

REPORT TO: FINANCE COMMITTEE - 14 NOVEMBER 2005

**REPORT ON: TREASURY MANAGEMENT ACTIVITY 2005/2006
(SIX MONTHS TO 30 SEPTEMBER 2005)**

REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)

REPORT NO: 663-2005

1 PURPOSE OF REPORT

1.1 To review the Treasury Management activities for the period 1 April 2005 to 30 September 2005.

2 RECOMMENDATION

2.1 The Committee is asked to note the information contained herein and approve the increased maximum deposits limit from £10m to £12m with counterparties shown in Appendix B.

3 FINANCIAL IMPLICATIONS

The Treasury Management activity during the first half of the current financial year indicates that the Loans Fund interest rate of 6.05%, assumed when setting the 2005/2006 Revenue Budget, will be achieved.

4 LOCAL AGENDA 21 IMPLICATIONS

None

5 EQUAL OPPORTUNITIES IMPLICATIONS

None

6 BACKGROUND

6.1 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.

6.2 At its meeting on 14 March 2005, the Finance Committee approved the Council's Treasury Management Strategy for 2005/2006.

This monitoring report covers the Treasury Management activity over the first six months of 2005/2006 financial year.

7 BORROWING

7.1 Long-Term

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

7.1.1 PWLB £15m - See Appendix A

The average period to maturity of the four loans taken was 22.83 years at an average interest rate of 4.34%

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 2005	0.6	0.6	0.6	No market loans taken
May	0.6	1.9	0.6	4.800
June	0.6	0.6	0.6	No market loans taken
July	0.6	0.6	0.6	No market loans taken
August	0.6	0.6	0.6	No market loans taken
September	0.6	0.6	0.6	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 £28m (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.

An analysis of the lending position to 30 September 2005 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 2005	16.6	6.9	4.700-4.800
May	24.0	10.2	4.470-4.800
June	19.4	6.7	4.500-4.770
July	32.3	21.1	4.375-4.770
August	45.2	28.0	4.250-4.650
September	46.0	19.0	4.250-4.600

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.

NB These figures include sums of £10.0m and £12.6m received by Tayside Police on 21 July and 8 August. These funds had not been disbursed by the end of September.

As a result of the high level of funds, it proved difficult to always obtain an appropriate interest rate whilst maintaining the counterparty limits which had been set in the Treasury Policy Statement.

It is therefore considered that the maximum limit for F1+ organisations should be raised to £12m from £10m. The effect of this is shown in Appendix B.

9 OUTLOOK FOR THE SECOND HALF OF 2005/2006

It is expected there will only be limited borrowing in the second half of the year. Most of the borrowing requirement was taken in the first half to take advantage of historically low long term rates.

10 BACKGROUND PAPERS

None.

**DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)**

09 NOVEMBER 2005

DUNDEE CITY COUNCIL

LOANS SCHEDULE 2005/06

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>
23.05.05	5,000,000	4.45%	26.0	15.05.2031	-
30.06.05	2,500,000	4.35%	28.0	15.06.2033	-
30.06.05	2,500,000	4.20%	4.0	15.06.2009	-
07.09.05	<u>5,000,000</u>	4.30%	26.5	30.09.2031	
	<u>15,000,000</u>				

APPROVED COUNTERPARTIES FOR LENDING TRANSACTIONS

<u>Approved Lending Bodies</u>	<u>Short Term Credit Rating</u>	<u>Maximum Deposits £m</u>
<u>Banks</u>		
Abbey National plc	F1+	12
HBOS (formerly Bank of Scotland and Halifax)	F1+	12
Barclays Bank plc	F1+	12
* Clydesdale Bank plc (National Australia Bank)	F1+	12
Lloyds TSB Bank plc	F1+	12
HSBC Bank plc	F1+	12
Royal Bank of Scotland plc (inc National Westminster)	F1+	12
Alliance and Leicester plc	F1+	12
Bradford & Bingley plc	F1	5
Anglo Irish Bank Corporation	F1	5

Building Societies

Nationwide Building Society	F1+	12
Britannia Building Society	F1	5
Coventry Building Society	F1	5
Skipton Building Society	F1	5
Principality Building Society	F1	5
Yorkshire Building Society	F1	5
Chelsea Building Society	F1	5

Other

Scottish Local Authorities	N/A	5
English and Welsh Local Authorities	N/A	5

* This bank is a wholly owned subsidiary of the bank in brackets and the rating quoted refers to the parent bank.

NB Credit ratings indicate the capacity for timely repayments as follows:

F1+	strongest
F1	strong
F2	satisfactory
F3	adequate
B	uncertain

- C highly uncertain
- D actual or imminent default