REPORT TO:	Executive Board Sub-Committee
DATE:	7th September 2006
REPORTING OFFICER:	Operational Director – Financial Services
SUBJECT:	Treasury Management 2005/06
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

1.1 To comply with the Council's Treasury Management Policy Statement an annual review of the year report must be prepared and reviewed.

2.0 RECOMMENDATIONS: That the report be noted.

3.0 SUPPORTING INFORMATION

3.1 The annual review is attached in the Appendix.

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 operates within a clearly defined Treasury Management Policy and an annual borrowing and investment strategy which sets 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

Document	Place of Inspection	Contact Officer
Working papers	Accountancy Office	J. Viggers

APPENDIX

TREASURY MANAGEMENT – ANNUAL REVIEW 2005/06

1.0 INTRODUCTION AND BACKGROUND

1.1 Treasury management in local government is regulated by the 1996 revision of the CIPFA Code of Practice on Treasury Management in Local Authorities (the Code). This Council has adopted the Code and fully complies with its requirements. The primary requirement of the Code is the formulation and agreement by full Council of a Treasury Policy Statement which sets out Council, Committee and Operational Director – Financial Services' responsibilities, and delegation and reporting arrangements. (A new revision of the Code was published in December 2001 which was adopted in March 2002 for the 2002/03 year onwards.)

1.2 A requirement of the Council's Treasury Policy Statement is the reporting to the Executive Board Sub-Committee of both the expected treasury activity for the forthcoming financial year (the annual treasury strategy statement) and subsequently the results of the Council's treasury management activities in that year (this annual treasury report). Treasury management in this context is defined as:

"The management of the local authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks".

1.3 This annual report covers:

- the Council's current treasury position;
- performance measurement;
- the borrowing strategy for 2005/06;
- the borrowing outturn for 2005/06;
- compliance with treasury limits;
- investments strategy for 2005/06;
- investments outturn for 2005/06;
- debt rescheduling;
- other issues.

2.0 CURRENT PORTFOLIO POSITION

2.1 The Council's debt position at the beginning and end of year was as follows:

	31st March 2006				31st March 2005		
	Principal £m	£m	Rate %	Life Yrs	Principal	Rate %	Life Yrs
Fixed Rate Funding							
– PWLB	10.00		3.70	50	21.00	7.11	14.50
– Market	10.00	20.00	4.42	2-60	10.00	4.50	2-40
Variable Rate Funding							
– PWLB	0.00				10.00	4.87	
– Market	4.00	4.00	4.46		3.00	4.79	
Total Debt		**24.00**	**4.13**		**44.00**	**5.35**	
Investments							
– In-house	33.40		4.66		28.50	5.19	
– With Managers	0.00				0.00		
Total Investments		**33.40**	**4.66**		**28.50**	**5.39**	

3.0 PERFORMANCE MEASUREMENT

3.1 One of the key changes in the revision of the Code in 1996 was the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide (as incorporated in the table in section 2). CIPFA has however issued draft indicators, although accompanied by a cautionary note. In effect these represent a potential range of statistics which will not give a definitive set of indicators, but will rather aid comparison with neighbouring authorities treasury structures.

The use of benchmarks for investments may be inappropriate for those Local Authorities with small cash balances as they may only be able to put money out for short periods and often at weaker rates.

4.0 THE STRATEGY FOR 2005/06

Sections 4.0 and 5.0 are reproduced from the Treasury Management Strategy approved by the Executive Board Sub-Committee on 14th March 2005.

4.1 The Council appointed Sector Treasury Services as a treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. Appendix A draws together a number of current City forecasts for short term or variable (the base rate or repo rate) and longer fixed interest rates.

4.2 Sector View: Interest rate forecast – January 2005

(%)	Q/E1 2005	Q/E2 2005	Q/E3 2005	Q/E4 2005	Q/E1 2006	Q/E2 2006	Q/E3 2006	Q/E4 2006	Q/E1 2007	Q/E2 2007	Q/E3 2007
Base Rate	5.00%	5.00%	4.75%	4.75%	4.50%	4.50%	4.25%	4.25%	4.25%	4.50%	4.50%
5 yr Gilt Yield	4.75%	4.75%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.75%	4.75%
10 yr PWLB	5.00%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
25 yr PWLB	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%

4.3 Economic background

UK

- Above trend GDP robust, but indications of weakening activity ahead.
- Slowdown in household spending and weakening housing market.
- Benign inflation at present, may rise in 2005 as high street competition cannot sustain the current situation against the effect of rising oil prices.
- Sterling expected to remain at $1.80 or above.

