

AGENDA ITEM:

<b>REPORT TO:</b>	<b>MERSEYSIDE FIRE &amp; RESCUE AUTHORITY MEETING</b>
<b>DATE:</b>	<b>27<sup>TH</sup> MAY 2010</b>
<b>REPORT NO.</b>	<b>CFO/074/10</b>
<b>REPORTING OFFICER:</b>	<b>ASSISTANT CHIEF EXECUTIVE &amp; TREASURER</b>
<b>CONTACT OFFICER:</b>	<b>KIERAN TIMMINS, ASSISTANT CHIEF EXECUTIVE &amp; TREASURER, EXTN. 4108</b>
<b>OFFICERS CONSULTED:</b>	
<b>SUBJECT:</b>	<b>TREASURY MANAGEMENT ANNUAL REPORT 2009/10</b>

**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 2009/10 in accordance with the CIPFA Code of Practice.
2. The sound management of the Authority's cash flow, investments and loans, will ensure Merseyside Fire & Rescue Service continue to provide an efficient, cost effective service to the communities of Merseyside.

Recommendation

3. That the Treasury Management Annual Report 2009/10 be noted.

Introduction & Background

4. Financial Regulations require that an 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 2009/10.

5. 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.*

6. 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 2009/2010 – 2013/2014 Budget and Financial Plan report, CFO/021/09, that went to the Authority meeting on 26th February, 2009 set the Authority's Treasury Management Strategy for 2009/10:

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.

7. As short term interest rates were lower than long term borrowing rates the Authority as part of its budget setting in February 2009, and reported to Members throughout the year, approved a strategy to reduce Authority investments and borrow for short periods when necessary. The Treasury Management activity continued in line with this strategy throughout 2009/10.
8. The Authority's Treasury Management function is carried out by Liverpool City Council via a service level agreement.

#### Equality & Diversity Implications

9. None arising from this report.

#### Financial Implications & Value for Money

10. The estimated cost of Treasury Management Services was £18,100 in 2009/10 as per the approved budget provision.

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

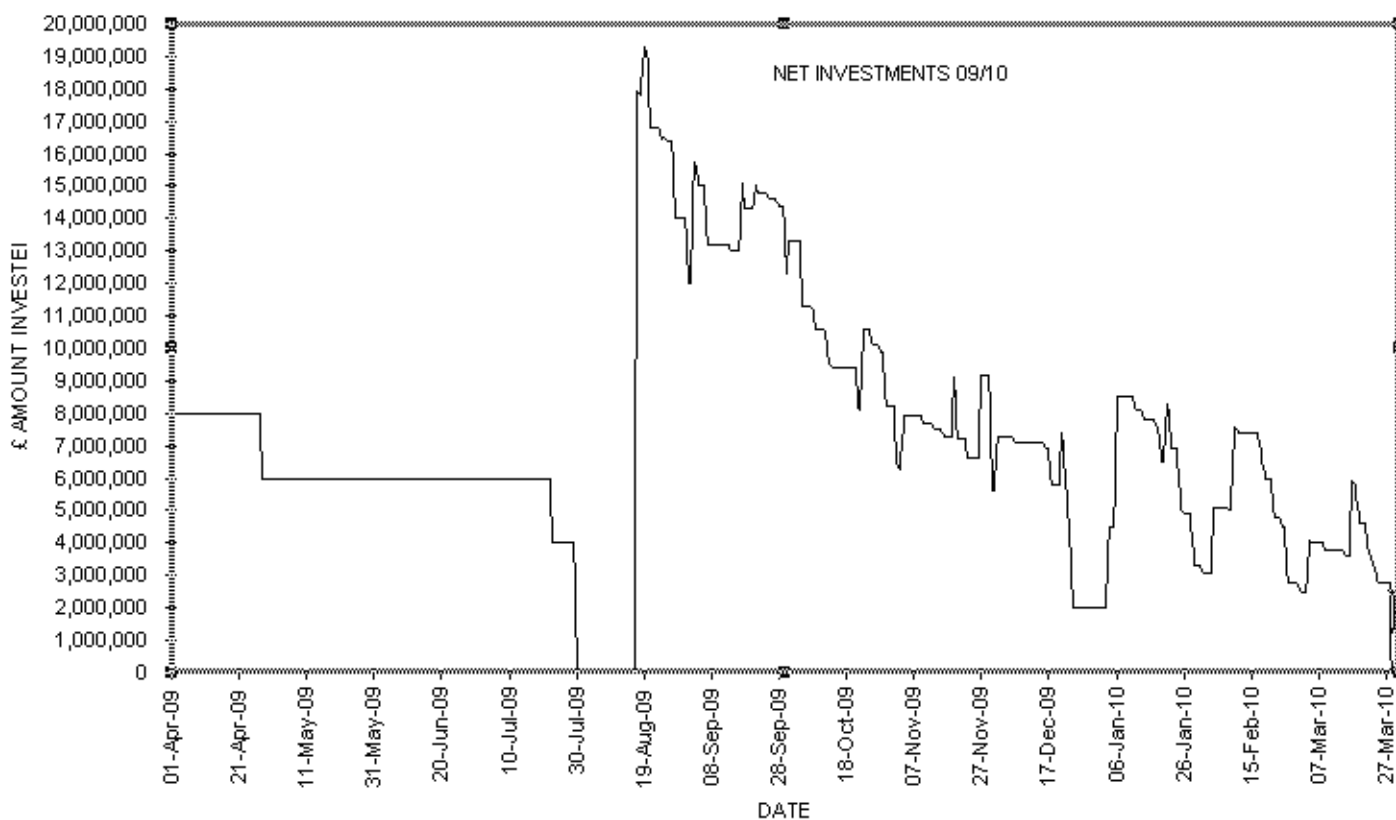
	For Period Ending													Closing Position	
	Opening Position	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March		
PWLB	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
net short term loans	49,575	-4,000	0	0	0	0	0	0	0	0	0	0	0	0	45,575
	600	1,000	1,400	1,400	-2,600	-1,800									0
	50,175	-3,000	1,400	1,400	-2,600	-1,800	0	0	0	0	0	0	0	0	45,575

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:

	£'M
01/04/09	49.6
31/03/10	45.6

The Authority paid interest of £2.3m on this debt during the year, £0.1m less than budgeted. Lower than anticipated borrowing due to the re-phasing of capital schemes from 2009/10 into future years contributed towards the reduced interest expenditure.

12. Investments moved during the year as outlined in the graph below:



The movement on the opening and closing position is summarised below:

	£'M
01/04/09	8.0
31/03/10	0.0

13. Income earned on investments was £0.18m and in line with budget expectations.

#### Health & Safety and Environmental Implications

14. None arising from this report.

#### Contribution to Achieving the Vision:

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

15. 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 vision.

### **BACKGROUND PAPERS**

Audit Commission Act 1996

Account & Audit Regulations 1996 & 2003

Code of Audit Practice, Audit Commission, April 2005

2009/2010-2013/2014 Budget and Financial Plan report, CFO/021/09, Authority 26th February, 2009