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REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	5 SEPTEMBER 2002	CATEGORY: DELEGATED
REPORT FROM:	CHIEF FINANCE OFFICER	OPEN PARAGRAPH NO: N/A
MEMBERS' CONTACT POINT:	PAUL CULLEN 595872	DOC:
SUBJECT:	TREASURY MANAGEMENT REPORT 2001/2002	REF: PAC/LJW/H3
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM08

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### 1.0 Recommendations

- 1.1 That the Treasury Management Report 2001/2002 be received.
- 1.2 That the revised Treasury Management Policy be accepted.

### 2.0 Purpose of Report

- 2.1 It is a requirement of the Council's Treasury Management Policy that a report on Treasury Management activities is presented to the Finance and Management Committee at the end of each financial year.

### 3.0 Detail

- 3.1 Annex A sets out details of the Council's borrowing and investment during 2001/2002.
- 3.2 Certain unanticipated factors during 2001/2 had a significant effect on original cash flow forecasts. These factors included; a change to the profile of monthly NNDR payments made to the Government following the Foot and Mouth crisis; variances in NNDR settlements / refunds to that forecast; and land sale proceeds of approximately £6m towards the end of the year.
- 3.3 As a consequence short-term cashflow moved from deficit to surplus in August 2001, where it stayed for most of the remaining year. This in turn produced a net surplus in interest on short-term borrowings and investments.

### 3.4 Long Term Borrowing

Long Term Borrowing is undertaken to finance capital expenditure. The Council has a quota which it can take up from the Public Works Loan Board (PWLB). This is made up of the Credit Approvals for the year plus the amount of principal repayable on existing loans with the PWLB.

- 3.5 In the light of the change to a surplus cashflow position in the last half of the year, forecasts were revised and borrowing strategy amended accordingly. As a consequence it was decided not to take up the PWLB quota of £1.1m for 2001/2.

The low level of interest rates during the year meant that there was a wide margin with rates on existing debt . Therefore no rescheduling of long-term debt took place as it was deemed that the cost of early termination penalties would outweigh savings on interest accrued from rescheduling loans.

3.6 The Council still has one long term market loan (LOBO – Lender Option Borrower Option) of £1 million.

### 3.7 Short Term Borrowing

The average level of short term borrowing during the year (ie. loans taken out for less than 12 months) was £1.3 million, fluctuating between a high of £7.24 million at the beginning of April to a low of £0.2 million in October / November.

3.8 The short-term loans retained throughout the year related to Call monies held for Parish Councils, which totalled £131,069 at the year end.

### 3.9 Short Term Lending

The average level of short-term lending during the year was £1.6 million, which briefly reached a high of £5.55 million in December 2001.

All investments were made in accordance with the List of Approved Institutions and Limits as agreed by Council on 13 December 2001.

### 3.8 Interest Rates

Base Rate started the year at 5.75%, there then followed six downward rate changes during the year. The final change was to 4% in November 2001 where it still remains.

PWLB long term, higher quota rates (25 year maturity) remained low during the year, fluctuating between about 4.75% and 5.5%.

In comparison the Council's average short term borrowing interest rate for the year was 5.00%, whilst its' average long term rate was 7.48 %.

The average short-term interest received on investments in the Money Market during the year was 3.85%.

### 3.9 Treasury Management Policy

In accordance with the Council's Treasury Management Policy the Policy Statement has been reviewed and amended. The changes approved by Council on 13 December 2001 and Finance and Management Committee on 18<sup>th</sup> April 2002 have also been incorporated. The revised Policy Statement appears at Annex B.

## 4.0 Financial Implications

4.1 As set out above.