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 AUGUST 2016

Report of the Treasurer to the Fire Authority

Date: 14 October 2016

Purpose of Report:

To inform Members of performance for the three month period to 31 August 2016 relating to the prudential indicators for capital accounting and treasury management.

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1. BACKGROUND

1.1 The Local Government Act 2003 sets 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 2016/17 at its meeting on 26 February 2016.

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 2016/17 after the end of the financial year. These indicators are:

- Ratio of financing costs to net revenue stream 2016/17 (affordability).
- Incremental impact of capital investment decisions on Council Tax 2016/17 (affordability).
- Total capital expenditure 2016/17.
- Capital Financing Requirement as at 31 March 2017.

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 2016 was £25.76m and was estimated to be £29.19m by the year end. During the period 1 April 2016 to 31 August 2016 the gross indebtedness of the Authority, calculated at the start of each month, did not exceed £24.337m including any requirements for temporary overdrafts. As at 31 August 2016, the gross indebtedness of the Authority was £23.336m, which is well within the estimated CFR for the end of the year. A loan of £4m was taken on 9 May for three months at a rate of 0.48%, to support the Authority's cash management temporarily. In addition the Authority has taken out a long term maturity loan on 22 August of £3m over 49 years at a fixed rate of 1.95%.

2.3 The Authority set an operational boundary for 2016/17 of £28.026m and an authorised limit of £30.829m. 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 five months up to the end of August 2016.

TREASURY MANAGEMENT INDICATORS

2.4 An interest earnings budget of £76k was set for 2016/17, as at 31 August 2016 £27k has been received. There are sums of interest earned on investments which have not yet matured, but it is difficult to say at this time whether or not the budget will be achieved this year. This will depend on the investment rates achievable during the remainder of this year.

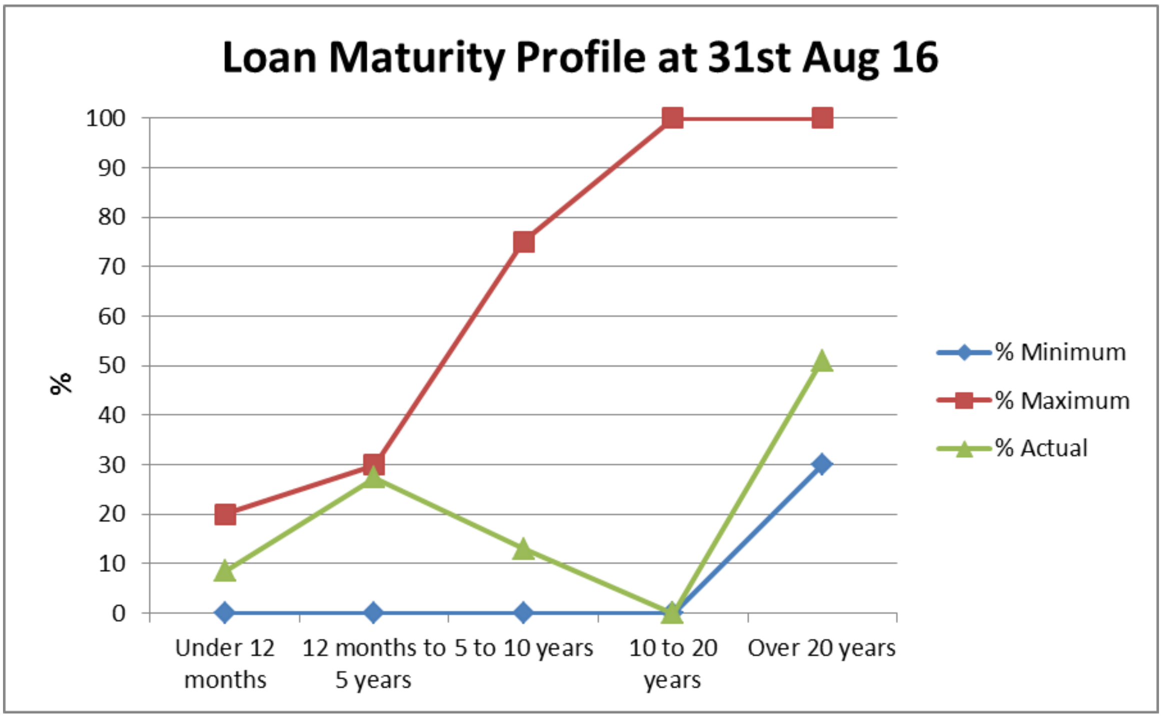
2.5 The treasury management target relating to interest rate exposure is that fixed interest rate exposures should be between 0% and 100% of total lending and that variable interest rate exposures should be between 0% and 30%. During the period up to 31 August 2016, 100% of borrowing was at fixed interest 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 2016/17 financial year up to 31 August 2016 the account was not overdrawn. A graph of cash balances for the five months up to 31 August 2016 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 31 August 2016 is shown in the following graph and demonstrates that none of the maturity bands have been breached.



