

MEETING:	CABINET
DATE:	30 JULY 2009
TITLE OF REPORT:	TREASURY MANAGEMENT ACTIVITIES 2008/09
PORTFOLIO AREA:	RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To note the Council's treasury management activities for the period 1 April 2008 to 31 March 2009 and the outturn of Prudential Indicators for the year 2008/09.

Key Decision

This is not a Key Decision.

Recommendation

THAT the Treasury Management report be noted.

Alternative Options

1 Not applicable.

Reasons for Recommendations

2 The reporting of the past financial year's performance is a requirement of the Council's Treasury Management Policy Statement.

Introduction and Background

3 The Treasury Management Strategy for 2008/09 was drawn up at the beginning of 2008 and was based on a relatively stable financial framework. This report summarises activity through the year and notes the impact of the economic downturn on the Council's Treasury Management Activities, comparing actual outturn against original estimates.

Key Considerations

4 A detailed report is attached at Appendix 1 with the following key points specifically drawn to the attention of Cabinet:

Further information on the subject of this report is available from
Heather Foster, Acting Head of Financial Services on (01432) 383173

- a Herefordshire Council regards the successful identification, monitoring and control of risk as the prime criteria by which the effectiveness of its treasury management activities can be measured.
- b With regard to the transactions for the financial year 2008/09, the Council's treasury management activities created an under spend against budget (Section 4 of Appendix 1 refers).
- c The return on investments exceeded the index benchmark for 2008/09 (Section 3.5 of Appendix 1 refers). In 2008/09 treasury management activity made a contribution of £2.2m to the council's finances. This was £483k above budget.
- d In addition, borrowing costs were £245k under budget due to slippage in the capital programme, less new borrowing being required, and using internal reserves to fund expenditure rather than taking out new loans.
- e The treasury limits and prudential indicators were complied during 2008/09 (Section 8 of Appendix 1 refers).
- f 2008/09 was an unprecedented year in the financial markets, particularly following the Icelandic bank crisis in the autumn of 2008. The turmoil in the financial markets meant that the Council's investment activities were restricted due to a reducing number of organisations meeting the Council's strict investment criteria. In addition, the reducing bank base rate meant that the rewards from investing fell dramatically. In just four months between September 2008 and January 2009 the bank base rate fell from 5.00% to 1.50%. This was then the lowest rate since the Bank of England was founded more than three hundred years ago. Between January and March 2009 the bank base rate fell further to 0.50% where it has remained.

Community Impact

5 None.

Financial Implications

6 As set out in Appendix 1.

Legal Implications

7 None.

Risk Management

8 Risk is managed in accordance with the Treasury Management Policy Statement.

Consultees

9 None identified

Appendices

Appendix 1 – Treasury Management Report 2008/09

Annex A - Herefordshire Group Account Bank Balances 2008/09

Annex B – Comparison of Interest Rates 2008/09

Annex C – Prudential Indicators

Background Papers

- None identified.