

28 February 2006

Agenda Item No:

Joint Report of the Chief
Constable and Treasurer of
The Police Authority



TREASURY MANAGEMENT 2004/2005

INTRODUCTION

1. This report has been prepared to provide information on the Treasury Management function during 2004/2005.

BACKGROUND

2. Treasury Management is the management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with these activities; and the pursuit of optimum performance consistent with those risks.
3. The Authority meeting held on the 19 November 2002 agreed to a revised Treasury Management Policy Statement (TMPS) (minute 1776 refers) which complies with the latest Codes of Practice and to the revision of the relevant sections within Financial Regulations.
4. The TMPS states that an annual report on the performance on Treasury Management policies for the past year will be submitted to the Police Authority

INFORMATION

5. During 2004/2005 the following outcomes were achieved under the auspice of the Treasury Management Policy:

a) **Cash Flow**

All the bank accounts with Lloyds TSB are interest bearing and earn interest at 0.05% below the base rate on cleared balances. Interest of £4,065.04 was generated during the year.

b) **Investment**

Cash balances were invested to generate interest receipts. Security of capital was maintained by strict adherence to the approved counter party list of institutions as defined in the Treasury Management Policy Statement Interest receipts of £2,140,103 were generated during the year, against a budgeted target of £1,302,040.

A total of 246 individual investment transactions were undertaken for values between £480,000 and £10,000,000.

c) **Borrowing**

No borrowing to finance cash deficits was undertaken.

d) **Funding of Capital Payments**

The Public Works Loan Board was created to lend money exclusively to Local Authorities in order that they can meet new long term borrowing requirements. The Police Authority is able to borrow at advantageous rates through this body. All the following loans are from the Public Works Loan Board.

i) As at 1 April 2004

| Amount £ | Repayment Period | Interest Rate % | Method of Repayment |
|-------------|---------------------|--------------------|------------------------|
| 7,137,056 | 17-25 years | Fixed | EIP |
| 1,485,302 | 2-27 years | Fixed | EIP |
| | | Fixed | Annuity |
| | | Fixed | Maturity |
| 69,955 | 10 years | Variable | EIP |

Note: EIP = Equal Instalment Payment of principal
 Annuity = Fixed payments to include principal and interest
 Maturity = Payments of interest only with a single repayment of principal.

ii) In Year

In 2004/2005, from the Public Works Loan Board, a loan for £1,156,000 was taken as follows:

| £ | Repayment Period | Interest Rate % | Method of Repayment |
|-----------|---------------------|--------------------|------------------------|
| 1,156,000 | 25 years | 4.650 | EIP |

iii) As at 31 March 2005

| Amount £ | Repayment Period | Interest Rate % | Method of Repayment |
|-------------|---------------------|--------------------|------------------------|
| 7,915,896 | 16-25 years | Fixed | EIP |
| 1,373,924 | 1-26 years | Fixed | EIP |
| | | Fixed | Annuity |
| | | Fixed | Maturity |
| 62,182 | 09 years | Variable | EIP |

Note: EIP = Equal Instalment Payment of principal.

Annuity = Fixed payments to include principal and interest.

Maturity = Payments of interest only with a single repayment of principal.

e) **Deemed Debt**

The balance of deemed debt administered by East Riding of Yorkshire Council is £249,000 (European Investment Bank) was repaid in the year 2004-2005.

f) **Management of Debt**

The objective is to achieve a debt maturity profile, so that no one year has a high level of repayments. By utilising equal instalments payments are spread evenly across financial years.

g) **Interest Rate Management**

All long term debt is at fixed rates of interest and will be reviewed during the current financial year against current market rates.

RECOMMENDATION

6. It is recommended that Members examine the report and satisfy themselves that the Treasury Management process undertaken in 2004/5 complies with the agreed Authority Policy.

