

REPORT TO: POLICY & RESOURCES COMMITTEE - 10 DECEMBER 2007

**REPORT ON: TREASURY MANAGEMENT ACTIVITY 2007/2008
(SIX MONTHS TO 30 SEPTEMBER 2007)**

REPORT BY: HEAD OF FINANCE

REPORT NO: 635-2007

1 PURPOSE OF REPORT

- 1.1 To review the Treasury Management activities for the period 1 April 2007 to 30 September 2007.

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 5.90%, assumed when setting the 2007/2008 Revenue Budget, will be achieved. In addition, it is anticipated that an extra £100,000 of interest on revenue balances will be earned above that included in the budget.

4 BACKGROUND

- 4.1 At its meeting on 14 March 2005, 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.

- 4.2 At its meeting on 12 March 2007, the Finance Committee approved the Council's Treasury Management Strategy for 2007/2008.

This monitoring report covers the Treasury Management activity over the first six months of 2007/2008 financial year.

5 BORROWING

5.1 Long-Term

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

- 5.1.1 PWLB £2.25m - See Appendix A

The period to maturity of the loan taken is 40.0 years with an interest rate of 4.55%. This relates specifically to Scientific Services, which is jointly funded by Dundee City Council, Angus Council and Perth and Kinross Council.

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 2007	0.7	0.7	0.7	No market loans taken
May	0.9	0.9	0.9	No market loans taken
June	0.9	0.9	0.9	No market loans taken
July	0.9	0.9	0.9	No market loans taken
August	0.5	0.5	0.5	No market loans taken
September	0.5	0.5	0.5	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 £32m (10% 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. In addition the Council has now created a Capital Fund which means that there are higher cash balances which can be lent for longer.

An analysis of the lending position to 30 September 2007 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 2007	35.2	20.0	5.10-5.38
May	43.5	29.1	5.09-5.59
June	48.7	30.0	5.33-5.98
July	46.3	25.2	5.55-5.81
August	44.0	29.8	5.55-6.25
September	44.8	22.5	5.35-6.35

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 2007/2008**

It is expected there will only be limited borrowing in the second half of the year because the net new borrowing requirement for the year was relatively low and there are no cash flow pressures.

A repayment is expected to be received in respect of outstanding loans to Tay Road Bridge of over £6m. This will either be retained to avoid the need for additional borrowing or used to repay existing PWLB loans.

10 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.

11 CONSULTATIONS

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

12 BACKGROUND PAPERS

None.

MARJORY M STEWART
HEAD OF FINANCE

04 DECEMBER 2007

DUNDEE CITY COUNCIL

PUBLIC WORKS LOAN BOARD

<u>Date Taken</u>	<u>Amount</u>	<u>Rate</u>	<u>Years</u>	<u>Maturity Date</u>	<u>Rollover Dates</u>
23/08/07	<u>2,250,000</u>	4.55%	40.0	15/08/2047	-
	<u>2,250,000</u>				

AVERAGE YEARS TO MATURITY	=	40.0
AVERAGE RATE	=	4.55%