

Annual Treasury Report 2012/13

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011 or Joanne Coadey, Head of Finance, on 01743 260215.

1 Purpose of Report

This report outlines the Fire Authority's treasury activities for the year 2012/13.

2 Recommendations

The Committee is asked to:

- a) Note performance against prudential indicators for 2012/13, and
- b) Note the annual review of treasury activities for 2012/13;

3 2012/13 Actual Prudential Indicators

In line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance, the Treasurer is required to establish procedures to monitor performance against all forward looking prudential indicators and, in particular, that net external borrowing does not (except in the short term) exceed the requirement to borrow for capital purposes.

The legislation requires that actual indicators are produced at the year end and those for 2012/13 are, therefore, set out below.

	2011/12 Actual £000	2012/13 Budget £000	2012/13 Actual £000
Capital Expenditure Payments	2,678	503	1,373
Funding:			
Borrowing	0	0	0
Grant	1,099	0	952
Fund	1,579	105	364
Revenue	0	398	57
Ratio of Financing Costs to Net Revenue Stream: The impact of the capital investment decisions in the present capital programme were estimated at 9 pence.	3.3%	4.7%	2.7%
Capital Financing Requirement The capital financing requirement has reduced due to the decision to fund capital schemes with reserves and balances, thereby reducing the borrowing requirement.	6,533	8,124	4,997
Net Investment Net investment at 31 March 2013 was £4,790m. Short term investments of £10.6m were offset by gross borrowing of £5.810m.			
Actual External Debt Actual external debt at 31 March 2013 was £5.810m plus other long term liabilities at 31 March 2013 of £16k (finance leases). The Authority's gross debt, at £5.810m, was higher than its Capital Financing Requirement, set in 2012/13 at £8.124m, and confirmed at £4.997m at the end of the year. The reason for this difference is that some schemes in the capital programme were funded by reserves and balances, therefore no funding requirement was necessary. However, as minimum revenue provision is set aside each year against past borrowing and assets, this reduced the existing borrowing requirements. This is allowable, as the Authority still operated within its Operational Boundary (set at £8.084m) and Authorised Limit (£11.124m).			
Treasury Management Indicators			
<ul style="list-style-type: none"> • An upper limit of 100% of external debt can be borrowed at fixed interest rates. All of the Fire Authority's external debt is at fixed rates. All of this debt is also arranged for longer than 10 years, which is in accordance with the Prudential Indicator. • No money has been invested for more than 364 days. • At 31 March 2013, all funds were invested at fixed rates. 			

4 Annual Treasury Review 2012/13

Compliance with the Treasury Policy Statement

This review is presented in accordance with the Fire Authority's Treasury Policy Statement, which complies with the CIPFA Code of Practice on Treasury Management in Local Authorities which requires an annual review report of the previous year.

This is the annual review report for 2012/13.

Treasury Management

Treasury Management in this context is defined as "The management of the local authority's, investments, 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."

Shropshire Council (SC) carries out treasury management on behalf of the Fire Authority. This entails their monitoring bank balances, investing surplus cash in the short term and arranging and advising on borrowing, both long-term and short-term. In practice, investment and borrowing for the Fire Authority is carried out alongside, and in the same manner as, that for the Council.

Current Portfolio

The Fire Authority's treasury position at 31 March 2013 is set out below with the previous year in brackets.

	Balance at 31 March 2013 £000	Interest Rate ¹ 2012/13 %
a) Outstanding debt for capital purposes		
Fixed Rate	5,810 (5,810)	4.49 (4.49)
b) Investments		
SC Treasury Team	10,600 (8,230)	0.28 (0.37)

Note¹: The interest rates shown represent:

- the average cost of the debt portfolio, including the borrowing for 2012/13; and
- the average return on cash investments during the year.

Borrowing

The Fire Authority's approach to borrowing had continued to be the use of cash balances to finance new capital expenditure, so as to run down cash balances and minimise counterparty risk incurred on investments. At its meeting in April 2012, the Fire Authority agreed to use surplus revenue balances to fund capital schemes, in order to maximise revenue savings in debt charges. Therefore, any new borrowing over the next few years was unlikely, and lower levels of cash would be available for investment.

As a result of this approach, no new borrowing has been entered into during 2012/13, and the average borrowing rate for the total portfolio remained at 4.49%.

The Authority's Treasury Strategy allows up to 30% of the total outstanding debt to mature in periods up to 10 years. It is prudent to have the Authority's debt maturing over many years so as to minimise the risk of having to re-finance when interest rates may be high. Current debt maturity levels are within this guideline.

Investment Rates in 2012/13

The 7 day rate, with which to compare the investment return achieved for the Fire Authority by Treasury Services, was 0.28% for 2012/13.

5 Financial Implications

The financial implications are as set out in the main body of the report.

6 Legal Comment

There are no direct legal implications arising from this report.

7 Initial Impact Assessment

The report refers to factual information from a previous year, therefore an Initial Impact Assessment form has not been completed.

8 Appendices

There are no appendices attached to this report.

9 Background Papers

There are no background papers associated with this report.