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**Meeting:** Customer & Central Services Overview & Scrutiny Committee  
**Date:** 26 April 2010  
**Subject:** Treasury Management Annual Report  
**Report of:** Cllr Maurice Jones, Portfolio Holder for People, Finance & Governance  
**Summary:** The report provides an update on treasury management activity for the financial year 2009/10.

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**Advising Officer:** Richard Ellis, Director of Corporate & Customer Services  
**Contact Officer:** Matt Bowmer, Assistant Director Financial Services  
**Public/Exempt:** Public  
**Wards Affected:** All  
**Function of:** Executive/Council  
**Key Decision** No  
**Reason for urgency/  
exemption from call-in  
(if appropriate)** Not applicable

#### **CORPORATE IMPLICATIONS**

**Council Priorities:**

(How do the recommendations contribute to achieving CBC's policy aims and objectives?)

**Financial:**

None arising from the report.

**Legal:**

None

**Risk Management:**

Activities during the year have been undertaken in line with the Council's Treasury Management Strategy. This Strategy takes a risk based approach the manner in which borrowing and investments are managed.

**Staffing (including Trades Unions):**

None

**Equalities/Human Rights:**

None

**Community Safety:**

None

**Sustainability:**

None

**RECOMMENDATION(S):**

1. **that the Customer & Central Services Overview & Scrutiny Committee considers the report and submits comments to the Executive and Council if considered necessary.**

*Reason for Recommendation(s):* *Monitoring of the treasury management performance is in line with the requirements of Central Bedfordshire's Treasury Management Strategy.*

**Introduction**

1. Central Bedfordshire Council approved its first Treasury Management Policy and Strategy in February 2009.
2. Attached at Appendix A is a report on performance for 2009/10 covering investments, borrowing and cashflow management.

**Key activity and outcomes**

3. The detailed commentary is contained in the Appendix but the following issues are of note.

*Borrowing*

4. Typically, local authorities have entered in to fixed rate borrowing. The portfolio inherited by Central Bedfordshire on 1 April 2010 amounted to £156.266M and was 100% fixed rate. This is a prudent approach to borrowing which protects public money from variations in interest rates. However, given the historically low interest rates there was a significant gap in the rates at which the Council was lending out and borrowing at. All economic commentators were forecasting that the base rate would remain low well into 2010 and only pick up gradually beyond that point. Officers, therefore, switched borrowings to variable rate in line with the Strategy and where any premium could be repaid with eighteen months.

5. In all nine loans totalling £35.6M were converted to variable rate. After allowing for the cost of the premia for early surrender £0.184M was saved in 2009/10 and £1.227M in 2010/11 assuming increases in the base rate through the year. Long term interest rates are being monitored to ensure that the Council can moved back into fixed rates at no higher than the historic loans.

#### Investments

6. The investment portfolio has changed dramatically through the year with one year lending pre 31 March 2009 which in some instances had been as high as 6.51% being replaced with investments at between 2.1% and 0.8% as the 0.5% base rate persisted. These rates are nevertheless very satisfactory with Barclays and Lloyds offering tranches of £5m and £10m which exceeding rates available in the market at the time.

#### Cashflow

7. Managing the cashflow has been a challenge. Central Bedfordshire has been the administering body for the County council's closure of accounts and has been responsible for holding cash on behalf of Bedford Borough until the disaggregation was agreed and also has had to manage the run of the County's debtors and creditors. This has led to large liquid cash balances being held at times. However, the rates received on these holding have not been significantly different to those available for lending out for a year.
8. The cashflow model will be developed further for 2010/11 when more normal times should prevail.

#### **Appendices:**

Appendix A – Treasury Management Annual Report

**Background Papers:** (open to public inspection)

None