

Annual Treasury Report 2006/07

Report of the Treasurer

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

1 Purpose of Report

This report informs Members of the treasury activities for 2006/07, 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 2006/07.

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 2007 is set out below with the previous year in brackets.

	Balance at 31 March 2007 £000	Interest Rate ¹ 2006/07 %
a) Outstanding debt for capital purposes		
Fixed Rate	5,110 (4,000)	4.72 (4.88)
b) Investments		
SCC Treasury Team	4,905 (4,115)	4.88 (4.59)

Note¹: The interest rates shown represent:

- the average cost of the debt portfolio, including the borrowing for 2006/07; and
- the average return on cash investments during the year.

6 Borrowing

The borrowing strategy for the year continued to be funding the Authority’s long-term borrowing requirement at advantageous rates. During 2006/07, long-term loans were secured from the Public Works Loan Board (PWL) in accordance with this strategy. These loans were secured at historically low levels. Short-term money market borrowing was not used during the year.



The funds were drawn down as follows:

Date	Lender	Amount £'000	Period Years	Rate %
28 September 2006	PWLB	450	45.5	4.05
08 March 2007	PWLB	330	48	4.25
08 March 2007	PWLB	330	47	4.25

The actual weighted average rate for the year for borrowing is 4.16%. The average borrowing rate for the total portfolio has reduced from 4.88% to 4.72% in 2006/07, due to borrowing at low levels during the year.

The chart at Appendix A shows when borrowing was undertaken during the year. It can be seen that borrowing decisions were undertaken at low points during the financial year.

The Authority's Treasury Strategy allows up to 30% of the total outstanding debt to mature in periods up to 10 years. It is prudent to have the Authority's debt maturing over many years so as to minimise the risk of having to re-finance when interest rates may be high. Current debt maturity levels are within this guideline.

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.

Long-term Interest Rates

The PWLB 45-50 year rate started the year at 4.20% and then rose to 4.45% by June 2006. It then fell back to a year low of 4.05% in late September, at which time some long-term funds were secured. Rates rose back to their highest point of 4.45% on a number of occasions in late January to March, and finished the year at this level. The remainder of the 2006/07 borrowing requirement was secured when rates hit their lowest point of 4.25% in the final quarter.

7 Investment Outturn

Short-term interest rates

UK base rates started the year at 4.50% and finished the financial year at 5.25%, following three 0.25% increases in August, November and January 2007.

The 7 day rate, with which to compare the investment return achieved for the Fire Authority by Treasury Services, was 4.82% for 2006/07.



8 Financial Implications

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

9 Legal Comment

There are no legal implications arising directly from this report.

10 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

11 Appendix

Movements in Interest Rates 2006/07

12 Background Papers

There are no background papers associated with this report.

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	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	*
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*



MOVEMENTS IN INTEREST RATES 2006/2007

