

AGENDA ITEM:

REPORT TO:	MERSEYSIDE FIRE & RESCUE AUTHORITY MEETING
DATE:	12TH MAY 2011
REPORT NO.	CFO/051/11
REPORTING OFFICER:	ASSISTANT CHIEF EXECUTIVE & TREASURER
CONTACT OFFICER:	KIERAN TIMMINS, EXTN. 4108
OFFICERS CONSULTED:	
SUBJECT:	TREASURY MANAGEMENT ANNUAL REPORT 2010/11

APPENDIX (A) TITLE TREASURY MANAGEMENT ANNUAL REPORT

ATTACHED - HARD COPY

Purpose of Report

1. To advise Members on the activities and performance of the Treasury Management operation in 2010/11 in accordance with the CIPFA Code of Practice.

Recommendation

2. That the Treasury Management Annual Report 2010/11 be noted.

Introduction & Background

3. Financial Regulations require that an interim and annual report on Treasury Management activities for each financial year is presented to Members in accordance with the CIPFA Code of Practice for Treasury Management in local authorities. The review appended to this report constitutes that annual report for 2010/11. (the interim report for 2010/11, CFO/195/10, went to Audit & Value For Money Scrutiny Panel on 29th November, 2010.)
4. Treasury Management is defined as:

The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

5. The Authority determines before the start of each financial year an agreed treasury management strategy to set certain parameters and guidelines around which the treasury management function will operate. The 2010/2011 – 2014/2015 Budget and Financial Plan report, CFO/013/10, that went to the Authority meeting on 18th February 2010, set the Authority's treasury management strategy for 2010/11:

The strategy sets limits for the next three years on:-

- overall Level of External Debt
- operational Boundary for Debt
- upper limits on fixed interest rate exposure
- upper limits on variable rate exposure
- limits on the maturity structure of debt
- limits on investments for more than 364 days

The strategy covers:

- prospects for interest rates
- capital borrowings and the portfolio strategy
- annual investment strategy
- debt rescheduling
- external debt prudential indicators

6. As short term interest rates were lower than long term borrowing rates, the Authority as part of its approved treasury management strategy, agreed to reduce Authority investments and borrow for short periods when necessary. The Treasury Management activity continued in line with this strategy throughout 2010/11.
7. The Authority's Treasury Management function is carried out by Liverpool City Council via a service level agreement.

