

## **7. Treasury Management Activities 2010/11**

### **Purpose of report**

1. To review Treasury Management Activities for 2010/11.
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### **Recommendation**

***The Treasurer recommends that the report be noted.***

### **Introduction and Background**

2. Current Fire and Rescue Authority (FRA) Financial Regulations require that Treasury Management Activities are reviewed by Members twice a year.

### **Treasury Management Activities**

3. Banking arrangements for the FRA, in respect of lending and borrowing, are carried out by Worcestershire County Council under a Service Level Agreement.
4. At 31 March 2010 the FRA had long-term debt totalling £14.963m, of which £0.525m was repayable within 2010/11. The £0.525m has been repaid reducing the balance outstanding at the end of March 2011 to £14.438m.
5. During the year the FRA response to the prevailing conditions within the money markets has been to continue to reduce risk by running down cash balances in lieu of further borrowing. As a consequence no additional long term debt has been taken in either half of 2010/11.
6. Surplus cash is invested on a day-to-day basis under a Service Level Agreement with Worcestershire County Council. The average interest rate achieved in 2010/11 for the second half year was 0.26%.
7. As advised by the previous Treasurer the FRA continues to follow a risk averse policy regarding borrowing and investment. With long term borrowing averaging around 5% and deposits yielding around 0.3% it makes sense to refrain from borrowing whilst cash balances are available.
8. As part of the defined investment risk strategy FRA funds are currently deposited with the Bank of England, and WCC Treasury Management keeps this policy under constant review.

9. Historically performance has been measured against the “7-Day London Inter-bank Bid Rate” (LIBID) as a benchmark. However, the very low risk strategy evolved for FRA investment means that at present this measure is less meaningful. The relevant figure for the second half of 2010/11 was an average of 0.43%.
10. However, with investment rates remaining as low as they currently are, a less prudent risk strategy might only yield £7-10,000 additional income but with significantly higher risk attached.

### **Prudential Code Indicators**

11. In considering the budget and precept for the year the FRA approves indicators and limits in respect of capital expenditure, borrowing and revenue consequences.
12. These are set by the FRA, as part of the overall budget setting process, in February prior to the start of the financial year.
13. Appendix 1 sets out the relevant indicators as approved and as they out-turn, and demonstrates that they are within the limits of the Medium Term Financial Plan.

### **Financial Considerations**

Consideration	Yes/No	Reference in Report i.e paragraph no.
There are financial issues that require consideration	No	

### **Legal Considerations**

Consideration	Yes/No	Reference in Report i.e paragraph no.
There are legal issues e.g. contractual and procurement, reputational issues that require consideration	No	

### **Additional Considerations**

14. The table below sets out any additional issues arising from the proposals contained in this report and identifies the relevant paragraphs in the report where such issues are addressed.

Consideration	Yes/No	Reference in Report i.e paragraph no.
<b>Resources</b> (e.g. Assets, ICT, Human Resources, Training & Development, Sustainability).	No	
<b>Strategic Policy Links</b> (e.g. IRMP, Authority Plan, Equality & Diversity, Partnerships, Environmental Impact).	No	
<b>Risk Management / Health &amp; Safety</b> (e.g. risk management and control measures, risk register score).	No	
<b>Consultation with Representative Bodies</b>	No	

## Supporting Information

Appendix 1 - Prudential Indicators 2010/11 Out-turn

### Contact Officer

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