



## **AGENDA ITEM: 12**

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

**15<sup>th</sup> October 2007**

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

**Report by Ken Finch,  
Treasurer to the Authority**

#### **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 2007-2008 were approved by the Fire Authority in December 2006. Since their approval the Prudential Indicators (PI's) estimated for 2007-2008 onwards have changed. Also there has been a new PWLB loan and some changes to the list of counterparties.

#### **Prudential Indicators 2007-2008**

- 3.** The PI's for 2007-2008 have changed due to slippage in the capital programme for 2006-2007.



## **Prudential Indicators 2007-2008** *(continued)*

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 2007-2008. Capital expenditure has increased over the original estimate due to schemes that were not fully completed in 2006-2007 rolling over to 2007-2008. Appendix A lists the indicators reported in December and the revised indicators.

### **4. New Loan**

A new PWLB loan was taken out to fund capital expenditure, the loan details are provided below.

Principal £	Rate %	Date of Loan	Period	Lender
2,000,000	4.8	13/06/2007	45 ½ years	PWLB

### **Counterparties**

- 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.



## **Recommendations**

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



## **APPENDIX A**

### **PRUDENTIAL INDICATORS**

		<b>2007/08</b> £	<b>2008/09</b> £	<b>2009/10</b> £
1	Capital Expenditure			
	Original Indicator	5,500,000	4,000,000	4,000,000
	New Indicator	8,129,566	4,000,000	4,000,000
2	Capital Financing Requirement			
	Original Indicator	15,951,000	18,785,000	21,323,000
	New indicator	16,170,000	19,101,000	21,734,000
3	Authorised Limit			
	Original Indicator	19,950,000	22,785,000	25,323,000
	New indicator	20,170,000	23,101,000	25,734,000
4	Operational Boundary			
	Original indicator	15,951,000	18,785,000	21,323,000
	New indicator	16,170,000	19,101,000	21,734,000
5	Ratio of Financing Costs to Net Revenue Stream			
	Original Indicator	4.76%	6.19%	7.28%
	New Indicator	4.20%	5.94%	7.04%
6	Incremental Impact of Capital Investment Decisions on the Contributions from the Constituent Authorities			
	Original Indicator	73,207	611,200	1,019,071
	New Indicator	88,624	690,069	1,142,209



## **APPENDIX B**

### **INVESTMENT COUNTERPARTIES**

#### **Banks £5m limit**

Barclays, HSBC, Lloyds TSB, Cheltenham & Gloucester, National Westminster, Royal Bank of Scotland, Abbey, Halifax and the Bank of Scotland, Alliance & Leicester, Bank of Ireland, Allied Irish Bank, Bradford & Bingley, Anglo Irish Bank, Co-operative Bank, Clydesdale, Schroeders, Bristol & West, Irish Permanent, Depfa Bank, 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**

Britannia, Chelsea, West Bromwich, Nationwide, Portman, Skipton, The Principality, Coventry, Newcastle and Yorkshire.