

**REPORT TO: FINANCE COMMITTEE - 8 DECEMBER 2003**

**REPORT ON: TREASURY MANAGEMENT ACTIVITY 2003/2004  
(SIX MONTHS TO 30 SEPTEMBER 2003)**

**REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)**

**REPORT NO: 785-2003**

**1 PURPOSE OF REPORT**

- 1.1 To review the Treasury Management activities for the period 1 April 2003 to 30 September 2003.

**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 6.35%, assumed when setting the 2003/2004 Revenue Budget, will be improved upon and indeed the current projection is for an actual interest saving against the approved Revenue Budget of some £485,000 for the Council, of which approximately £300,000 relates to General Fund and £185,000 to Housing Revenue Account. It is anticipated that the eventual savings may be even higher than the aforementioned figure of £485,000.

**4 LOCAL AGENDA 21 IMPLICATIONS**

None

**5 EQUAL OPPORTUNITIES IMPLICATIONS**

None

**6 BACKGROUND**

- 6.1 At its meeting on 11 March 2002, 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 the commencement of each new financial year.

- 6.2 At its meeting on 10 March 2003, the Finance Committee approved the Council's Treasury Management Strategy for 2003/2004.

This monitoring report covers the Treasury Management activity over the first six months of 2003/2004 financial year.

## 7 BORROWING

### 7.1 Long-Term

Long-term borrowing during the first six months was as follows:

#### 7.1.1 PWLB

No PWLB loans were taken in the first six months of the financial year.

### 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 £m</u>	<u>Highest Amount Outstanding £m</u>	<u>Borrowing Position at End of Month £m</u>	<u>Interest Rate Range %</u>
April 2003	0.8	1.4	0.8	3.2500
May	0.8	5.6	0.8	3.2500
June	0.8	0.8	0.8	No market loans taken
July	0.8	0.8	0.8	No market loans taken
August	0.8	6.2	0.8	3.0000
September	0.8	0.8	0.8	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 short-term borrowing ie with an initial term of under one year, should be no greater than circa £54m (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 2003 shows:

<u>Month</u>	<u>Highest Daily Amount Lent £m</u>	<u>Lending Position at End of Month £m</u>	<u>Interest Rate Range %</u>
April 2003	27.1	13.0	3.0000-4.250
May	28.9	12.1	3.0000-4.6300
June	28.1	8.2	2.8750-4.3125
July	23.3	9.1	2.8125-3.8750
August	22.3	6.6	3.0000-4.3000
September	20.6	0.1	3.0000-3.8750

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 regards to amounts and institutions involved.

## **9 OUTLOOK FOR THE SECOND HALF OF 2003/2004**

As indicated earlier in this report, no long term borrowing was made in the first half of the year. PWLB quota of approximately £2m is available and this will be drawn when required.

A debt rescheduling exercise was undertaken on 31 October 2003 which involved the conversion of £22.5m of loans from fixed rate to variable rate. The Council's Treasury Strategy document permits a maximum of £81m (30% of total debt) to be subject to variable rate interest. This exercise is expected to have marginal savings in the current financial year but significant savings in future years.

Despite the recent base rate rise rates are still historically very low and it is still expected that a savings of at least £485,000 will be made over the full year.

## **10 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.

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**20 NOVEMBER 2003**

