

REPORT TO: FINANCE COMMITTEE - 10 DECEMBER 2001

**REPORT ON: TREASURY MANAGEMENT ACTIVITY 2001/2002
(SIX MONTHS TO 30 SEPTEMBER 2001)**

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 769-2001

1 PURPOSE OF REPORT

- 1.1 To review the Treasury Management activities for the period 1 April 2001 to 30 September 2001.

2 RECOMMENDATION

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

3 FINANCIAL IMPLICATIONS

- 3.1 The Treasury Management activity during the first half of the current financial year indicates that the Loans Fund interest rate of 6.6%, assumed when settling the 2000/2001 Revenue Budget, will be improved upon and indeed the current projection is for an actual interest saving against the approved Revenue Budget of some £0.25m for the Council, of which approximately £160,000 relates to General Fund and £90,000 to Housing Revenue Account.

4 LOCAL AGENDA 21 IMPLICATIONS

None

5 EQUAL OPPORTUNITIES IMPLICATIONS

None

6 BACKGROUND

- 6.1 At its meeting on 13 March 2000 the Finance 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 Finance Committee will receive and consider the Treasury Management strategy before or around the commencement of each new financial year.

- 6.2 At its meeting on 12 March 2001, the Finance Committee approved the Council's Treasury Management Strategy for 2001/2002.

This monitoring report covers the Treasury Management activity over the first six months of 2001/2002 financial year.

7 BORROWING

7.1 Long-Term

Long-term borrowing during the first six months was as follows:
(see Appendix A for details of loans)

7.1.1 PWLB £2.5m (2001/2002 Quota £5.3m)

The £2.5m is one maturity loan taken for 25 years at an interest rate of 4.875% per annum.

This loan was taken to take advantage (as outlined in the Treasury Management Strategy 2001/2002 - Report No 152-2001) of historically low long-term interest rates.

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>	Lowest Amount Outstanding £m	Highest Amount Outstanding £m	Borrowing Position at End of Month £m	Interest Rate Range %
April 2001	1.2	1.2	1.2	No marketloans taken
May	1.2	2.1	1.2	4.7500-4.7500
June	1.1	1.9	1.1	4.8750-4.8750
July	1.0	2.8	1.0	4.6875-4.6875
August	1.0	8.5	4.0	4.2500-5.0000
September	1.0	8.8	7.3	4.4375-5.1250

The Council's Treasury Strategy document provides that the amount of the overall borrowing which may be outstanding by way of short-term borrowing ie with an initial term of under one year, should be no greater than circa £52m (20% of total debt).

8 **LENDING**

On occasions the Council will have surplus funds for relatively short periods and it is normal policy for the Council to lend these sums.

An analysis of the lending position to 30 September 2001 shows:

<u>Month</u>	Highest Daily Amount Lent £m	Lending Position at End of Month £m	Interest Rate Range %
April 2001	16.9	1.2	4.5000-6.2500
May	13.3	2.8	4.2500-5.3750
June	17.4	3.6	4.2500-5.1000
July	15.5	1.8	4.2500-5.3750
August	8.2	0.1	3.7500-5.6500
September	11.7	0.1	3.5000-5.0000

The lending activity shown above related to very short-term positions. All of these lendings were in compliance with the Treasury Policy Statement provisions on such lending with regard to amounts and institutions involved.

9 **OUTLOOK FOR THE SECOND HALF OF 2001/2002**

As indicated earlier in this report, long-term borrowing of £2.5m has already been made. A further £2.5m of PWLB quota was taken on 15 November at the extremely low long-term rate of 4.5%. It is anticipated this represents the lowest point and that rates will gradually begin to rise.

When setting the 2001/2002 Revenue Budget, the Council set its Loans Fund interest rate at 6.6%. The Council's Treasury Management strategy of borrowing at historically low long term rates means that the Loans Fund interest rate for 2001/2002 is likely to be below the budgeted level resulting in a projected saving of some £0.25million for the Council.

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DIRECTOR OF FINANCE

BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

DUNDEE CITY COUNCIL

PWLB BORROWING FROM QUOTA 2001/2002

Date Taken	Amount £	Rate %	Years	Maturity Date
31/08/01	<u>2,500,000</u>	4.875	25.0	15/08/2026