

Cumbria Police Authority

15 February 2006

Agenda Item No 7

Treasury Management Activities for the period December 2005 to January 2006.

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 December 2005 and January 2006 as required by the CIPFA Code of Practice on Treasury Management.

2. Recommendations

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

3. Economic Background

- 3.1 Worldwide economic data over the last two months has contained few surprises. International economic growth has been slightly above forecasts, whilst UK growth has increased towards its long run average. This stability has been reflected in buoyant equity markets. There has been little evidence to date of the inflationary pressure, which central banks had feared would feed through to the wider economy from continuing high energy prices. The Bank of England anticipates that its targets for containing inflation will be met.
- 3.2 At its last two meetings the members of the Bank of England Monetary Policy Committee voted by a large margin to maintain UK base rates at their current level of 4.5%. For the future, whilst some commentators are predicting an early cut in interest rates, money market projections suggest little change in the base rate 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 December and January are shown graphically at Appendix 2 and summarised in the table below: -

	Number	Average Balance (£)	Largest Balance (£)
Days in Credit	60	6,372	134,670
Days Overdrawn	2	1,774	2,741

The surplus balance of £134,670 on the 15th December arose due to the unexpected receipt of funds from the Home Office and the County Council. Interest foregone amounted to £16.60.

The surplus balances of £77,443 on the 10th January arose due to a large direct debit payment to a supplier being made a day later than anticipated.

4.2 Interest Earned

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

Month	Amount (£)
December 2005	88,141
January 2006	90,328
Total	178,469

The original investment income budget for the 2005-06 financial year amounts to £690,000. This figure was subsequently revised upwards during the year to £880,000 in the light of higher than anticipated funds being available for investment. As reported in December, it is now likely that total investment income will exceed £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, Inter Bank Bid (Rate)]. During the period covered by this report the following investment of this length was made:

Borrower	Value £(m)	Period (Months)	Actual Rate (%)	LIBID (%)
Cheshire Building Society	2	6	4.57	4.63

Douglas Thomas
Treasurer
February 2006

Michael Baxter
Chief Constable

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Attachments

Appendix 1 Recent history and projections of Bank Base Rates
 Appendix 2 Monthly investment charts for December and January.

Cumbria Police Authority January 2006 Clearing Balances