International

- US - measured interest rate raising by the Federal Reserve; weak trend employment data.
- Consumer slowdown shows no signs of abating and this will be compounded by high oil prices, rising interest rates, the fading effects of past tax cuts and a faltering labour market.
- US inflation benign.
- ECB has held repo rate at 2.00% since June 2003.
- Weak domestic demand/export led growth indicates an economy about to suffer as world economy expected to slow.

Interest rate forecast

- The base rate is expected to rise to 5.00% in Q1 2005, but is nearing the peak of the cycle, and is consequently expected to fall back in 2005.

Long term 25 year PWLB rate:

- Expected to remain around 4.75%.
  - Housing market to weaken from fast market increases causing consumers to feel the pinch.
  - Slower global growth driven by weakness in the US.

5.0 CAPITAL BORROWINGS AND THE BORROWING PORTFOLIO STRATEGY

5.1 The anticipation is that there is not likely to be much difference between short-term variable PWLB rates and medium and long-term PWLB fixed rate borrowing during 2005/06 provided base rate stays around 4.75% as expected until quarter 3 of 2005. Variable rate borrowing will therefore be slightly more expensive than long term fixed borrowing during quarter 2, but is expected to become cheaper in quarter 1 of 2006 when base rate is forecast to fall to 4.5%. Thereafter variable rate borrowing is expected to become still cheaper during 2006 and so the gap will widen further between long term fixed and variable rates.

5.2 Long-term rates are not currently expected to move significantly in 2005/06 but may drift to the downside.

5.3 These interest rate expectations provide a variety of options:

- that short-term variable rates will be good value compared to long-term rates, and are likely to remain so for potentially at least the next couple of years. Best value will therefore be achieved by borrowing short term at variable rates in order to minimise borrowing costs in the short term or to make short-term savings in order to meet budgetary constraints. To assist in effective debt management the authority should attempt to build up the level of volatility [exposure to variable rate borrowing] in their debt portfolios. If fixed PWLB rates should fall significantly, then a suitable trigger point for considering new fixed rate long term borrowing would be about 4.5%.

- that the risks intrinsic in the shorter term variable rates are such, when compared to historically relatively low long term fixed funding, which may be achievable in 2005/06, that the Council will maintain a stable, longer term portfolio by drawing longer term fixed rate funding at a marginally higher rate than short term rates.

5.4 Against this background caution will be adopted with the 2005/06 treasury operations. The Executive Director of Resources will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to Corporate Services Board at the next available opportunity.

5.5 Sensitivity of the forecast - The main sensitivities of the forecast are likely to be the two scenarios below. The Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:

- if it were felt that there was a significant risk of a sharp rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

- if it were felt that there was a significant risk of a sharp fall in long and short term rates, due to e.g. growth rates remaining low or weakening, then long term borrowings will be postponed, and any rescheduling from fixed rate funding into variable or short rate funding will be exercised.

