

ITEM 6

EXMOOR NATIONAL PARK AUTHORITY

RESOURCES COMMITTEE – 27 JUNE 2006

ANNUAL TREASURY MANAGEMENT REPORT

Report of the Chief Finance Officer

Purpose of Report:

To report to members on Treasury Management Performance in 2005/06

Legal Implications including Human Rights Act 1998:

Local Government Act 2003 and the Chartered Institute of Public Finance (CIPFA) Prudential Code

RECOMMENDATION:

The Resources Committee NOTES the Treasury Management Outturn for 2005/06

1. **INTRODUCTION**

1.1 The Authority's Treasury Management activities are defined as follows:

“The management of the Authority's 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.”

It is acknowledged that effective treasury management provides support to the business and service objectives of the Authority.

1.2 The Resources Committee adopted the revised CIPFA Code of Practices at its meeting on 22 July 2003 and these Treasury Management Practices set out the manner in which the Authority will seek to achieve its policies and objectives and how it will manage and control these activities. These Practices include an annual report to the Resources Committee after the end of the financial year setting out performance.

1.3 Responsibility for implementing and monitoring treasury management decisions has been delegated to the Chief Finance Officer.

2. **TREASURY MANAGEMENT OUTTURN FOR 2005/06**

2.1 The daily cash flow of receipts and payments is controlled by staff of the Authority, but with surplus funds being managed by Somerset County Council (SCC) in accordance with a Service Level Agreement. This Agreement seeks to maximise the benefits for both bodies (including using SCC's "Comfund"). Accounting arrangements are in place to divide the interest gained (and charged) equitably between the Authorities.

2.2 The Treasury portfolio at the start and the end of the financial year was :

	1 April 2005 £000s	31 March 2006 £000s
Cash with Somerset CC	738	472
Investment in SCC "Comfund"	1,050	1,450
	<u>1,788</u>	<u>2,265</u>

2.3 The objectives and forecasts for 2005/06 were:

- i) Lending Policy
 - to maintain capital security;
 - to continue to invest surplus cash in a way which maximises return with the minimum of risk.
- ii) Interest Rate Forecast 2005/06
 - Short term rates to fall from existing levels once the threat of inflationary pressures from the housing market and the high street begins to weaken.
- iii) Borrowing Limits for 2005/06
 - an Overall Borrowing Limit of £100,000;
 - a Short Term Borrowing Limit of £100,000;
 - a Variable Rate Proportion of 100%.

2.4 Base Rate started the year at 4.75%, but on 4 August was cut to 4.50%, where it remained for the rest of the year. The average daily balance of the Authority's day-to-day cash was around £657,000 earning interest at Base Rate minus 3/8%. In the year where Base Rate averaged 4.586%, this equated to an interest rate of 4.211%. Interest earned was £27,650.

2.5 Comfund investment averaged £1,479,000 over the year. From a low of £1,050,000 in April and May the sum invested twice rose to £2,000,000 in both August and January. Interest earned was 4.790% gross, 4.694% net, producing £69,280 net of fees. Fees amounted to £1,414 (2% of interest)

The marginal benefit of investing in the 'Comfund' was 0.483% (4.694% minus 4.211%) or £7,144.

2.6 Local authorities, and cash fund managers employed by local authorities, generally use as their benchmark rate the '7 Day LIBID' (London Interbank Bid) for comparison purposes – for 2005/06 this was 4.496%.

2.7 In addition the use of surplus funds to operate the internal leasing scheme for vehicles and equipment yielded interest of £3,430 as part of the leasing charges made to service budgets.

2.8 The Authority stayed within its borrowing limits.

Charles Burrows
Chief Finance Officer