

**REPORT TO: POLICY & RESOURCES COMMITTEE - 8 DECEMBER 2008**

**REPORT ON: TREASURY MANAGEMENT ACTIVITY 2008/2009  
(SIX MONTHS TO 30 SEPTEMBER 2008)**

**REPORT BY: HEAD OF FINANCE**

**REPORT NO: 605-2008**

**1 PURPOSE OF REPORT**

- 1.1 To review the Treasury Management activities for the period 1 April 2008 to 30 September 2008.

**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 2008/2009 Revenue Budget, will be achieved. In addition, it is anticipated that an extra £700,000 savings will be made from additional income from interest on revenue balances and reduced expenditure on capital financing costs.

**4 BACKGROUND**

- 4.1 At its meeting on 24 March 2008, the Policy and Resources 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 Policy and Resources Committee will receive and consider the Treasury Management strategy before the commencement of each new financial year.

- 4.2 At its meeting on 24 March 2008, the Policy and Resources Committee approved the Council's Treasury Management Strategy for 2008/2009.

This monitoring report covers the Treasury Management activity over the first six months of 2008/2009 financial year.

**5 BORROWING**

**5.1 Long-Term**

None

## 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:-

<b><u>Month</u></b>	<b><u>Lowest Amount Outstanding £m</u></b>	<b><u>Highest Amount Outstanding £m</u></b>	<b><u>Borrowing Position at End of Month £m</u></b>	<b><u>Interest Rate Range %</u></b>
April 2008	0.5	0.5	0.5	No market loans taken
May	0.5	0.5	0.5	No market loans taken
June	0.5	0.5	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 £33m (10% of total debt).

## 8 **LENDING**

Balances on reserves and variations in cash flow requirements mean that there will be surplus funds which will be invested for short periods (maximum of 364 days). Short term investments will be restricted only to those institutions identified in the Council's Approved Counter-parties list provided they have maintained their credit rating.

The lending figures shown include funds held on behalf of Tayside Police Joint Board, Tayside Superannuation Fund and Tay Road Bridge Joint Board.

An analysis of the lending position to 30 September 2008 shows:

<b><u>Month</u></b>	<b><u>Highest Daily Amount Lent £m</u></b>	<b><u>Lending Position at End of Month £m</u></b>	<b><u>Interest Rate Range %</u></b>
April 2008	56.5	49.2	4.70-5.93
May	69.3	54.5	4.75-5.44
June	78.8	58.3	4.75-6.70
July	75.2	57.8	4.70-5.60
August	75.0	60.9	4.73-6.08
September	76.9	55.2	4.65-5.60

All of these lendings were in compliance with the Treasury Policy Statement provisions on such lending with regards to amounts and institutions involved. It is recognised that security of lending is paramount and counterparties are being re-evaluated at each lending decision in light of the uncertainty in the financial markets. Lending decisions are not made solely on the highest interest rate. The current practice is to lend only to suitably rated UK Banks or Building Societies.

**9 OUTLOOK FOR THE SECOND HALF OF 2008/2009**

It is expected there will be no long-term borrowing in the second half of the year because there are currently significant cash balances.

**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**

**02 DECEMBER 2008**