6.0 OUTTURN FOR 2005/06

6.1 Shorter-term interest rates

Base rate had peaked at 4.75%, in August 2004 and remained there at the start of 2005/06. Base rate cuts came back onto the MPC's agenda during quarter 2 of 2005 as the slowdown in consumer expenditure gathered momentum. Activity weakened in other areas of the economy and manufacturing output fell for a second quarter in a row i.e. a technical recession. Claimant count unemployment showed monthly increases although total employment continued to grow. During quarter 3, the interest rate cycle turned with a base rate cut to 4.5% in August as overall economic growth and growth in household expenditure continued to weaken. The rise in the oil price to a record high of just under $70 per barrel pushed manufacturer's price inflation up to 14% in July – the highest rate since records began in 1987. Manufacturers absorbed most of this increase but CPI inflation nevertheless jumped above the MPC's 2.0% target level, from 1.9% in March to 2.4% in August. However, there was little evidence of this jump in inflation feeding through into second round inflation effects (e.g. pay increases). The August MPC minutes revealed only a narrow majority voting in favour of a cut so market expectations and confidence of a further cut to 4.25% were abated. In quarter 4, the MPC left interest rates on hold as it became very concerned that the rise in CPI inflation would feed through into second round wage effects, although there was actually little evidence that this was occurring. CPI inflation behaved itself well, falling from a peak of 2.5% in September to 2.1% in November while average earnings were on a downward trend from a peak of 4.5% reached in July. One MPC member started to vote for a further base rate cut at the December MPC meeting which, together with the overall weak tenor of economic news, shifted market sentiment after the release of the MPC minutes from the next move being up to now remaining stable. This was what indeed happened during quarter 1 of 2006 as MPC concerns continued at possible second round inflationary effects and over a modest recovery in the housing market, with house prices rising 5.4% in March (Nationwide survey). CPI actually dipped below the 2.0% target in both January (1.9%) and March (1.8%) but on the other hand, manufacturer's output inflation rose from 2.3% in November to 2.9% in February. In addition, the high wholesale price of gas fed through into price hikes of up to 20% to the consumer. GDP growth had been on a rising trend from a floor +0.2% q/q in Q1 2005 to +0.7% in Q1 2006. Despite that, claimant count unemployment increased in each month of 2005/06 and significant levels of immigration, particularly from Eastern Europe, had also helped to keep wage inflation at modest levels. Overall, the broadly stronger tenor of economic news militated against a cut in base rate in quarter 1 and only one MPC member voted for a rate cut at all three MPC meetings in the quarter.

In the US, the Fed. continued its programme of measured increases in the Fed. rate in order to return it to more normal levels after being at 1.0% up to June 2004. Further 0.25% increases pushed the rate up from 2.75% at the start of 2005/06 to finish the year at 4.75%. GDP growth peaked in 2004 at 4.2% before settling back to 3.6 % in 2005 and a forecast 3.0% in 2006. Hurricane Katrina at the end of August, caused a temporary blip to employment and production, both of which soon recovered.

In the Euro zone, the ECB left its rate unchanged at 2.0% throughout 2004 and then again through nearly all of 2005 until it raised the rate to 2.25% in December and then to 2.5% in March after the economy at long last stirred into a moderate increase in growth. GDP growth improved from 0.7% in 2003 to 1.8% in 2004 but fell back to 1.5% in 2005. It is expected to recover to average 2.3% in 2006.

6.2 12-month bid rates

The 12-month LIBID rate started the year at a high point for the year of just over 5.0% but then fell and made a number of brief sorties down to around 4.35% in July to October before market expectations of one possible imminent further cut in base rate to 4.25% finally vanished. By the end of 2005/06, the rate had climbed steadily back up to 4.70% as market expectations geared themselves up for an increase in base rate as being the next move on the back of the recovery of GDP growth to near the long term average and concerns around inflation.

6.3 5 and 10 Year Gilts

The 5-year gilt yield fell from about 4.68% (10 year 4.73%) at the start of the year to a low of about 4.05% (10 yr 4.09%) on 1 September (after being at nearly similar levels previously around the end of June) before hitting two peaks around 4.45% (10 year 4.40%) in early November and the end of March. The 10 year gilt hit a low of about 3.96% in mid January 2006.

6.4 Longer-term interest rates

The PWLB 25-30 year rate started the year at 4.750% and then fell into a range of 4.30 – 4.50% for most of 2005 after mid May. However, long gilt yields plunged to levels unprecedented in recent history in late January and the 25-30 year rate bottomed out at 3.85% before rising back to a new peak of 4.25% at the end of the year. A major innovation in 2005/06 was the introduction by the Government of the longest maturity period gilts since the 1960s, namely for 50 years. The first issue of £2.5bn on 26.5.05 was followed by further similar sized tranches in July, December and February. The PWLB took its cue from the 7 December issue to introduce at the same time new PWLB borrowing for maturity periods longer than 25 – 30 years and up to a maximum of 45 – 50 years. This longest band started at a rate of 4.20% (compared to 4.30% for 25-30 year borrowing) and the rate bottomed at 3.70% in late January before ending the year at 4.15%. The phenomenally low rates above were widely interpreted as having been caused by unusually high demand for long gilts from non UK institutions including oil rich and Asian countries buying financial assets with their cash mountains.

