

10. Treasury Management Activities 2010/11

Purpose of report

1. To review Treasury Management Activities for the first half of 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 September 2010 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 the first 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 first half year was 0.26%.
7. The FRA continues to follow a risk averse policy regarding borrowing and investment. With long term borrowing rates 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. The relevant figure for the first half of 2010/11 was an average of 0.42%.

10. However, with investment rates 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.

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

11. 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.
Resources (e.g. Assets, ICT, Human Resources, Training & Development, Sustainability).	No	
Strategic Policy Links (e.g. IRMP, Authority Plan, Equality & Diversity, Partnerships, Environmental Impact).	No	
Risk Management / Health & Safety (e.g. risk management and control measures, risk register score).	No	
Consultation with Representative Bodies	No	

Contact Officer

Martin Reohorn, Director of Finance
(01905 368205)
Email: mreohorn@hwfire.gov.uk