2.7 The upper limit for sums invested for longer than 364 days is £2m. During the part of the 2016/17 financial year up to 31 August 2016, no sums were invested for a fixed term of longer than 364 days. This excludes amounts invested in call accounts which can be withdrawn immediately if required.

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

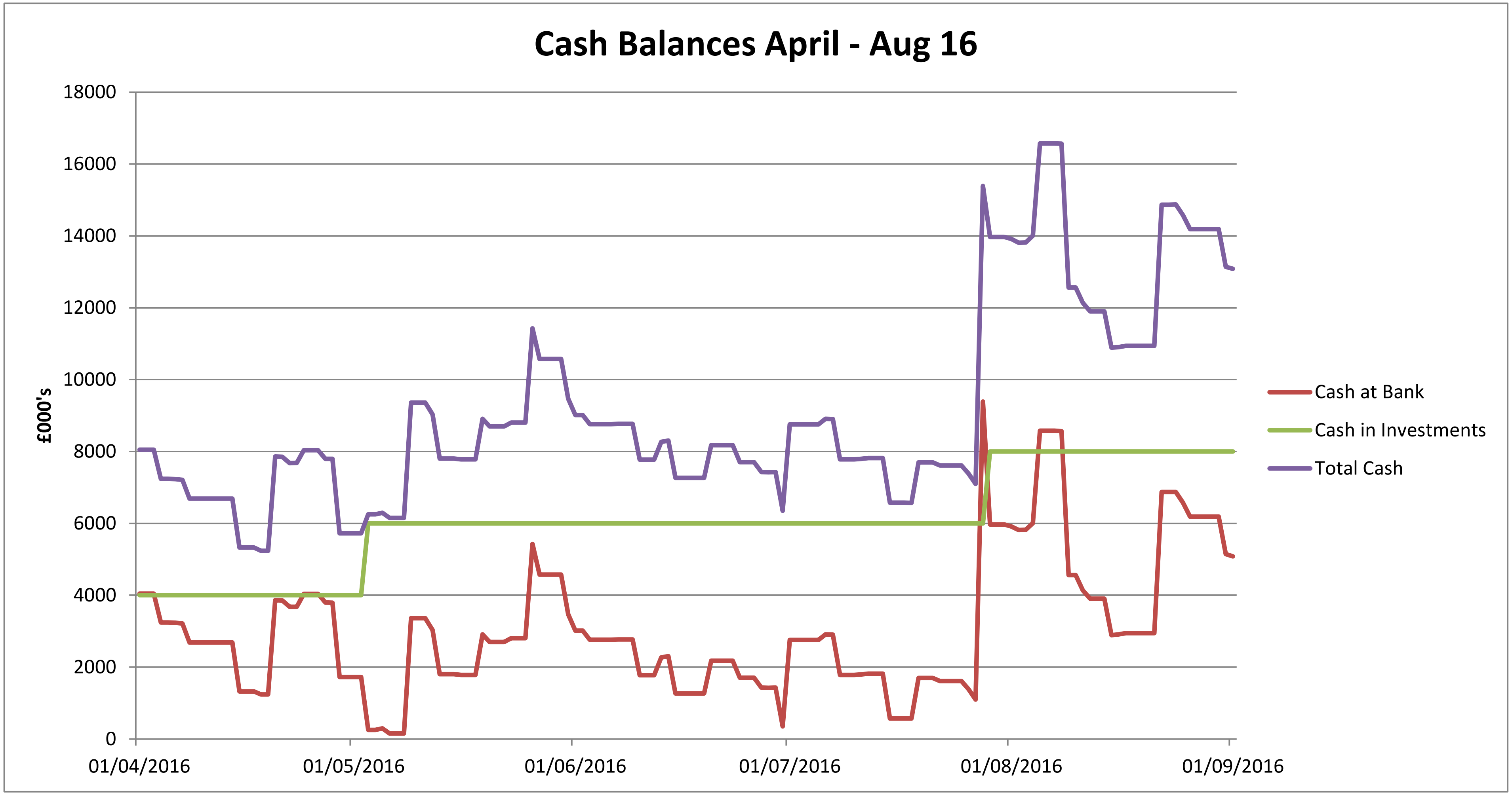
That Members note the contents of this report.