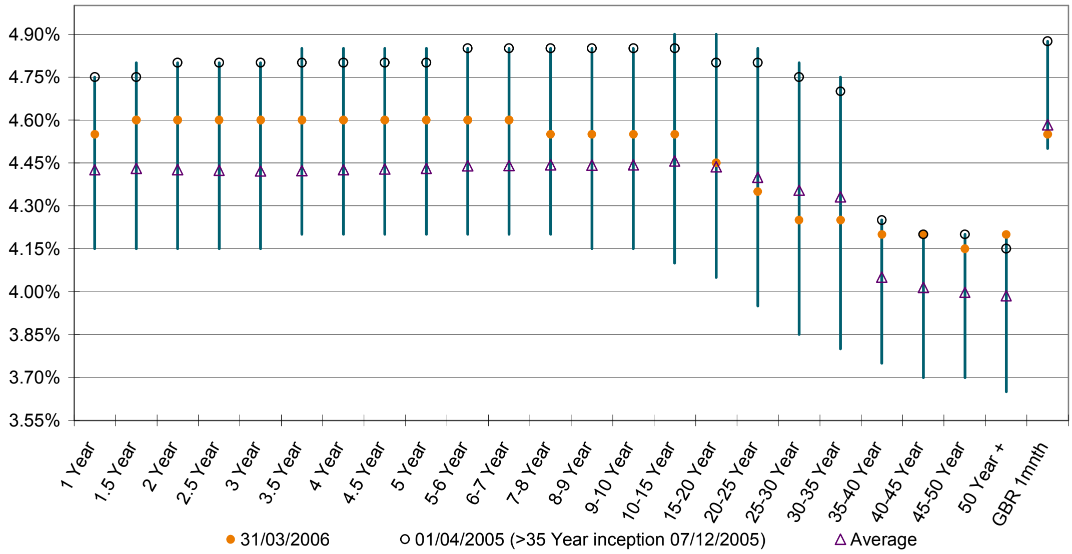
7.0 BORROWING OUTTURN FOR 2005/06

7.1 As comparative performance indicators, average PWLB maturity loan interest rates for 2005/06 were:

1 year	4.43%
9 - 10 year	4.44%
25 - 30 year	4.35%
45 – 50 year	4.00%
1 month GBR variable	4.58%

7.2 The graph below shows the range (high and low points) in rates for each maturity period during the year, and individual rates at the start and end of the financial year.

PWLB rates 2005/06



7.3 Debt Performance

As highlighted in section 2.1, above the average debt portfolio interest rate has moved over the course of the year from 5.35% to 4.13%. The approach during the year was to fund borrowing from surplus cash unless rates were particularly attractive when the Council would draw longer term fixed rate debt to take advantage of low long term rates and reduce exposure to fluctuations in short term interest rates.

7.4 The only new long term borrowing transaction was as follows:

Loan No.	Value	Type	Period	Rate
491216	£10m	Maturity	50 years	3.70%

8.0 COMPLIANCE WITH TREASURY LIMITS

8.1 During the financial year the Council operated within the treasury limits set out in the Council's Treasury Policy Statement and Treasury Strategy Statement.

9.0 TEMPORARY INVESTMENTS STRATEGY

Section 9.0 is reproduced from the Treasury Management Strategy approved by the Executive Board Sub-Committee on 14th March 2005.

9.1 In-house funds: The Council's in-house managed funds have during the past twelve months been in the value range of 18 to 25m with a core balance of around 10m which is available for investment over a longer (say) 2-3 year period. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). A suggested limit on maturities over one year would be a maximum of 75%, with a limit over 2 years of a maximum of 50%.

The Council already has investments that span the financial year e.g. longer-dated deposits including callable deposits, which were taken out at the peak of the last rate cycle as shown below.

	Amount	Maturity	Rate
Cheshire BS	2.0m	02/06/05	5.22
Cheshire BS	2.5m	15/08/05	5.30
Norwich & Peterborough BS	2.5m	15/08/05	5.30
Nottingham BS	2.5m	01/07/05	5.22

It is unlikely therefore that further long dated investments will be undertaken until either rates improve or these investments mature.

Interest Rate Outlook : Sector's is forecasting base rates to be on a falling trend from 4.75 % in Q1 and Q2 2005 to 4.50% in Q1 & 2 of 2006. The Council will therefore seek to continue to lock in longer period investments at higher rates before this fall starts for some element of its investment portfolio which represents its core balances.

