

TAYSIDE FIRE AND RESCUE BOARD**REPORT BY THE CHIEF FIRE OFFICER AND THE TREASURER****26 JANUARY 2009**

PRUDENTIAL INDICATORS 2009/10**Abstract**

The purpose of this Report is to provide a summary of the Prudential Indicators which have been set for the financial year 2009/10.

1 RECOMMENDATIONS

It is recommended that Members note the content of this Report which is submitted in accordance with the corporate governance arrangements in place for the Board.

2 BACKGROUND

The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. To demonstrate that local authorities and Joint Boards have fulfilled these objectives, the Prudential Code sets out indicators that must be used and the factors that must be taken into account. The prudential indicators required by the Code are designed to support and record local decision making.

Following the introduction of the Prudential Code from 1 April 2004, the Board initially set Prudential Indicators for the 3 years commencing 2004/05. It was agreed that these Indicators would be monitored, revised and approved each subsequent year by the Board.

Accordingly this Report covers the Board's responsibility with regard to this matter and the proposed Prudential Indicators, for approval, are shown in Appendix A

3 TREASURY STRATEGY

All treasury activities for the Board are undertaken under a Service Level Agreement by Perth and Kinross Council. Accordingly, the Board will consider and act upon the advice received, in line with the Council's own approved Strategy. Such advice will take account of the expectations for interest rates and the minimisation of risk.

It should also be noted that the Board's capital expenditure programme is fully funded by capital grants from the Scottish Government, and augmented by the application of capital receipts and capital funded from current revenue (CFCR). Accordingly, the Board have no current capital financing requirement for new borrowing. Therefore, all long-term borrowing activities will relate to the re-financing of existing long-term debt until historic capital expenditure (pre 1st April 2004) has been fully amortised.

This also means that the current level of long-term borrowing of the Board will reduce steadily year-on-year until fully repaid.

The investment of surplus cashflows of the Board are deposited with Perth and Kinross Council with instant access to meet expenditure as it is incurred. The Board does not at present have sufficient levels of surplus cashflows to consider longer fixed deposit terms, however this position will be kept under review throughout the year.

3 FINANCIAL IMPLICATIONS

There are no additional financial implications associated with this Report.

4 CONSULTATION

The Clerk has been consulted in the preparation of this Report.

5 CONCLUSION

The Prudential Indicators are presented for approval by the Board. It should be noted that it is not the intention of the Board to incur additional borrowing over and above the capital grant allocated to fulfil the contents of the Capital Expenditure Plan.

S Hunter
Chief Fire Officer

J Symon
Treasurer

Background Papers

No background papers, as defined in Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

Fire and Rescue Headquarters
DUNDEE

TAYSIDE FIRE AND RESCUE BOARD – PRUDENTIAL INDICATORS 2009/10-2011/12

	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
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1 FINANCING COSTS:NET REVENUE STREAM

The ratio of Capital Financing Costs to the Board's net revenue stream shall not exceed the following limits, which are based on historical levels, and allow some headroom for movement in interest rates etc.

Prudential Limit of Financing Costs to Revenue	3.00%	3.00%	3.00%
Estimated Ratio of Financing Costs to Revenue	2.58%	2.54%	N/A

2 INCREMENTAL REQUISITIONS FROM TOTAL CAPITAL & REVENUE PLANS

Incremental Requisitions levied to the Local authorities	Nil	Nil	Nil
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3 NET BORROWING AND CAPITAL FINANCING REQUIREMENT

Net external borrowing must not exceed the total capital financing requirement, to ensure that over the medium term borrowing is only undertaken for capital purposes. The estimated total net borrowing and Capital Financing Requirement at the end of each of the years are as follows:

Net Estimated External Borrowing	6,200,000	4,900,000	3,600,000
Estimated Capital Financing Requirement	<u>6,819,909</u>	<u>6,361,141</u>	<u>5,885,793</u>

4 ESTIMATES OF CAPITAL EXPENDITURE

The total estimated Capital Expenditure contained within the Board's Budgets for each year is as follows:

Estimate of Total Capital Expenditure:	1,615,000	1,663,000	1,713,000
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5 ESTIMATE OF CAPITAL FINANCING REQUIREMENT OF YEAR

The estimate of the Capital Financing Requirement (ie borrowing requirement for Capital Expenditure) for each year based on these plans is as follows:

Estimate of new Capital Financing Requirement	0	0	0
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EXTERNAL DEBT

6 (GROSS)

The estimated maximum total external debt (gross of investments) based on the Board's plans for each of the years is as follows:

Operational Boundary	6,700,000	5,400,000	4,100,000
Other Long Term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Total Operational Boundary	<u>6,700,000</u>	<u>5,400,000</u>	<u>4,100,000</u>

The Operational Boundary estimates the most likely level of borrowing based on the Board's plans. It is therefore likely that throughout the year the actual level of borrowing may be above or below the Operational Boundary due to uneven cashflows.

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The Authorised Limit for total external debt (gross of investments) is as shown below, which allows some headroom in the event of exceptional cashflows, eg when debt restructuring, or in the event of unforeseen circumstances.

Authorised Limit	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
External Borrowing	8,700,000	7,400,000	6,100,000
Other Long Term Liabilities	0	0	0
Total Authorised Limit	<u>8,700,000</u>	<u>7,400,000</u>	<u>6,100,000</u>

note

- 1 The code requires separate limits for external borrowing and other long term liabilities. However, it is felt more appropriate to set an overall limit, with indicative amounts for each component. This gives the Board more flexibility in considering different funding options, but whilst maintaining a prudent overall limit.
- 2 From 2004/05, the Board receives Capital Grants from the Scottish Government to finance its Capital Programme, in place of Section 94 borrowing consent. Whilst the Board is able to undertake further borrowing under the Prudential Code to augment these Capital Grant allocations, there are no plans to do so at present. Therefore, the Boards total external debt is expected to reduce each year.

7 ADOPTION OF THE CIPFA CODE OF PRACTICE FOR TREASURY MANAGEMENT

The Board, through a Service Level Agreement with Perth & Kinross Council, has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

Adoption of the Code of Practice	Yes	Yes	Yes
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8 INTEREST RATE EXPOSURES

The upper limits for the Board's exposure to changes in interest rates, for both fixed and variable rate debt is as follows. This reflects the proportion of the Board's total debt which will be at each type of interest rate. The following limits have been set to give maximum flexibility during periods when interest rates are either forecast to rise or fall, thereby allowing the Board to review its borrowing strategy accordingly.

Upper limit on Fixed Interest Rate Debt	100%	100%	100%
Upper limit on Variable Interest Rate Debt	40%	40%	40%

9 MATURITY STRUCTURE

The lower and upper limit for the proportion of the Board's total fixed rate debt which matures in each of the time bandings below, and is therefore subject to refinancing at the prevailing market rates, is as follows:

Fixed Rate Borrowing maturity structure:

	Lower Limit	Upper Limit
Under 12 months	0%	35%
over 12 months and < 24 months	0%	35%
over 2 years and < 5 years	0%	50%
over 5 years and < 10 years	0%	75%
over 10 years	0%	85%

10 PRINCIPAL SUMS INVESTED LONGER THAN 364 DAYS

The upper limit for the Board's investments invested for a period longer than 364 days is as follows:

Sums invested for longer than 364 days	0	0	0
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