
TREASURY MANAGEMENT ANNUAL REPORT

1 SUMMARY

- 1.1 This is the annual report for treasury management for the year 2004/2005.

2 INTRODUCTION

- 2.1 The Chartered Institute of Public Finance and Accountancy published a Revised Code of Practice on Treasury Management. The adoption of Code was agreed on the adoption of the new Financial Regulations in December 2002 (Min 636/02). The Code clarifies the reporting requirements for treasury management functions and this report covers those requirements.
- 2.2 A primary requirement of the Code is that Council should receive an annual review report for the previous year.
- 2.3 The Council employs Sector Treasury Services Ltd to advise on treasury management strategy and policy.

3 BORROWING

- 3.1 All long-term loans are from the Public Works Loans Board (PWLB). The Council's debt position at the beginning and end of the year was as follows:

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Balance as at 1 April 2004	11,216,032
Scheduled repayments of principal	<u>356,863</u>
Balance as at 31 March 2005	10,859,169

- 3.2 The Council redeems long-term debt as it becomes due. The amount outstanding at 31 March 2005 was £10,859,169. 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, plus a repayment of £1.2m in 2009, unless the financial position of the Authority makes early repayment suitable.
- 3.3 During the year, there were no temporary loans taken.

4 INVESTMENTS

- 4.1 The attached graph shows the total investments, the average sum invested, the rates of interest achieved and the base rate. The base rate started the year at 4.00% with a rise to 4.25% in May followed by another increase to 4.50% in June; it then rose to 4.75% in August 2004, at which it stayed to the end of the year. Total external interest earned was £663,051.73
- 4.2 During 2004/2005, the average return on temporary investments was 4.64%, compared to the standard benchmark of the 7-day London Interbank Bid Rate (LIBID) of 4.61%, an out performance of 0.03% or £4,246 on an average investment balance of £14.152m.

5 COMPLIANCE WITH TREASURY LIMITS

- 5.1 The treasury limits for the financial year were agreed by The Council in February 2004. The Council operated in accordance with the applicable treasury management policies and within these treasury limits.

6 RESOURCE IMPLICATIONS

- 6.1 Within the final account report, net external finance showed an increase over budget in net income of £72,748.47. 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.
- 6.2 Investment income was higher than expected due to the higher average balance of investment during the year, and the increase in base rates.
- 6.3 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.
- 6.4 In 2004/2005, external interest payments totalled £1.1m. In previous years, the initial interest charge is made to the General Fund, with all costs covered by recharges to the Housing Revenue Account. However, in 2004/2005 because of the balance between debt outstanding for the HRA and actual external debt outstanding, the General Fund bore interest charges of £94,298.
- 6.5 Treasury management is based on two key issues: -

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- 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. Usually, the initial charge is to the General Fund, with all costs covered by recharges to the Housing Revenue Account. New borrowing has to be judged by taking account of this process of recharge and the requirements of the new Prudential Framework.

7 RECOMMENDATION

It is proposed that the Committee **RESOLVES**

That the report be accepted.

D Deeks

Head of Financial Services

Background Papers:

None

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Sums Invested
April 2004 - March 2005

