

TREASURY MANAGEMENT ANNUAL REPORT

1 SUMMARY

- 1.1 This is the annual report for treasury management for the year 2001//02.

2 INTRODUCTION

- 2.1 Within the final account report, net external finance showed a decrease over the revised budget in net income of £9,300. Within this sum are the following principal items: the cost of borrowing by the Council, the amount of that borrowing which, in line with legislation, is charged to the Housing Revenue account, the income earned from investments and other miscellaneous interest transactions.

3 BORROWING

- 3.1 All long-term loans are from the Public Works Loans Board (PWLB). During 2001/02, loan repayments were made of £356,863 to leave the amounts outstanding at 31 March 2002 as £13,529,758. No new borrowing from the PWLB was undertaken. For the next five years, repayments of existing debt will be made at an annual rate of £356,863 per year unless the financial position of the Authority is suitable for early repayment.
- 3.2 The requirement for new borrowing will depend on interest rate structures and the financial position of the authority.
- 3.3 During the year, a total of £5M of temporary loans were taken for short periods during the year. These ranged between 7 and 15 days.

4 INVESTMENTS

- 4.2 The attached graph, shown as appendix A, shows the total investments, the average sum invested, the rates of interest achieved and the base rate. The base rate started the year at 5.5% but after several cuts, it has remained at 4% since November 2001. Total external interest earned was £486,000. Investment income was lower than expected owing to the decline in interest rates over the year.

5 TREASURY MANAGEMENT

Members agreed a new basis for investments and a revision of some of the treasury management policies at Finance and General Purpose Committee held on 12 July 2001. For 2001/02, all transactions were in

accordance with applicable treasury management policies for the financial year.

6 RESOURCE IMPLICATIONS

6.1 The result of treasury management is currently a net credit to the general fund. Recharges are made to the Housing Revenue Account in line with Government legislation and are mainly met by housing subsidy.

6.2 Treasury management is based on two key issues:-

- The investment of all surplus cash to the advantage of the Authority. The income from investments is credited to the General Fund.
- Borrowing policies that take account of the requirements of the Authority and the inter-relationship of the General Fund to the Housing Revenue Account. Whilst initially a charge to the general fund the current position is that all costs are covered by recharges to the Housing Revenue Account. New borrowing has to be judged by taking account of this process of recharge

7 RECOMMENDATION

It is proposed that the Committee **RESOLVES**

That the report be accepted. (HFS)

D Deeks

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Background Papers:

None

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Investments and Interest Rates for the year 2001/02

