

TREASURY MANAGEMENT ACTIVITY

The table below shows the borrowing activity which took place in 2005/06

Borrowing - Activity 01.04.2005 – 30.09.2005

	<u>Balance as at 01.04.05</u>	<u>New Loans</u>	<u>Principal Repaid</u>	<u>Balance as at 30.09.05</u>
	£000	£000	£000	£000
Public Works Loans Board				
Fixed Rate Loans	30,217	6,000	4,583	31,634
Variable Rate Loans	0	0	0	0
Bank of Scotland				
Lender Option/Borrower Option	6,500	0	0	6,500
European Investment Bank				
Fixed Rate Loan	10	0	10	0
Temporary Loan				
Variable Rate Loan	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
	<u>36,728</u>	<u>6,000</u>	<u>4,593</u>	<u>38,135</u>

Total interest due to 30 September 2005 was £1.155m. This gives an average 'pool' rate of interest of 6.21%.

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

	£m	%
Interest Due 2005/06 - Fixed Rate Loans	1.022	100
Interest Due 2005/06 - Variable Rate Loans	0	0

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

£1,000,000 @ 4.6%	Maturity – 5 years	Repayable 15 November 2009
£1,000,000 @ 4.4%	Maturity – 3 years	Repayable 15 May 2008
£2,000,000 @ 4.35%	Maturity – 6.5 years	Repayable 7 December 2011
£2,000,000 @ 4.4%	Maturity – 26 years	Repayable 7 June 2031

PWLB loans redeemed to 30 September 2005:

£4,000,000 @ 4.8%	Maturity – 1 year	Repaid 26 July 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 30.09.2005</u> £000
Maturing within	1 year	6.01	584
	1 - 2 years	7.01	2,667
	2 - 3 years	10.22	1,133
	3 - 4 years	10.27	2,100
	4 - 5 years	10.14	869
	5 - 6 years	10.01	1,715
	6 - 10 years	9.69	3,331
	10 - 15 years	9.50	413
	15+ years	5.92	18,822
	Total	6.79	31,634

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 2005 – 30 September 2005**

	<u>Balance as</u> <u>at 01.04.05</u>	<u>New</u> <u>Investments</u>	<u>Principal</u> <u>Recalled</u>	<u>Balance as</u> <u>at 30.09.05</u>
	£000	£000	£000	£000
Co-operative Bank	1,880	15,315	16,065	1,130
Nationwide Building Society	2,000	0	500	1,500
Halifax	1,000	3,000	2,000	2,000
Barclays Bank	2,000	0	2,000	0
Northern Rock	0	2,000	0	2,000
Alliance & Leicester	2,000	0	0	2,000
Britannia Building Society	2,000	0	2,000	0
Bradford & Bingley	2,000	1,500	1,500	2,000
Yorkshire Building Society	500	2,000	500	2,000
West Bromwich	0	2,000	0	2,000
Anglo Irish	0	3,500	1,500	2,000
Lloyds TSB	0	2,000	2,000	0
Newcastle Building Society	0	3,500	2,000	1,500
Abbey	0	2,000	500	1,500
Skipton	0	3,500	1,500	2,000
Bank of Scotland	<u>0</u>	<u>3,000</u>	<u>1,000</u>	<u>2,000</u>
	<u>13,380</u>	<u>43,315</u>	<u>33,065</u>	<u>23,630</u>

Any part of the investment with the Co-operative Bank and the Bank of Scotland 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 4.7%.

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 one occasion in 2005/06, 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 30 September 2005 is as follows:

		£000	£000
<u>Fixed Rate Funding</u>	PWLB	31,634	
	Market/EIB	0	
	LOBOS	6,500	
	Temp. Loan	1	38,135

Total temporary investments are £23.63m as at 30 September 2005.

4. Profile of Debt Outstanding as at 30 September 2005

<u>Source of Loan</u>	<u>Range of Interest Rates Payable as at 30.09.2005</u>	<u>Total Outstanding as at 30 September 2005</u>
	%	£000
LOBOS	3.70 - 4.75	6,500
Public Works Loan Board	4.125 - 10.75	<u>31,634</u>
Total		<u>38,134</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 2005/06 as follows:

%	
4.75	- 1 April 2005
4.5	- 5 August 2005