Equality & Diversity Implications

8. None arising from this report.

Financial Implications & Value for Money

9. The estimated cost of Treasury Management Services was £18K in 2010/11 in line with the approved budget provision.

10. The Authority's overall debt outstanding during the year was:

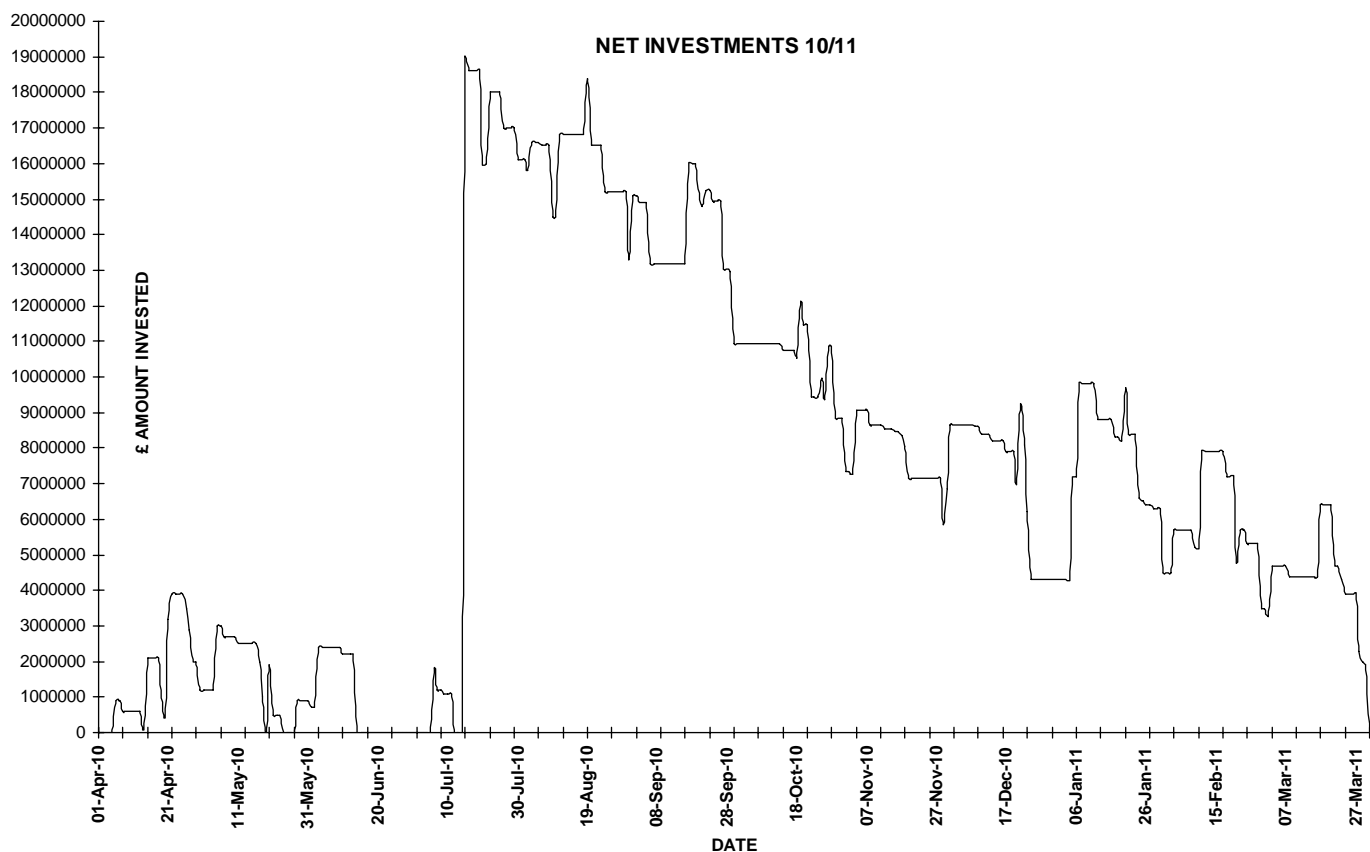
	For Period Ending													
	Opening Position	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	Closing Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
PWLB	45,575	0	0	0	0	(1,000)	0	0	0	0	0	0	(1,500)	43,075
net short term loans	0	0	0	550	(550)	0	0	0	0	0	0	0	0	0
	45,575	0	0	550	(550)	(1,000)	0	0	0	0	0	0	(1,500)	43,075

After excluding short term loans, (often only taken out for overnight cashflow reasons) the movement on the Authority's long term debt for the year was a net repayment of £2,500K:

	£'000
01/04/10	45,575
31/03/11	43,075

The Authority paid interest of £2,400K on this debt during the year, £200K less than budgeted. Lower than anticipated borrowing due to the re-phasing of capital schemes from 2010/11 into future years contributed towards the reduced interest expenditure.

11. Investments at the start of the year and the end were both zero but investments moved significantly during the year as outlined in the graph below:



The increase in investments in June was as a result of receipt of a large pensions fund grant.

12. Income earned on investments was £0.06m and in line with budget expectations.

Health & Safety and Environmental Implications

13. None arising from this report.

Contribution to Achieving the Purpose:

“To Make Merseyside a Safer, Stronger, Healthier Community”

14. The sound management of the Authority’s cashflow, investments and loans reduces the risk of poor security and liquidity of funds threatening the delivery of services required to achieve the Authority’s purpose.

BACKGROUND PAPERS

Audit Commission Act 1996

Account & Audit Regulations 1996 & 2003

Code of Audit Practice, Audit Commission, April 2005

2010/2011-2014/2015 Budget and Financial Plan report, CFO/013/10, Authority 18th February, 2010