The Council has identified 4.95% as an attractive trigger rate for 1-year lending and 4.90% for 2-3 year lending. The 'trigger points' will be kept under review and discussed with Sector so that investments can be made at the appropriate time.

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (1-3 months) in order to benefit from the compounding of interest.

End of year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

10.0 INVESTMENTS OUTTURN FOR 2005/06

10.1 Internally Managed Investments – The authority manages its investments in-house and invests within the institutions listed in the authority's approved lending list. The authority invests for a range of periods from overnight to 3 years, dependent on the authority's cash flows and the interest rates on offer.

10.2 Investment Outturn – Detailed below is the result of the investment strategy undertaken by the Council.

	Average Investment Level	Rate of Return (gross of fees)	Rate of Return (net of fees)	Benchmark Return*
Internally Managed	£30.337m	4.90%	4.90%	4.64%

*The benchmark for internally managed funds is the average 7-day LIBID rate (uncompounded) sourced from the Financial Times. The benchmark for externally managed funds is the 7 day LIBID rate, averaged for the week, and compounded weekly.

NB: The 3 month LIBID benchmark rate was 4.57%.

10.3 No institutions in which investments were made showed any difficulty in repaying investments and interest in full during the year.

11.0 DEBT RESCHEDULING

11.1 Halton had already fixed the borrowing position in preparation for the Housing Stock Transfer and it would not have been beneficial to do any rescheduling in advance of this.

11.2 After the stock transfer, during January 2006, long term rates fell to an all time low and the Council renegotiated the Depfa Bank Borrowing as follows:

Was	LTBI	£10m	6 months rollover	40 years	4.50%
Now	LTBI(a)	£10m	6 months rollover	60 years	4.42%

12.0 OTHER ISSUES

12.1 Euro Entry

The Chancellor made a statement in Parliament on 9 June 2003 on the outcome of the five tests that needed to be passed prior to UK entry into the Euro. The conclusion reached was that the UK was not yet ready to enter into the Euro; most commentators and the foreign currency exchanges, considered that the UK would be unlikely to meet those tests for at least several years although the Government announced it was keeping the door open.

12.2 Housing Stock Transfer

In treasury management terms, the stock transfer went smoothly. The careful positioning of the Authority’s external debt in the preceding two years meant that the Government fully repaid all the Council’s PWLB debt and its associated premia.

This was achieved by rescheduling the low interest rate debt at a discount, and replacing it with short term variable money up to the maximum limit. This produced a one-off discount of £368,000 for the

Council whilst leaving a premia of £9.544m to be picked up by the Government at the transfer date.

APPENDIX A

INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final two represent summarised figures drawn from the population of all major City banks and academic institutions. The forecast within this strategy statement has been drawn from these diverse sources and officers' own views.

1. INDIVIDUAL FORECASTS

Sector View interest rate forecast – January 2005

	Q/E1 2005	Q/E2 2005	Q/E3 2005	Q/E4 2005	Q/E1 2006	Q/E2 2006	Q/E3 2006	Q/E4 2006	Q/E1 2007	Q/E2 2007	Q/E3 2007
Base Rate	4.75%	4.75%	4.75%	4.75%	4.50%	4.50%	4.25%	4.25%	4.25%	4.50%	4.50%
5 yr Gilt Yield	4.75%	4.75%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.75%	4.75%
10 yr PWLB Rate	5.00%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
25 yr PWLB Rate	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%

UBS Economic interest rate forecast (for quarter ends) - January 2005

	Q/E1 2005	Q/E2 2005	Q/E3 2005	Q/E4 2005	Q/E1 2006	Q/E2 2006	Q/E3 2006	Q/E4 2006
Base Rate	4.75%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
10 yr PWLB Rate	4.70%	4.60%	4.65%	4.70%	4.70%	4.70%	4.70%	4.70%
25 yr PWLB Rate	4.55%	4.55%	4.60%	4.65%	4.65%	4.65%	4.65%	4.65%