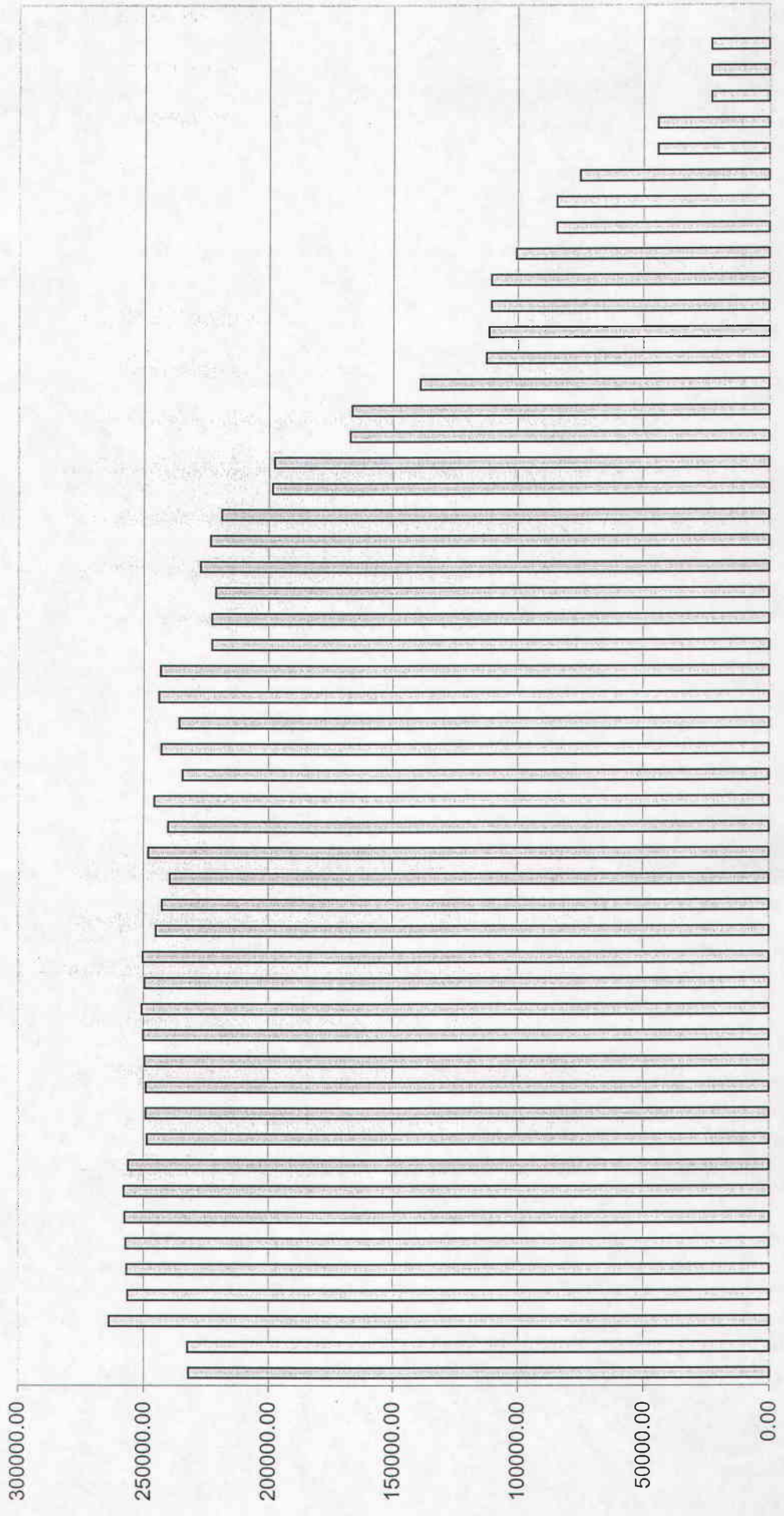
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Background Papers: Treasury Management Policy

APPENDIX A

DEBT MATURITY - PRINCIPAL REPAYMENTS



2004 TO 2030