

**REPORT TO: POLICY & RESOURCES COMMITTEE - 7 DECEMBER 2009**

**REPORT ON: TREASURY MANAGEMENT ACTIVITY 2009/2010  
(SIX MONTHS TO 30 SEPTEMBER 2009)**

**REPORT BY: DIRECTOR OF FINANCE**

**REPORT NO: 581-2009**

## 1 PURPOSE OF REPORT

- 1.1 To review the Treasury Management activities for the period 1 April 2009 to 30 September 2009.

## 2 RECOMMENDATION

- 2.1 The Committee is asked to note the information contained herein.

## 3 FINANCIAL IMPLICATIONS

The Treasury Management activity during the first half of the current financial year indicates that the Loans Fund interest rate of 5.6%, assumed when setting the 2009/2010 Revenue Budget, will be achieved. In addition, it is anticipated that an extra £700,000 savings will be made from reduced expenditure on capital financing costs.

## 4 BACKGROUND

- 4.1 At its meeting on 24 March 2008, the Policy and Resources Committee approved the Council's Treasury Policy Statement setting out the policies which would govern all borrowing and lending transactions carried out by the Council.

The Treasury Policy Statement requires that the Policy and Resources Committee will receive and consider the Treasury Management strategy before the commencement of each new financial year.

- 4.2 At its meeting on 23 March 2009, the Policy and Resources Committee approved the Council's Treasury Management Strategy for 2009/2010.

This monitoring report covers the Treasury Management activity over the first six months of 2009/2010 financial year.

## 5 BORROWING

### 5.1 Long-Term

#### 5.1.1 Public Work Loans Board

<u>Date Taken</u>	<u>Amount</u>	<u>Rate</u>	<u>Years</u>	<u>Maturity Date</u>
10/08/09	5,000,000	3.65%	8.5	15/08/2017

## 7.2 Short-Term

In order to indicate the level of short-term borrowing, shown below are the lowest and highest daily amounts outstanding each month, together with the short-term borrowing position at the end of every month and the range of interest rates at which borrowings were made:-

<u>Month</u>	<u>Lowest Amount Outstanding</u> <u>£m</u>	<u>Highest Amount Outstanding</u> <u>£m</u>	<u>Borrowing Position at End of Month</u> <u>£m</u>	<u>Interest Rate Range</u> <u>%</u>
April 2009	0.4	16.2	3.1	0.35 to 0.50
May	0.4	7.2	1.4	0.35
June	0.4	1.4	0.4	No market loans taken
July	0.4	2.4	2.4	0.28
August	0.4	9.2	0.4	0.27 to 0.30
September	0.4	0.4	0.4	No market loans taken

The Council's Treasury Strategy document provides that the amount of the overall borrowing which may be outstanding by way of fixed rate short-term borrowing with an initial term of under one year, should be no greater than circa £33m (10% of total debt).

## 8 LENDING

Balances on reserves and variations in cash flow requirements mean that there will be surplus funds which will be invested for short periods (maximum of 364 days). Short term investments will be restricted only to those institutions identified in the Council's Approved Counter-parties list provided they have maintained their credit rating.

These lending figures shown include funds held on behalf of Tayside Police Joint Board, Tayside Superannuation Fund and Tay Road Bridge Joint Board.

An analysis of the lending position to 30 September 2009 shows:

<u>Month</u>	<u>Highest Daily Amount Lent</u> <u>£m</u>	<u>Lending Position at End of Month</u> <u>£m</u>	<u>Interest Rate Range</u> <u>%</u>
April 2008	38.2	23.3	0.5 to 0.9
May	33.7	18.4	0.5 to 0.9
June	39.3	15.9	0.5 to 0.9
July	34.7	14.6	0.5 to 0.9
August	35.2	14.7	0.5 to 0.9
September	34.6	16.9	0.5 to 0.9

All of these lendings were in compliance with the Treasury Policy Statement provisions on such lending with regards to amounts and institutions involved except for one occasion on 29th July 2009. As it was known money was required the following day a total of £13m was kept with the Council's bank - Royal Bank of Scotland. Their limit is £12m.

It is recognised that security of lending is paramount and counterparties are being re-evaluated at each lending decision in light of the uncertainty in the financial markets. Lending decisions are not made solely on the highest interest rate. The current practice is to lend only to suitably rated UK Banks or Building Societies.

**9 REPAYMENT**

As a result of high cash balances £21.5m of PWLB loans were repaid on 1st April 2009. These were at an average interest rate of 4.23% with an average life of 41 years.

**10 OUTLOOK FOR THE SECOND HALF OF 2009/2010**

It is expected there will be some long term borrowing in the second half of the year to fund the capital programme. This will be a combination of market and PWLB and will be taken based on an overview of interest rates over different maturities.

In addition there will be a clear separation of Tayside Superannuation Fund and Dundee City Council cash balances which will replace the current pooled arrangement. This should reduce the level of lending.

**11 POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

**12 CONSULTATIONS**

The Chief Executive and Depute Chief Executive (Support Services) have been consulted in the preparation of this report.

**13 BACKGROUND PAPERS**

None.

**MARJORY M STEWART**  
**DIRECTOR OF FINANCE**

**01 DECEMBER 2009**