

**REPORT TO: FINANCE COMMITTEE - 13 DECEMBER 2004**

**REPORT ON: TREASURY MANAGEMENT ACTIVITY 2004/2005  
(SIX MONTHS TO 30 SEPTEMBER 2004)**

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

**REPORT NO: 788-2004**

**1 PURPOSE OF REPORT**

1.1 To review the Treasury Management activities for the period 1 April 2004 to 30 September 2004.

**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 6.05%, assumed when setting the 2004/2005 Revenue Budget, will be achieved.

**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 8 March 2004, the Finance Committee approved the Council's Treasury Management Strategy for 2004/2005.

This monitoring report covers the Treasury Management activity over the first six months of 2004/2005 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 three loans taken was 17.7 years at an average interest rate of 4.77%

### 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 2004	2.4	6.7	6.7	3.7500-4.0000
May	1.0	6.7	1.5	4.2500-4.3500
June	0.5	1.5	0.5	No market loans taken
July	0.5	0.5	0.5	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 £27m (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 2004 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 2004	12.1	0.2	3.9500-4.5000
May	11.9	0.1	3.7500-4.4000
June	17.5	8.0	3.6250-4.7500
July	19.2	3.6	4.0000-4.5500
August	19.1	4.9	4.3000-4.8300
September	26.1	13.7	4.3750-4.8750

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 2004/2005**

On 19 October 2 'Lender Option Borrower Option' (LOBO) loans of £5m each were taken to fund the repayment of a PWLB loan. These were taken at rates of 3.4% and 3.65% fixed for 4 years. These low rates will result in revenue savings being achieved in the current and future financial years.

Further long term borrowing of approximately £15m is expected in the rest of the year to finance capital expenditure. The outlook for both short and long term rates is currently flat so borrowing decisions will be based on opportunities which become available.

**10 BACKGROUND PAPERS**

None.

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

**8 DECEMBER 2004**

**DUNDEE CITY COUNCIL**  
**LOANS SCHEDULE 2004/05**  
**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>	<b><u>Rollover Dates</u></b>
06.04.04	5,000,000	4.80%	25.5	15.04.2029	-
29.09.04	5,000,000	4.75%	1.0	29.09.2005	-
29.09.04	<u>5,000,000</u>	4.75%	26.5	30.09.2030	
	<u>15,000,000</u>				