

**REPORT TO: FINANCE COMMITTEE - 9 DECEMBER 2002**

**REPORT ON: TREASURY MANAGEMENT ACTIVITY 2002/2003  
(SIX MONTHS TO 30 SEPTEMBER 2002)**

**REPORT BY: DIRECTOR OF FINANCE**

**REPORT NO: 884-2002**

**1 PURPOSE OF REPORT**

1.1 To review the Treasury Management activities for the period 1 April 2002 to 30 September 2002.

**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 6.5%, assumed when setting the 2002/2003 Revenue Budget, will be improved upon and indeed the current projection is for an actual interest saving against the approved Revenue Budget of some £263,000 for the Council, of which approximately £100,000 relates to General Fund and £163,000 to Housing Revenue Account.

**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 11 March 2002, the Finance Committee approved the Council's Treasury Management Strategy for 2002/2003.

This monitoring report covers the Treasury Management activity over the first six months of 2002/2003 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 £8.0m (2002/2003 Quota £11.6m)

The average period to maturity of the three loans taken was 24.2 years at an average interest rate of 4.812%.

These loans were taken to take advantage (as outlined in the Treasury Management Strategy 2002/2003 - Report No 142-2002) 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>	<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 2002	3.1	14.7	9.0	3.8125-3.8125
May	3.1	9.5	9.5	3.5000-3.9375
June	5.0	9.3	8.0	3.5000-3.6875
July	3.7	7.2	3.7	3.3750-3.6250
August	3.4	3.4	3.4	No market loans taken
September	3.3	3.7	3.3	3.3750-3.3750

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 £56m (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 2002 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 2002	8.5	0.2	3.1500-4.1000
May	8.5	0.2	3.6200-4.5000
June	12.4	0.7	3.8000-4.0500
July	14.9	3.5	3.5625-4.6000
August	15.7	3.2	3.5000-4.4000
September	17.9	6.2	3.5000-4.5500

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 2002/2003**

As indicated earlier in this report, long-term borrowing of £8.0m has already been made. A further £3.6m of quota is available. It is envisaged that this will be drawn in the near future given the expectation that interest rates will gradually move back to 5%.

When setting the 2002/2003 Revenue Budget, the Council set its Loans Fund interest rate at 6.5%. The Council's Treasury Management strategy of borrowing historically low long-term rates means that the Loans Fund interest rate for 2002/2003 is likely to be below the budgeted level resulting in a projected saving of some £263,000 for the Council.

**DAVID K DORWARD**  
**DIRECTOR OF FINANCE**

**9 DECEMBER 2002**

## **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 2002/2003**

**PUBLIC WORKS LOAN BOARD**

<b><u>Date Taken</u></b>	<b><u>Amount</u></b>	<b><u>Rate %</u></b>	<b><u>Years</u></b>	<b><u>Maturity Date</u></b>
19.07.02	3,000,000	5.00	24.50	15.01.2027
22.08.02	3,000,000	4.75	25.00	15.06.2027
16.09.02	<u>2,000,000</u>	4.625	22.50	30.09.2024
	<u>8,000,000</u>			