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

None.

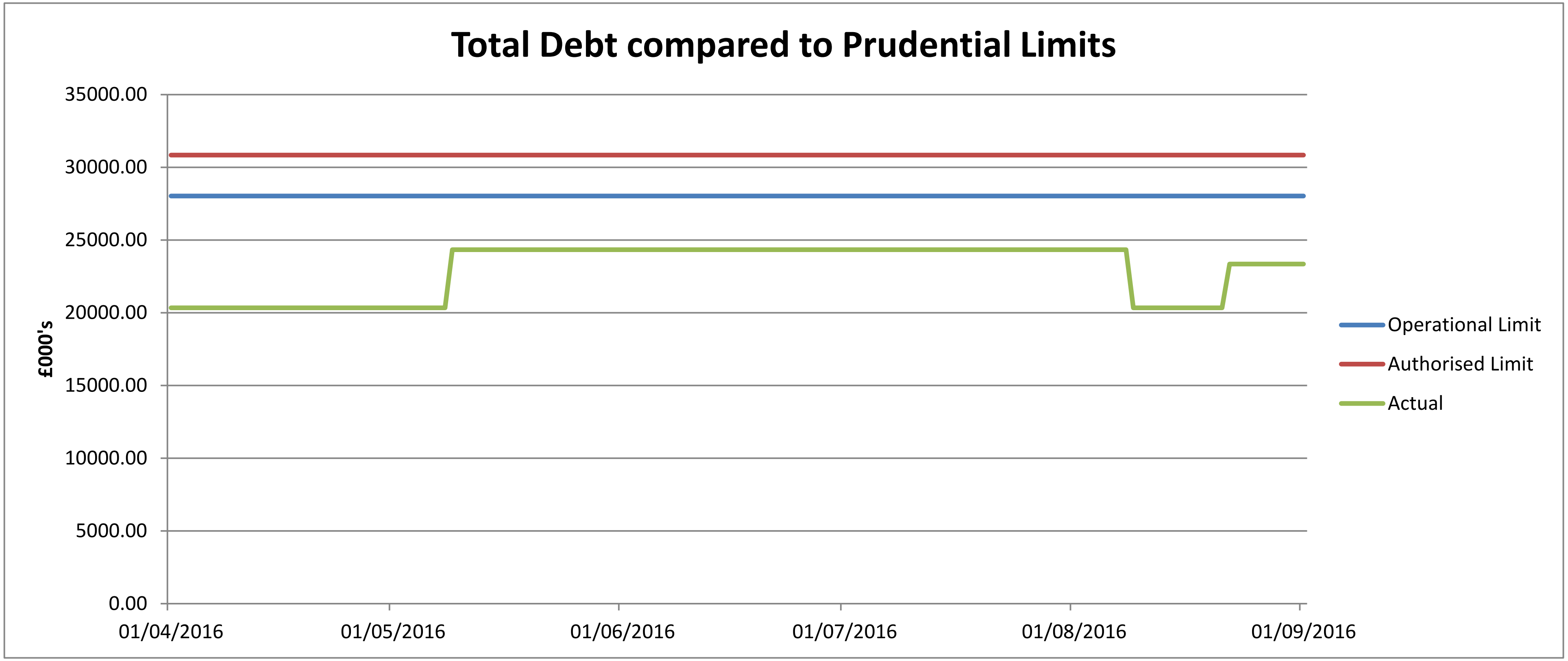
Neil Timms
TREASURER TO THE FIRE AUTHORITY

APPENDIX A



Cash Balances April - Aug 16
18000
16000
14000
12000
10000
8000
6000
4000
2000
0
£000's
01/04/2016
01/05/2016
01/06/2016
01/07/2016
01/08/2016
01/09/2016
Cash at Bank
Cash in Investments
Total Cash

APPENDIX B


Total Debt compared to Prudential Limits
35000.00
30000.00
25000.00
20000.00
15000.00
10000.00
5000.00
0.00
£000's
01/04/2016
01/05/2016
01/06/2016
01/07/2016
01/08/2016
01/09/2016
Operational Limit
Authorised Limit
Actual