



## **AGENDA ITEM: 11**

### **NORTH WALES FIRE AND RESCUE AUTHORITY**

**20 October 2008**

### **TREASURY MANAGEMENT & PRUDENTIAL INDICATORS**

**Report by Ken Finch, Treasurer**

#### **Purpose of Report**

- 1.** A requirement of the CIPFA Prudential Code for capital Finance is that Prudential Indicators are monitored on a regular basis and any significant changes approved by the Fire Authority. Similarly, under the CIPFA Code of Practice on Treasury Management any changes in long term borrowing and changes to the Authority's counterparties need to be reported to the Fire Authority.

#### **Introduction**

- 2.** The Prudential Indicators and the Treasury Management Strategy for 2008-2009 were approved by the Fire Authority in March 2008. Since their approval the Prudential Indicators (PI's) estimated for 2008-2009 onwards have changed. Also there have been two new PWLB loans and some changes to the list of counterparties.

#### **Prudential Indicators 2008-2009**

- 3.** The PI's for 2008-2009 have changed due to slippage in the capital programme for 2007-2008.

The Capital Financing Requirement is a measure of the long term debt needed to support the Authority's capital programme; the Operational Boundary is a measure of the possible maximum external debt allowing for peaks and troughs in cashflows; and the Authorised Limit is an estimate of the maximum amount the Authority could borrow based on an assessment of operational requirements and external risks, these three key indicators have all changed for 2008-2009.

Capital expenditure has increased over the original estimate due to schemes that were not fully completed in 2007-2008 rolling over to 2008-2009.

Appendix A lists the indicators reported in March and the revised indicators.

#### **4. New Loans**

Two new PWLB loans were taken out to fund capital expenditure, the loan details are provided below.

Principal £	Rate %	Date of Loan	Period	Lender
1,500,000	4.44	13/05/2008	3 ½ years	PWLB
1,500,000	4.27	23/09/2008	2 ½ years	PWLB

#### **Counterparties and Investments**

- 5.** All investments are made with approved counterparties and the Treasury Management staff monitor the credit ratings of the counterparties. If there is a decline in a credit rating and it falls below the selected criteria then it is removed from the counterparty list. The current counterparties are listed in Appendix B.
- 6.** The current investments vary between £1m and £2m and fluctuate in line with cash flow requirements. The decrease in investments is due to a fall in the level of provisions held and the new financing arrangements for the Firefighters' Pension Scheme.

## **Recommendations**

- 7.** It is recommended that Members
  - approve the amended Prudential Indicators
  - note the amended list of counterparties
  - note the new PWLB loans.

**APPENDIX A****PRUDENTIAL INDICATORS**

		<b>2008/09</b> £	<b>2009/10</b> £	<b>2010/11</b> £
1	Capital Expenditure Original Indicator New Indicator	6,313,980 9,298,687	3,550,000 4,000,000	3,765,000 4,000,000
2	Capital Financing Requirement Original Indicator New indicator	18,084,000 19,049,000	20,339,000 21,548,000	22,311,000 23,802,000
3	Authorised Limit Original Indicator New indicator	21,084,000 22,049,000	23,339,000 24,548,000	25,311,000 26,802,000
4	Operational Boundary Original indicator New indicator	18,084,000 19,049,000	20,339,000 21,548,000	22,311,000 23,802,000
5	Ratio of Financing Costs to Net Revenue Stream Original Indicator New Indicator	5.77% 5.17%	7.49% 7.56%	8.30% 8.38%
6	Incremental Impact of Capital Investment Decisions on the Contributions from the Constituent Authorities Original Indicator New Indicator	148,378 204,571	757,967 1,135,925	1,240,669 1,622,415

## **APPENDIX B**

### **INVESTMENT COUNTERPARTIES**

#### **Banks £5m limit**

Barclays, HSBC, Lloyds TSB, National Westminster, Royal Bank of Scotland, Abbey, Bank of Scotland, Alliance & Leicester, Bank of Ireland, Allied Irish Bank, Anglo Irish Bank, Clydesdale, Irish Permanent, IIB Bank, Ulster Bank and Citibank.

#### **Central Government £5m limit**

Debt management Office

#### **Local Authorities £2m limit**

All except those subject to limitation of council tax and precepts under Part 1 of the Local Government Finance Act 1992.

#### **Building Societies £2m limit**

Chelsea, Nationwide, Skipton, Coventry, Leeds, Newcastle, EBS and Yorkshire.