Capital Economics interest rate forecast – January 2005

	Q/E1 2005	Q/E2 2005	Q/E3 2005	Q/E4 2005	Q/E1 2006	Q/E2 2006	Q/E3 2006	Q/E4 2006
Base Rate	4.75%	4.50%	4.25%	4.00%	3.75%	3.50%	3.50%	3.50%
5 yr Gilt Yield	4.40%	4.30%	4.20%	4.00%	3.80%	3.60%	3.70%	3.80%
10 yr PWLB Rate	4.55%	4.45%	4.45%	4.35%	4.25%	4.15%	4.25%	4.35%
25 yr PWLB Rate	4.50%	4.40%	4.50%	4.45%	4.50%	4.50%	4.55%	4.55%

2. SURVEY OF ECONOMIC FORECASTS

HM Treasury – 15.12.04 summary of forecasts of 28 City and 14 academic analysts for Q4 2004 and 2005. (2006 – 2008 are as at November 2004 but are based on 11 forecasts)

	Quarter Ended		Annual Average Repo		
	Q4 2004	Q4 2005	Average 2006	Average 2007	Average 2008
Indep. Forecasters BoE Base Rate	4.77%	4.77%	4.81%	4.82%	4.76%
Highest Base Rate	5.00%	5.25%	5.50%	5.25%	5.25%
Lowest Base Rate	4.75%	3.90%	4.10%	4.10%	3.80%

APPENDIX B

Date	Base Rate	7 Day Libid	1 Year	9-10 Year	20-25 Year	50 Year
	%	%	%	%	%	%
April 1, 2005	4.75	4.74	4.75	4.85	4.80	4.70
April 8, 2005	4.75	4.75	4.70	4.80	4.75	4.70
April 15, 2005	4.75	4.77	4.70	4.80	4.75	4.70
April 22, 2005	4.75	4.72	4.70	4.70	4.70	4.60
April 29, 2005	4.75	4.71	4.65	4.65	4.65	4.60
May 6, 2005	4.75	4.71	4.60	4.65	4.65	4.60
May 13, 2005	4.75	4.70	4.50	4.55	4.55	4.50
May 20, 2005	4.75	4.69	4.50	4.50	4.50	4.45
May 27, 2005	4.75	4.69	4.40	4.50	4.50	4.45
June 3, 2005	4.75	4.69	4.35	4.40	4.40	4.40
June 10, 2005	4.75	4.72	4.40	4.35	4.40	4.35
June 17, 2005	4.75	4.70	4.50	4.55	4.55	4.50
June 24, 2005	4.75	4.77	4.35	4.40	4.45	4.40
July 1, 2005	4.75	4.69	4.25	4.30	4.35	4.35
July 8, 2005	4.75	4.78	4.15	4.35	4.40	4.35
July 15, 2005	4.75	4.70	4.25	4.50	4.55	4.50
July 22, 2005	4.75	4.75	4.30	4.50	4.55	4.55
July 29, 2005	4.75	4.65	4.30	4.45	4.50	4.45
August 5, 2005	4.50	4.48	4.35	4.50	4.55	4.50
August 12, 2005	4.50	4.41	4.45	4.55	4.55	4.50
August 19, 2005	4.50	4.51	4.40	4.40	4.40	4.35
August 26, 2005	4.50	4.52	4.35	4.35	4.40	4.40
September 2, 2005	4.50	4.60	4.20	4.25	4.35	4.35
September 9, 2005	4.50	4.60	4.30	4.30	4.35	4.35
September 16, 2005	4.50	4.57	4.35	4.35	4.35	4.35
September 23, 2005	4.50	4.45	4.30	4.30	4.35	4.30
September 30, 2005	4.50	4.48	4.35	4.40	4.40	4.35
October 7, 2005	4.50	4.42	4.30	4.40	4.40	4.40
October 14, 2005	4.50	4.55	4.35	4.55	4.55	4.50
October 21, 2005	4.50	4.45	4.45	4.55	4.50	4.45
October 28, 2005	4.50	4.43	4.45	4.55	4.50	4.45
November 4, 2005	4.50	4.51	4.55	4.60	4.50	4.45
November 11, 2005	4.50	4.43	4.50	4.55	4.50	4.40
November 18, 2005	4.50	4.45	4.40	4.35	4.30	4.25
November 25, 2005	4.50	4.43	4.35	4.35	4.30	4.25
December 2, 2005	4.50	4.50	4.35	4.35	4.30	4.20
December 9, 2005	4.50	4.47	4.45	4.40	4.30	4.10
December 16, 2005	4.50	4.63	4.45	4.45	4.35	4.10
December 23, 2005	4.50	4.60	4.30	4.35	4.25	4.05
December 30, 2005	4.50	4.60	4.30	4.30	4.20	4.05

