



AGENDA ITEM: 12

NORTH WALES FIRE AND RESCUE AUTHORITY

23rd October 2006

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 2006-2007 were approved by the Fire Authority in December 2005. Since their approval the Prudential Indicators (PI's) estimated for 2006-2007 onwards have changed. Also there has been some rescheduling of PWLB loans and some changes to the list of counterparties.

Prudential Indicators 2006-2007

3. The PI's for 2006-2007 have changed due to slippage in the capital programme for 2005-2006 and a change in the level of Provisions held by the Authority over the estimated levels.



Prudential Indicators 2006-2007 *(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 2006-2007. Capital expenditure has increased over the original estimate due to schemes that were not fully completed in 2005-2006 rolling over to 2006-2007.

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

Debt Rescheduling

- The following loans were repaid on advice given by the Treasury Management consultants, Butlers, and a number of new loans were taken out to replace them. The rescheduling produced annual savings to the Authority on interest payments of £18.5k.

Loans Repaid

Principal £	Rate %	Date of Loan	Period	Lender
400,000	4.4	01/07/2005	25 years	PWLB
550,000	4.45	18/05/2005	5 ½ years	PWLB
615,000	4.55	02/10/2003	6 years	PWLB
512,000	4.65	28/03/2003	9 years	PWLB
500,000	4.95	29/03/2005	10 years	PWLB
500,000	4.95	29/03/2005	13 years	PWLB
392,000	4.95	10/08/2004	26 years	PWLB
1,000,000	4.65	29/11/2004	3 years	PWLB
305,000	4.75	23/11/2000	21 years	PWLB
4,774,000	Total			



New Loans

Principal £	Rate %	Date of Loan	Period	Lender
1,000,000	4.25	19/07/2006	45 ½ years	PWLB
500,000	4.25	19/07/2006	45 ½ years	PWLB
500,000	4.25	19/07/2006	45 ½ years	PWLB
1,000,000	4.25	19/07/2006	46 years	PWLB
1,000,000	4.25	19/07/2006	46 years	PWLB
774,000	4.25	19/07/2006	46 years	PWLB
4,774,000	Total			

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 loan rescheduling.



APPENDIX A

PRUDENTIAL INDICATORS

		2006/07 £	2007/08 £	2008/09 £
1	Capital Expenditure Original Indicator New Indicator	2,780,000 4,110,000	3,599,000 3,599,000	3,268,000 3,268,000
2	Capital Financing Requirement Original Indicator New indicator	11,475,000 11,277,790	14,257,000 14,049,000	16,450,000 16,171,000
3	Authorised Limit Original Indicator New indicator	16,190,000 16,791,000	18,990,000 18,862,000	21,195,000 20,983,000
4	Operational Boundary Original indicator New indicator	14,190,000 14,791,000	16,990,000 16,862,000	19,195,000 18,983,000
5	Ratio of Financing Costs to Net Revenue Stream Original Indicator New Indicator	3.48% 3.29%	4.48% 4.50%	5.47% 5.68%
6	Incremental Impact of Capital Investment Decisions on the Contributions from the Constituent Authorities Original Indicator New Indicator	62,550 92,475	418,547 573,915	840,585 995,846



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, Northern Rock, Bradford & Bingley, Anglo Irish Bank, Woolwich, Close Brothers, Co-operative Bank, HFC Bank, Clydesdale, N M Rothschild, Schroeders, Bristol & West, Irish Permanent, Depfa Bank, IIB Bank, Ulster Bank, Citibank and MBNA.

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, Cheshire, Derbyshire, Dunfermline, Leeds, West Bromwich, Nationwide, Norwich and Peterborough, Portman, Skipton, The Principality, Coventry, Newcastle and Yorkshire.