



**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 2015**

Report of the Treasurer to the Fire Authority

**Date:** 15 January 2015

**Purpose of Report:**

To inform Members of performance for the three month period to 30 November 2015 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 2015/16 at its meeting on 27 February 2015.
- 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 2015/16 after the end of the financial year. These indicators are:
  - Ratio of financing costs to net revenue stream 2015/16 (affordability).
  - Incremental impact of capital investment decisions on Council Tax 2015/16 (affordability).
  - Total capital expenditure 2015/16.
  - Capital Financing Requirement as at 31 March 2016.
- 2.2 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 2015 was £22.160m and was estimated to be £27.981m by the year end. During the period 1 April 2015 to 30 November 2015 the gross indebtedness of the Authority, calculated at the start of each month, did not exceed £20.408m including any requirements for temporary overdrafts. As at 30 November 2015, the gross indebtedness of the Authority was £20.373m, which is well within the estimated CFR for the end of the year.
- 2.3 The Authority set an operational boundary for 2015/16 of £28.076m and an authorised limit of £30.883m. 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 8 months up to the end of November 2015.

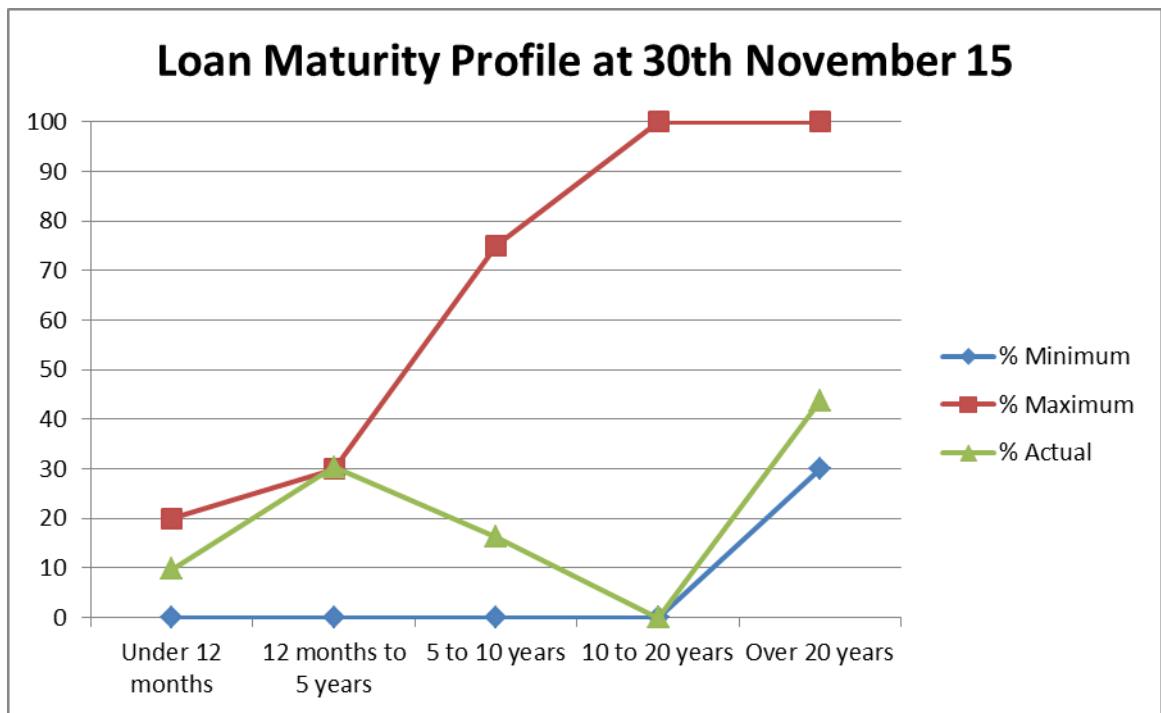
## TREASURY MANAGEMENT INDICATORS

- 2.4 An interest earnings budget of £76k was set for 2015/16 and as at 30 November 2015 £12k had been received (after deducting interest relating to the 2014/15 financial year which was accrued for) and a total of £27k had been earned. A total of £55k is expected to be earned in 2015/16, with income below budget due to the Authority holding lower cash balances as matured borrowing has not yet been replaced, saving interest charges to the Authority which are currently expected to be £149k below budget.
- 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 2015, 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 2015/16 financial year up to 30 November 2015 the account was not overdrawn. A graph of cash balances for the 12 months up to 30 November 2015 is shown in Appendix A.

Treasury management limits relating to loan maturity are shown below:

Loan Maturity		
	<b>Upper Limit</b>	<b>Lower Limit</b>
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 2015 is shown in the following graph and demonstrates that for one of the maturity bands the limits have been breached. The small breach of the 12 month to 5 year upper limit has occurred in the year 2015/16, because no new borrowing has been taken since 2010. This has meant that the opportunity to re-balance the debt maturity profile cannot be taken, although this will be redressed when borrowing next occurs.



- 2.7 The upper limit for sums invested for longer than 364 days is £2m. During the part of the 2015/16 financial year up to 30 November 2015, 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.

Neil Timms  
**TREASURER TO THE FIRE AUTHORITY**

