
Meeting: Corporate & Customer Services Overview & Scrutiny Committee

Date: 6 September 2010

Subject: Treasury Management Quarter One Report

Report of: Cllr Maurice Jones, Portfolio Holder for People, Finance & Governance

Summary: The report provides an update on treasury management activity for the first quarter of the financial year 2010/11.

Advising Officer: Richard Ellis, Director of Customer & Shared Services

Contact Officer: Matt Bowmer, Assistant Director Financial Services

Public/Exempt: Public

Wards Affected: All

Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

Enables the best use of the authority's resources to support all of its priorities.

Financial:

None arising from the report.

Legal:

None

Risk Management:

Activities during the quarter 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 second Treasury Management Policy and Strategy in February 2010.
2. Attached at Appendix A is a report on performance for the first quarter of 2010/11, 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 into fixed rate borrowing. The portfolio inherited by Central Bedfordshire on 1 April 2009 amounted to £156.266m and was 100% fixed rate. The equivalent long term borrowing figure as at the 31st March 2010 was £156.253m, of which 78% was fixed and 22% variable, following restructuring undertaken during the previous financial year. This was reported to the Customer & Central Services Overview and Scrutiny Committee in April.

5. The authority continues to evaluate possibilities of further debt restructuring in line with the Treasury Management Strategy that limits variable rate Borrowing to 35%. Currently, variable borrowing is broadly in line with the core investment holdings which protects the Council against interest rate movements. The authority's Treasury Management Strategy anticipated the authority would undertake additional borrowing of £11m in the current financial year. The exact financing requirement of the capital programme will be determined following the conclusion of the Capital review that is due to be submitted to Executive in November.

Investments

6. The investment portfolio has changed in the first quarter, with maturing investments which were invested at a rate of 2.1% being replaced by new investments ranging between 0.96% and 1.88%. Although lower, these compared favourably with other rates available in the market.

Cashflow

7. Cashflow management has stabilised within the first quarter of the 2010/11 financial year following the repayment of cash balances held on the behalf of Bedford Borough Council following the disaggregation of the Bedfordshire County Council balance sheet. The cash flow model, has been developed and has enabled greater understanding of the cash management situation

Prudential Indicators

8. The authority has remained within its prudential indicators within the first quarter. Full details can be found in Appendix A to the report

Appendices:

Appendix A – Treasury Management Quarter One

Background Papers: (open to public inspection)

None