

**EXMOOR NATIONAL PARK AUTHORITY**  
**RESOURCES COMMITTEE – 20 JULY 2004**  
**ANNUAL TREASURY MANAGEMENT REPORT**

**Report of the Chief Finance Officer**

**Purpose of Report:**

To report to members on Treasury Management Performance in 2003/04

**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 2003/04

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**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 2003/04**

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 :

	<b>1 April 2003</b> <b>£000s</b>	<b>31 March 2004</b> <b>£000s</b>
Cash with Somerset CC	293	2,148
Investment in SCC “Comfund”	1,000	625

2.3 The objectives and forecasts for 2003/04 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 2003/04
  - Short term rates to remain around existing levels, given no real threat of inflationary pressures, and to further stimulate those parts of the economy that feared recession caused by a damaging exchange rate.
- iii) Borrowing Limits for 2003/04
  - 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 which has fallen to 3.75% just before the start of the year was further reduced to 3.50% in July. Last time this low level was reached was fifty years ago. However, this may have been one too far. In November it was reversed, and then in February a further rise of one quarter took the end rate to 4%. An average daily balance of day-to-day cash of £848,000, earned interest at Base Rate minus 3/8%. In the year where Base Rate averaged 3.707%, this equated to an interest rate of 3.332%. Interest earned was £28,263.

2.5 Comfund investment fluctuated between a high of £1,500,000 (April 2003 after £500,000), and a low of £625,000 (March 2004), averaging £1,075,900 during the year. Interest earned was 3.784% Gross, producing income of £39,898 net of fees. Fees amounted to £814 (2% of interest). The marginal benefit of investing in the “Comfund” was 0.376% (3.708% minus 3.332%) or £4,045.

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 2003/04 this was 3.513%.

2.7 The Authority stayed within its Borrowing limits.

**Charles Burrows**  
**Chief Finance Officer**