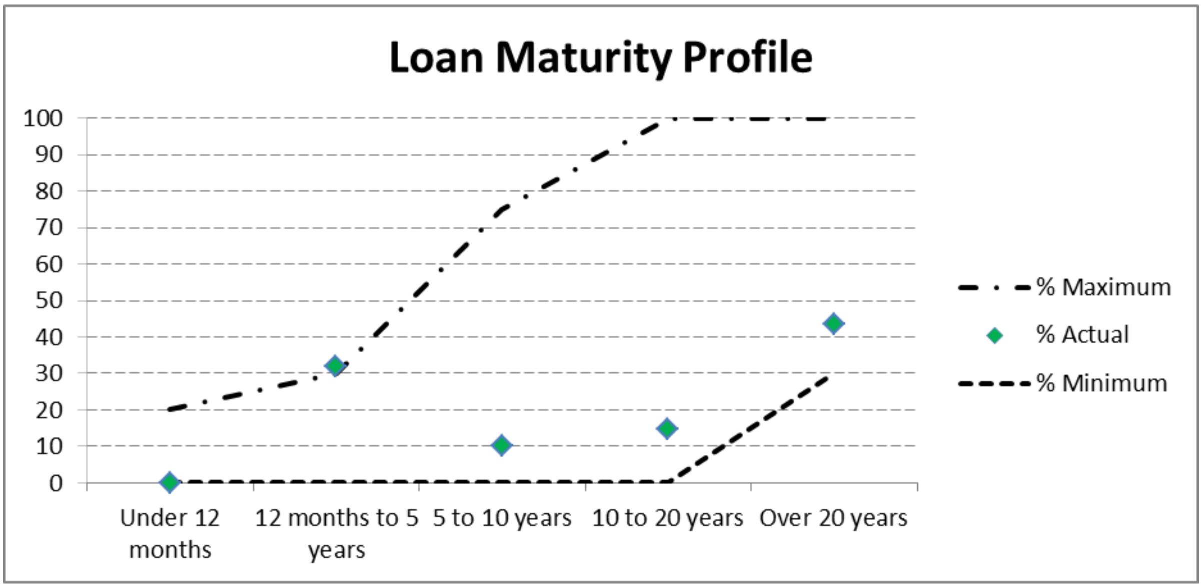
2.5 The treasury management target relating to interest rate exposure is that fixed interest rate exposures should be between 0% and 100% of total lending and that variable interest rate exposures should be between 0% and 30%. During the period up to 30 November 2014, 100% of lending was at fixed interest rates.

2.6 The treasury management target in respect of cash management is that the Authority's bank overdraft should not exceed £200,000. During the part of the 2014/15 financial year up to 30 November 2014 the account was not overdrawn. A graph of cash balances for the 12 months up to 30 November 2014 is shown in 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 at 30 November 2014 is shown in the following graphs and demonstrates that in most maturity bands the limits have not been breached. A small breach of the 12 month to 5 year upper limit has occurred because total borrowing has reduced during the year and no new borrowing has taken place, which means that Officers have not had the opportunity to re-balance the maturity profile. The actual proportion of debt in the 12 month to 5 year band is 31.8% but this is not considered to be a significant risk for the Authority, and the breach will be addressed when a new loan is next taken.



2.7 The upper limit for sums invested for longer than 364 days is £2m. During the part of the 2014/15 financial year up to 30 November 2014, 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.

