

TREASURY MANAGEMENT ACTIVITY

The table below shows the borrowing activity which took place in 2003/04:

Borrowing - Activity 01.04.2004 - 31.03.2005

	<u>Balance as at 01.04.04</u>	<u>New Loans</u>	<u>Principal Repaid</u>	<u>Balance as at 31.03.05</u>
	£000	£000	£000	£000
Public Works Loans Board				
Fixed Rate Loans	29,884	8,000	7,667	30,217
Variable Rate Loans	10,922	0	10,922	0
Bank of Scotland				
Lender Option / Borrower Option	0	6,500	0	6,500
European Investment Bank				
Fixed Rate Loan	28	0	18	10
Temporary Loan				
Variable Rate Loan	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>40,835</u>	<u>14,500</u>	<u>18,607</u>	<u>36,728</u>

Total interest due in the year was £2.504m. This gives an average 'pool' rate of interest of 6.29%.

The split between fixed and variable rate interest is as follows:

	£m	%
Interest Due 2004/05 - Fixed Rate Loans	2.278	91
Interest Due 2004/05 - Variable Rate Loans	0.226	9

3 fixed rate loans from the P.W.L.B. were rescheduled in 2004/05 resulting in a net premium of £106,000.

New loans from the P.W.L.B. were taken out as follows:

- £4,000,000 @ 4.80% - Maturity – 1 year - Repayable 26 July 2005
- £1,500,000 @ 4.55% - Maturity – 1.5 years - Repayable 8 January 2005
- £1,000,000 @ 4.50% - Maturity – 26 years – Repayable 7 December 2030
- £1,500,000 @ 4.50% - Maturity – 26 years - Repayable 7 December 2030

New loans from other lenders were taken out as follows:

- £3,500,000 @ 3.70% (3 years with option for further term @ 4.75% maturing 21st July 2054
- £3,000,000 @ 4.60% (3 years with option for further term @ 4.65% maturing 9th July 2053
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New loans taken out and also redeemed during the year are as follows:

- £6,000,000 @ 4.40% - Maturity – 2 months – repaid 14th July 2004
- £6,000,000 @ 4.50% - Maturity – 1 month – repaid 6th August 2004
- £3,000,000 @ 4.92% - Maturity – 3 months – repaid 9th November 2005

The following tables show the PWLB Long Term Debt Outstanding analysed into maturity profiles, average interest rates, and lenders:

	<u>Av. %</u>	<u>Balance 31.03.2005</u> £000
Maturing within 1 year	6.01	5,167
1 - 2 years	7.01	2,667
2 - 3 years	10.22	1,133
3 - 4 years	10.27	1,100
4 - 5 years	10.14	869
5 - 6 years	10.01	715
6 - 10 years	9.69	1,331
10 - 15 years	9.50	413
15+ years	5.92	16,822
Total	6.79	30,217

During the year, any surplus funds were invested with the Banks/Building Societies as outlined in the Treasury Management Strategy. This activity is shown below:

2. **Lending - Activity 1st April 2004 - 31st March 2005**

	<u>Balance as</u> <u>at 01.04.04</u>	<u>New</u> <u>Investments</u>	<u>Principal</u> <u>Recalled</u>	<u>Balance as</u> <u>at 31.03.05</u>
	£000	£000	£000	£000
Co-operative Bank	1,880	34,140	34,140	1,880
Nationwide Building Society	1,500	2,000	1,500	2,000
Halifax	2,000	1,000	2,000	1,000
Barclays Bank	1,000	7,500	6,500	2,000
Northern Rock	1,500	3,500	5,000	0
Alliance & Leicester	2,000	3,000	3,000	2,000
Britannia Building Society	2,000	4,000	4,000	2,000
Bradford & Bingley	2,000	2,500	2,500	2,000
Yorkshire Building Society	0	2,000	1,500	500
Standard Life	0	2,000	2,000	0
Anglo Irish	0	3,500	3,500	0
	<u>13,880</u>	<u>65,140</u>	<u>65,640</u>	<u>13,380</u>

Any part of the investment with the Co-operative Bank can be recalled immediately.

The investments with the Building Societies are placed for periods between one month and 364 days, and on maturity are reinvested if this is considered appropriate.

The Council's Treasury Policy Statement specifies that investments are only made with U.K. and Republic of Ireland Clearing Banks or their wholly owned subsidiaries, the Top 10 Building societies, and other Local Authorities.

The Treasury Policy Statement also specifies a maximum of £2 million that can be invested with any one institution, with the exception of the Co-op bank whose limit is £2.5m.

The average rate of interest received on these Approved Investments was approximately 4.66%.

The average rate of interest received by the Council appears reasonable, especially as brokers were not used to invest this money, and if the investment with the Co-operative Bank falls below £1,000,000, which it did on a few occasions in 2004/05, the interest rate is reduced by 2%. In addition, the security of the investment, rather than the interest rate offered is of prime importance.

3. **Current Treasury Position**

The Council's debt position at 31st March 2005 is as follows:

		£000	£000
<u>Fixed Rate Funding</u>	PWLB	30,217	
	Market/EIB	10	
	LOBOS	6,500	
	Temp. Loan	1	36,728

Total temporary investments are £13.38m as at 31st March 2005.

4. **Profile of Debt Outstanding as at 31st March 2005**

<u>Source of Loan</u>	<u>Range of Interest Rates Payable as at 31.03.2005</u>	<u>Total Outstanding as at 31st March 2005</u>
	%	£000
LOBOS	3.70 - 4.75	6,500
Public Works Loan Board	4.125 - 10.75	30,217
European Investment Bank	9.85	10
Total		<u>36,727</u>

The amounts for repayment are reasonably spread in different years, so that if in one year interest rates were very high and loans had to be replaced, the amount falling due in any one year is reasonable in relation to total debt outstanding.

The above does not include a £1,000 temporary loan.

5. **Bank Base Rates**

Both PWLB lending rates and investment returns are linked to bank base rates.

Bank base rates fluctuated during 2004/05 as follows:

%	%
4.00 - 1 April 2004	4.50 - 11 June 2004
4.25 - 7 May 2004	4.75 - 6 August 2004

6. **Debt Rescheduling**

<u>Loan No.</u>	<u>Interest Rate %</u>	<u>Principal</u> £	<u>Discount/ (Premium)</u> £
476812	7.875	1,000,000	339,445
477982	7.875	2,500,000	(299,531)
483338	4.250	3,000,000	(146,248)

The above loans were rescheduled on 14 May 2004.