

REPORT OF THE TREASURER

ANNUAL TREASURY REPORT 2005/06

1 Purpose of Report

This report informs Members of the treasury activities for 2005/06, as required by the Code of Practice on Treasury Management.

2 Recommendations

Members are asked to note the report.

3 Compliance with the Treasury Policy Statement

This report is presented in accordance with the Fire Authority's Treasury Policy Statement, which complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities.

This Fire Authority adopted the 2001 Revised Code of Practice on Treasury Management on 6 February 2002 and fully complies with its requirements, of which the primary ones are:

- Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Fire Authority treasury management activities;
- Creation and maintenance of Treasury Management Practices, which set out the manner, in which the Fire Authority will seek to achieve those policies and objectives;
- Receipt by the Fire Authority of an annual strategy report for the year ahead and an annual review report of the previous year; and
- Delegation of responsibilities by the Fire Authority for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

This is the annual review report for 2005/06.



4 Treasury Management

Treasury Management in this context is defined as “The management of the local 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.”

Shropshire County Council (SCC) carries out treasury management on behalf of the Fire Authority. This entails their monitoring bank balances, investing surplus cash in the short term and arranging and advising on borrowing, both long-term and short-term. In practice, investment and borrowing for the Fire Authority is carried out alongside, and in the same manner as, that for SCC.

5 Current Portfolio

The Fire Authority’s treasury position at 31 March 2006 is set out below with the previous year in brackets.

	Balance at 31 March 2006 £000	Interest Rate ¹ 2005/06 %
a) Outstanding debt for capital purposes		
Fixed Rate	4,000 (2,935)	4.88 (4.69)
b) Investments		
SCC Treasury Team	4,115 (2,960)	4.59 (4.58)

Note¹: The interest rates shown represent:

- a) the average cost of the debt portfolio, including the borrowing for 2005/06; and
- b) the average return on cash investments during the year.

6 Capital Financing

In order to ensure compliance with the Prudential Code, options appraisals were completed for all schemes within the Fire Authority’s capital programme. These appraisals determined the most beneficial way in which to finance each capital scheme, thereby securing best value for the Fire Authority.

As a result of this process, the Fire Authority’s long-term borrowing requirement was funded from the Public Works Loan Board (PWLB). The PWLB 25-30 year rate is monitored closely by the treasury team, who borrow funds on behalf of the Fire Authority at the most opportune times during the year.

The funds were drawn down as follows:

Date	Lender	Amount £’000	Period Years	Rate %
20 May 2005	PWLB	350	30	4.45
8 June 2005	PWLB	350	27	4.40
21 November 2005	PWLB	365	28	4.25

The actual weighting average rate for the year for borrowing is 4.37%



7 Information on Interest Rates

Short-term interest rates

The base rate started 2005/06 at 4.75%, having been unchanged at this level since August 2004. It fell to 4.5% in August 2005 and remained at this level for the rest of the year. There was some recovery in the housing market towards the end of 2005 and into 2006, although high oil prices and major increases in utility prices reduced spending power.

Long-term interest rates

The PWLB 25-30 year rate started the year at 4.75% and fell to a low at 3.85% before rising back to a new peak of 4.25% at the end of the year. Fifty year gilts were launched in 2005 and on 7 December, the PWLB introduced new PWLB borrowing maturity periods longer than 25-30 years and up to a maximum of 45-50 years. This longest band started at a rate of 4.20% (compared to 4.30% for 25-30 year borrowing) and the rate bottomed at 3.7% in late January before ending the year at 4.15%.

8 Investment Outturn

The 7 Day Rate with which to compare the investment return achieved for the Fire Authority by Treasury Services was 4.5% for 2005/06.

9 Compliance with Treasury Limits

During the financial year the Fire Authority operated within the treasury limits and prudential indicators set out in the Fire Authority's Annual Treasury Strategy. Performance against these indicators was presented to the Fire Authority on 19 July 2006.

10 Financial Implications

There are no financial implications other than those outlined in this report.

11 Legal Comment

There are no legal implications arising directly from this report.

12 Appendices

There are no appendices attached to this report.

13 Background Papers

Shropshire and Wrekin Fire Authority
20 July 2005, Report 15 – Prudential Guidelines 2005/06



Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balance Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Equality and Diversity		Retained	
Efficiency Savings		Risk and Insurance	
Environmental		Staff	
Financial	*	Strategic Planning	*
Fire Control/Fire Link		West Midlands Regional Management Board	

For further information about this report please contact Alan Taylor, Chief Fire Officer, on 01743 260201 or Keith Dixon, Treasurer, on 01743 260202.

