

REPORT TO: FINANCE COMMITTEE - 11 DECEMBER 2006

**REPORT ON: TREASURY MANAGEMENT ACTIVITY 2006/2007
(SIX MONTHS TO 30 SEPTEMBER 2006)**

REPORT BY: HEAD OF FINANCE

REPORT NO: 684-2006

1 PURPOSE OF REPORT

1.1 To review the Treasury Management activities for the period 1 April 2006 to 30 September 2006.

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 2006/2007 Revenue Budget, will be achieved. In addition, a saving of £200,000 is projected to be achieved from an increase in interest received on revenue balances.

4 SUSTAINABILITY POLICY 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 13 March 2006, the Finance Committee approved the Council's Treasury Management Strategy for 2006/2007.

This monitoring report covers the Treasury Management activity over the first six months of 2006/2007 financial year.

7 BORROWING

7.1 Long-Term

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

7.1.1 PWLB £20m - See Appendix A

The average period to maturity of the three loans taken was 44.63 years at an average interest rate of 4.21%

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 2006	0.7	0.7	0.7	No market loans taken
May	0.7	0.7	0.7	No market loans taken
June	0.6	0.7	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 £31m (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 2006 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 2006	43.5	24.0	4.200-4.620
May	49.4	37.2	4.200-4.600
June	53.2	34.1	4.380-4.600
July	43.7	34.5	4.200-4.600
August	38.9	22.7	4.400-4.840
September	54.9	30.5	4.550-4.850

All of these lendings were in compliance with the Treasury Policy Statement provisions on such lending with regards to amounts and institutions involved.

The balances were particularly high for two main reasons. Firstly, on average approximately £10m relates to Superannuation Fund. The fund has allocated additional sums to property but the manager has been unable to take all this money immediately. Secondly, the capital expenditure requirement for 2006/07 was borrowed for last year to take advantage of rates. This money is only gradually being spent in current year.

9 **OUTLOOK FOR THE SECOND HALF OF 2006/2007**

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.

**MARJORY M STEWART
HEAD OF FINANCE**

05 DECEMBER 2006

DUNDEE CITY COUNCIL

LOANS SCHEDULE 2006/07

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>
25/05/06	5,000,000	4.25%	40.5	15/11/2046	-
12/09/06	7,500,000	4.20%	45.5	30/09/2051	-
12/09/06	<u>7,500,000</u>	4.20%	46.5	30/09/2052	-
	<u>20,000,000</u>				