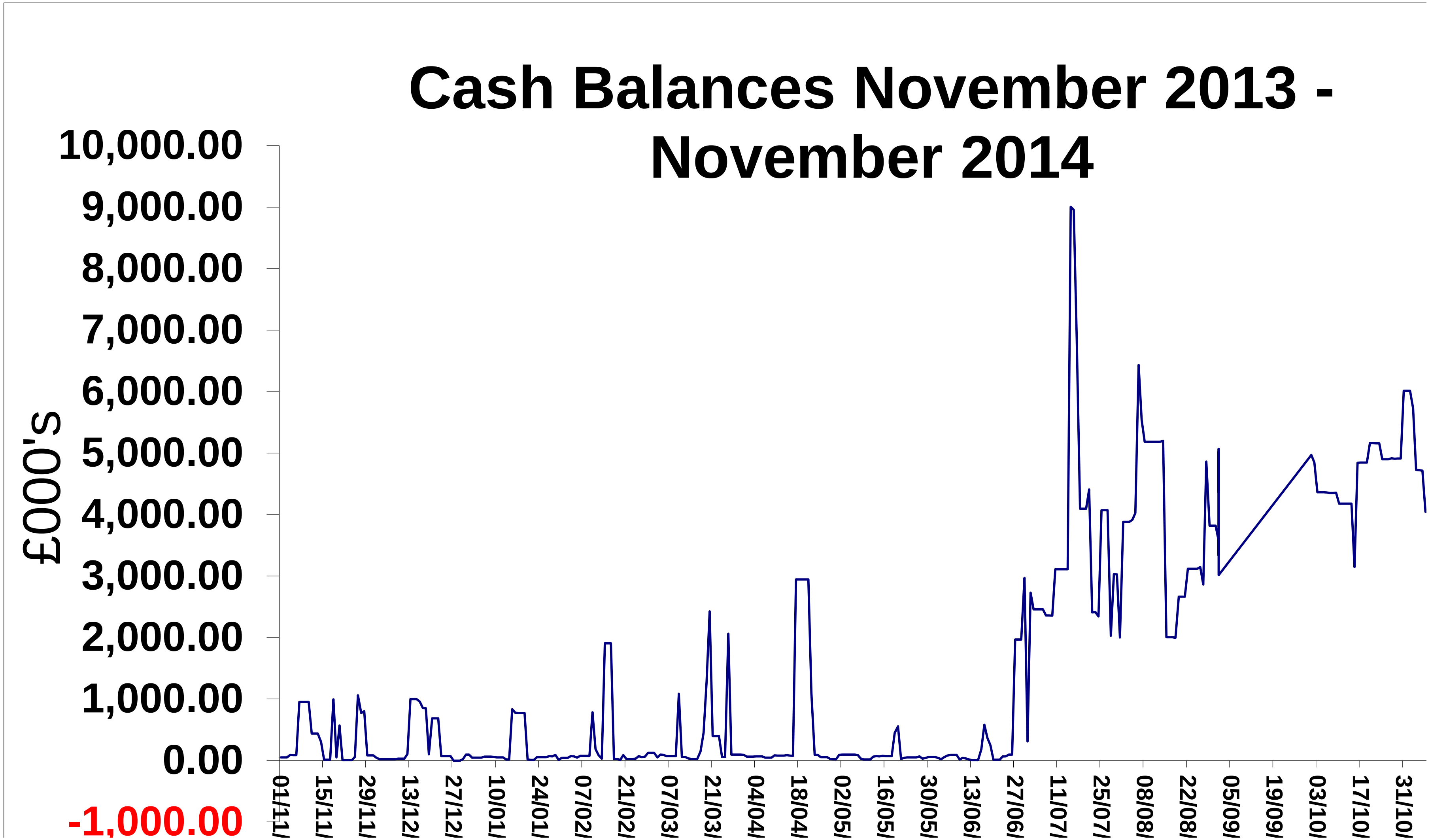
9. RECOMMENDATIONS

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



Cash Balances November 2013 - November 2014
£000's
10,000.00
9,000.00
8,000.00
7,000.00
6,000.00
5,000.00
4,000.00
3,000.00
2,000.00
1,000.00
0.00
-1,000.00
01/11/
15/11/
29/11/
13/12/
27/12/
10/01/
24/01/
07/02/
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02/05/
16/05/
30/05/
13/06/
27/06/
11/07/
25/07/
08/08/
22/08/
05/09/
19/09/
03/10/
17/10/
31/10/

APPENDIX B

Total Debt compared with Prudential Limits