Date	Base Rate	7 Day Libid	1 Year	9-10 Year	20-25 Year	50 Year
	%	%	%	%	%	%
January 6, 2006	**4.50**	**4.48**	**4.30**	**4.25**	**4.15**	**3.95**
January 13, 2006	**4.50**	**4.46**	**4.35**	**4.25**	**4.10**	**3.85**
January 20, 2006	**4.50**	**4.47**	**4.35**	**4.20**	**4.00**	**3.75**
January 27, 2006	**4.50**	**4.45**	**4.45**	**4.35**	**4.15**	**3.85**
February 2, 2006	**4.50**	**4.43**	**4.50**	**4.35**	**4.15**	**3.85**
February 9, 2006	**4.50**	**4.41**	**4.40**	**4.35**	**4.20**	**3.95**
February 16, 2006	**4.50**	**4.42**	**4.40**	**4.35**	**4.20**	**4.05**
February 24, 2006	**4.50**	**4.43**	**4.40**	**4.30**	**4.10**	**3.95**
March 3, 2006	**4.50**	**4.59**	**4.50**	**4.40**	**4.15**	**4.00**
March 10, 2006	**4.50**	**4.50**	**4.50**	**4.45**	**4.30**	**4.10**
March 17, 2006	**4.50**	**4.62**	**4.50**	**4.45**	**4.30**	**4.10**
March 24, 2006	**4.50**	**4.44**	**4.55**	**4.50**	**4.30**	**4.10**
March 31, 2006	**4.50**	**4.58**	**4.55**	**4.55**	**4.35**	**4.20**

Maximum	4.75	4.77	4.75	4.85	4.80	4.70
Minimum	4.50	4.41	4.15	4.20	4.00	3.75
Spread	0.25	0.36	0.60	0.65	0.80	0.95
Average	4.67	4.66	4.51	4.53	4.48	4.38

APPENDIX C

PRUENTIAL INDICATORS FOR 2005/06

The following prudential indicators were set for the purposes of an integrated treasury management strategy.

No.	Prudential	2005/06 £	2006/07 £	2007/08 £
	(1) Extract from Budget and Rent Setting			
	Affordable Borrowing			
3	Increase in Council Tax B7 (Band D, per annum)	4.17	4.93	4.93
4	Increase in Housing Rent per	-	-	-
7	Capital Financing Requirement (as at 31 March)	£m	£m	£m
	Non-HRA	70.4	76.6	82.5
	HRA (applies only to Housing Authorities	-	-	-
	TOTAL	70.4	76.6	82.5

No.	Prudential	2005/06 £m	2006/07 £m	2007/08 £m
	(2) Treasury Management Prudential			
9	Authorised Limit for External	range		
	Borrowing	33.9-64.9	32.0	34.9
	Other Long Term Liabilities	-	-	-
	TOTAL	33.9-64.9	32.0	34.9
10	Operational Boundary	range		
	Borrowing	23.9-54.9	22.0	24.9
	Other Long Term Liabilities	-	-	-
	TOTAL	23.9-54.9	22.0	24.9
12	Upper Limit for Fixed Interest Rate			
	Expressed as			
	Net Principal re Variable Borrowing/ Investments	54.9 (100%)	22.0 (100%)	24.9 (100%)
13	Upper Limit for Variable Rate			
	Expressed as			
	Net Principal re Variable Borrowing/ Investments	54.9	22.0	24.9
	Net Interest re Variable Rate Borrowing/ Investments	(100%)	(100%)	(100%)
14	Maturity Structure of New Fixed Rate Borrowing during 2005/06		Upper	Lower
	Under 12 months		100%	0%
	12 months and within 24 months		50%	0%
	24 months and within 5 years		75%	0%
	5 years and within 10 years		75%	0%
	10 years and above		100%	0%

No.	Prudential	2005/06	2006/07	2007/08
15	Upper Limit for Total Principal Sums invested for over			
	Up to 1 year (per maturity date)	100%	100%	100%
	Up to 2 years (per maturity date)	75%	75%	75%
	2 Years+ (per maturity date)	25%	25%	25%