

REPORT TO: Executive Board Sub-Committee

DATE: 7th September 2006

REPORTING OFFICER: Operational Director – Financial Services

SUBJECT: Treasury Management 2006/07
1st Quarter: April-June

WARDS:

1.0 PURPOSE OF REPORT

- 1.1 The purpose of the report is to update Members about activities undertaken on the money market as required by the Treasury Management Policy.

2.0 RECOMMENDED: That the report be noted.

3.0 SUPPORTING INFORMATION

3.1 Short Term Rates

The base rate remained at 4.5% throughout the period. The current thoughts on base rate movement are that the next move will be upwards, but not until after the new year. Sector, the Council's advisers, are forecasting a rise in September 2007.

	Start	April		May		June	
		Mid	End	Mid	End	Mid	End
	%	%	%	%	%	%	%
Call Money (Market)	4.45	4.45	4.50	4.40	4.57	4.55	4.55
1 Month (Market)	4.50	4.50	4.56	4.59	4.59	4.63	4.63
3 Month (Market)	4.53	4.56	4.60	4.63	4.65	4.68	4.71

3.2 Longer Term Rates

The longer period rates have steadily climbed from the record low levels seen earlier in the year. Current rates are well above any trigger levels for new borrowing.

	Start	April		May		June	
		Mid	End	Mid	End	Mid	End
	%	%	%	%	%	%	%
1 Year (Market)	4.71	4.71	4.79	4.96	4.86	4.94	4.93
10 Year (PWLB)	4.55	4.70	4.80	4.85	4.70	4.70	4.85
25 Year (PWLB)	4.35	4.50	4.60	4.60	4.50	4.50	4.65

The PWLB rates are for "lower quota" entitlements.

3.3 Temporary Borrowing/Investments

Turnover during period

	No. Of Deals Struck	Turnover £m
Short Term Borrowing	2	7.70
Short Term Investments	37	56.65

Position at Month End

	April £m	May £m	June £m
Short Term Borrowing	-	-	-
Short Term Investments	33.80	38.30	43.60

Investment Income Forecast

The Authority is currently lending at a level slightly higher than forecast and at a rate above the estimated rate. The forecast income is therefore above estimate.

3.4 Longer Term Borrowing/Investments

The Authority did not borrow any long term money. To achieve a more balanced investment book, two £2.5m investments were made for two years fixed at 5%+.

3.5 Policy Guidelines

Interest Rate Exposure – complied with.

Approved Investments/Maximum Deposits – complied with.

Borrowing Instruments – complied with.

Prudential Indicators – complied with:

- Operational Boundary for external debt;
- Upper limit on interest rate exposure on fixed rate debt;
- Upper limit on interest rate exposure on variable rate debt;
- Maturity structure of borrowing as a percentage of fixed rate borrowing;
- Total principal sums invested for periods longer than 364 days;
- Maturity Structure of New Fixed rate Borrowing during 2005/06.

4.0 **POLICY IMPLICATIONS**

4.1 None.

5.0 **OTHER IMPLICATIONS**

5.1 None.

6.0 RISK ANALYSIS

6.1 The main risks associated with Treasury Management are security of investment and volatility of return. To combat this, the Authority operated within a clearly defined Treasury Management Policy and an annual borrowing and investment strategy, which set out the control framework.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 There are no issues under this heading.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

There are no background papers under the meaning of the Act.