

Cumbria Police Authority

15 December 2005

Agenda Item No 23

Treasury Management Activities for the period September 2005 to November 2005.

A report by the Treasurer and Chief Constable

1. Summary

- 1.1 The purpose of this paper is to report on the Treasury Management activities which have taken place between September and November 2005, as required by the CIPFA Code of Practice on Treasury Management.

2. Recommendation

- 2.1 Members are asked to note the contents of the report.

3. Economic Background

- 3.1 The last three months have been relatively quiet from an economic perspective. Both domestically and internationally central banks appear to be attempting to maintain a delicate balance between, on the one hand, maintaining modest economic growth through low interest rates and, on the other, increasing rates as a means of curbing inflationary pressures, arising, in the main, from continuing high energy prices.
- 3.2 Although the European Central Bank has recently raised interest rates in the Euro Zone, the Bank of England Monetary Policy Committee has voted unanimously to leave UK base rates unchanged at 4.5% at each of its monthly meetings during the period under review. For the future, there is some uncertainty about the timing of the next base rate change. On the one hand, there is some speculation amongst economic commentators that there will be a further cut in UK base rates some time during the early part of 2006. However, this view is not altogether supported by money market projections, which point to the base rate remaining little changed for the next twelve months. A schedule of recent actual and forecast base rates is set out for members' information at Appendix 1.

4. Treasury Management operations and performance measures

4.1 Management of cash balances

Members are reminded that the aim is to invest surplus cash and minimise the level of uninvested cash balances, whilst following the Treasury Management Strategy to limit risks to our funds. Actual uninvested balances for the months of September, October and November are shown graphically at Appendix 2 and summarised in the table below: -

	Number	Average Balance (£)	Largest Balance (£)
Days in Credit	85	2,901	91,264
Days Overdrawn	6	2,464	4,078

The surplus balances of £91,264 on the 11th October arose when a large item of unexpected cash was received late in day, which, because of the timing of its arrival, could not be placed with the money market.

4.2 Interest Earned

Interest earned for the period of the report is set out in the table below:

Month	Amount (£)
September 2005	86,844
October 2005	88,155
November 2005	85,427
Total	260,426

The original investment income budget for the 2005-06 financial year amounts to £690,000, this figure was subsequently revised to £880,000 in the light of better than expected investment performance and higher than anticipated funds being available for investment. Given that income in the first eight months has amounted to £702,000 it is likely that total investment income will reach £1 million by the end of the year. The latest projections reflect that more funds are available for investment due to a combination of the following factors: -

- (i) Decisions to defer spending against a number of capital schemes until the position in relation to police re-organisation becomes clearer
- (ii) Receipt of a number of specific grants since the budget was agreed
- (iii) Current spending predictions as set out elsewhere on the agenda

4.3 Investment Performance

The Treasury Management report normally shows an analysis of investment performance for investments of three months and beyond, based on a comparison with a benchmark rate, using LIBID [London Inter Bank Bid (Rate)]. During the period covered by this report no investments of this length were made.

Borrower	Value £(m)	Period (Months)	Actual Rate (%)	LIBID (%)
Bank of Ireland	2	6	4.54	4.50
Northern Rock	2	12	4.61	4.57
Leeds & Holbeck BS	2	4	4.56	4.50

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December 2005

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Attachments

Appendix 1 Recent history and projections of Bank Base Rates
 Appendix 2 Monthly investment charts for September, October and November

Bank of England Base Rates

