

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 11th JANUARY 2006

REPORT OF THE PRINCIPAL ACCOUNTANT

This matter is the responsibility of Executive Councillor Williams
(Leader of the Council)

TREASURY MANAGEMENT UPDATE 2005/06

EXECUTIVE SUMMARY

- The Bank of England base rate is currently at 4.5% with the expectation of downward movement to 4.0% by end of 2006.
- Investment income on target to meet budget, but future income at risk of downward trend in interest rates.
- Investments outstanding £19,943,000 on 22/12/05.
- Return on investments 4.51% - 5.40%.

1. Purpose of Report

- 1.1 To update the Executive on the current position for treasury management activities in 2005/06, and to raise any issues regarding the remainder of this financial year and into the next.

2. Interest Rates

- 2.1 As expected, the Bank of England cut rates from 4.75% to 4.5% in August 2005. However, speculation and discussion still persist over the trend over the next few years and on what basis / indicators will move the Bank of England to change rates again. Our advisors still expect further drops to 4.0% over the next year, before an eventual rise back to 4.5% by summer 2007.

- 2.2 Investment returns for 05/06 are expected to be on budget, but the trend above suggests lower returns in the future.

3. External Debt

- 3.1 Some £8k has been repaid to the PWLB since June 2005, with no opportunities to refinance at this time. This is constantly under review in effort to reduce costs to the revenue budget.

4. Investment Transactions

- 4.1 As at 22nd December 2005, sums totalling £19,943,000 were invested as set out in Appendix A.

- 4.2 At the end of 2005/6 it is expected that at least £8-10 million will remain invested, with the remaining investments drawn down to meet cash flow demands between now and 31/03/06.

4.3 The average rate of interest achieved on all new investments for 2005/06 ranges from 4.51% to 5.4%, with the differences reflecting length of the investment.

5. Effect on Corporate Priorities

5.1 Treasury Management impacts on all aspects of the Council's revenue and capital finances and therefore affects all Corporate Priorities.

6. Recommendation

6.1 The Executive is requested to note the treasury management position to date for 2005/06.

Background Papers: Executive 9th March 2005, Treasury Management & Investment Strategy Statement 2005/6; Executive 22nd June 2005, Treasury Management Update.

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Appendix A

Investments At 22nd December 2005 (in Order of Maturity)

Borrower	Amount £	Rate of Interest %	Date of Investment	Date of Maturity
Newcastle Building Society	1,000,000	4.52	15/12/05	16/01/06
Derbyshire Building Society	1,000,000	4.51	18/10/05	18/01/06
Nationwide Building Society	1,000,000	4.50	01/12/05	19/12/06
Portman Building Society	1,000,000	4.52	01/11/04	25/01/06
West Bromwich Building Society	1,000,000	4.54	01/11/04	01/02/06
Portman Building Society	1,000,000	4.54	01/11/05	01/02/06
Derbyshire Building Society	1,000,000	4.53	03/10/05	03/02/06
Coventry Building Society	1,000,000	4.56	15/11/05	15/02/06
Cumberland Building Society	1,000,000	4.57	15/11/05	15/02/06
Progressive Building Society	1,000,000	4.52	17/10/05	17/02/06
Dexia Banque a Luxembourg SA	1,000,000	5.00	01/03/05	28/02/06
Kent Reliance Building Society	1,000,000	4.55	28/10/05	28/02/06
Skipton Building Society	1,000,000	4.57	15/12/05	15/03/06
Stroud & Swindon Building Society	1,000,000	4.55	18/11/05	17/03/06
Skipton Building Society	1,000,000	4.54	01/12/05	17/03/06
Leeds Building Society	1,000,000	4.56	05/12/05	17/03/06
Coventry Building Society	1,000,000	5.03	31/03/05	31/03/06
Cheshire Building Society	1,000,000	5.27	15/04/05	13/04/06
Stroud & Swindon Building Society	1,000,000	5.40	09/05/05	08/05/06
Abbey National Business Reserve	555,000	4.50	N/A	On Demand
Bank of Scotland Business Reserve	10,000	4.00	N/A	On Demand
Royal Bank of Scotland	378,000	4.00	N/A	On Demand
TOTAL	19,943,000			