



Report to: **AUDIT, GOVERNANCE & IMPROVEMENT REVIEW COMMITTEE**

Date: **28th JUNE 2007**

Subject: **TREASURY MANAGEMENT ANNUAL REPORT**

Report of: **DIRECTOR OF FINANCE & INFORMATION TECHNOLOGY**

Contact officer: **ANDREW TAYLOR – ASSISTANT DIRECTOR
(Telephone: 01942 827243)**

Purpose/summary: The purpose of this report is to give a comprehensive summary of the Treasury Management function for the financial year 2006/07.

Alternative options considered and reason for selecting the one recommended: N/A

Recommendation/decision: To note the report

Key decision: This report does not involve a key decision.

Risks / Implications: Demonstrates compliance with Treasury Policy Statement and Revenue Budget. It also identifies amongst other things the outturn on interest and debt management.

Financial: Savings of £ 3.20 m on interest payments.
Achievement of 0.02% over target interest rate.

Staffing: None

Policy: None

Equal Opportunities – has a Diversity Impact Assessment been conducted? N/A

Wards affected: All

Special Interest Members - None

Which have been consulted

Has the Director of Legal and Property Services confirmed that the recommendations within this report are lawful and comply with the Council's Constitution? **Yes / No***

Has the Director of Finance and IT confirmed that any expenditure referred to within this report is consistent with the Council's budget? **Yes / No***

Are any of the recommendations within this report contrary to the Policy Framework of the Council? **Yes / No ***

* delete which applicable

Tracking/Process:

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council
/			

Background:

The Cabinet sets at the start of the year a Treasury Policy Statement. The outturn report is the last in a series of progress reports which measures and informs on performance against the Treasury Policy Statement.

Proposals:

Report is for information only.

Conclusions:

Demonstrates compliance with Treasury Policy Statement and Revenue Budget.

Dr David Smith
Director of Finance & Information
Technology

1. General Financial Market Conditions

2006/07 saw the bank base rate beginning the year at 4.50% and has increased by 0.25% on three occasions to finish the year at 5.25%.

2. External Borrowing/Investments

Treasury Management Cash Transactions 1st April 2006 to 31st March 2007	Number of Transactions	Amount £million
<u>Outward Transactions</u>		
Investments made	106	443.04
Call account additions	105	271.44
Borrowing repaid	1	0.72
TOTAL	212	715.20
<u>Inward Transactions</u>		
Borrowing undertaken	2	1.02
Investments repaid	107	446.64
Call account withdrawals	122	271.22
TOTAL	231	718.88
Net Cash (inflow) for period		3.68

(a) Comparison of debt movement during the year excluding temporary Borrowing.

<u>Loan Type</u>	<u>Outstanding 01.04.06</u>	<u>Outstanding 31.03.07</u>	<u>Increase (+) Decrease (-)</u>	<u>Amount Raised During Year</u>	<u>Amount Repaid During Year</u>	<u>% Change</u>
	£	£	£	£	£	
P.W.L.B.	367,725,628	366,993,349	-732,279	-	732,279	-0.20
Local Bonds	27,179	27,179	-	-	-	0
	<u>367,752,807</u>	<u>367,020,528</u>	<u>-732,279</u>	<u>-</u>	<u>732,279</u>	<u>-0.20</u>

(b) Maturity profile of outstanding debt.

<u>Period of Maturity</u>	<u>P.W.L.B £</u>	<u>Market Loans £</u>	<u>Local Bonds £</u>	<u>TOTAL £</u>
Up to 1 year	752,513	-	-	752,513
1 – 2 years	10,749,357	-	-	10,749,357
2 – 5 years	36,319,599	-	21,929	36,341,528
5 – 10 years	72,841,885	-	-	72,841,885
Over 10 years	246,329,996	-	5,250	246,335,246
	<u>366,993,350</u>	<u>-</u>	<u>27,179</u>	<u>367,020,529</u>

(c) **Prudential Indicators – 2006/07**

	£	Actual at 31/03/07 £
(i) Operational Boundary	378,937,000	367,345,197
(ii) Authorised Limit	397,900,000	367,345,197
(iii) Fixed Rate Exposure Limit	376,868,000	367,345,197
(iv) Variable Rate Exposure Limit	10,000,000	0

(v) Maturity Structure for new borrowing

<u>Proposed for 06/07</u>	<u>Upper Limit</u>	<u>Lower Limit</u>	<u>Actual</u>
	%	%	%
Under 12 months	0	0	0
12 months and within 24 months	0	0	0
24 months and within 5 years	50	0	0
5 years and within 10 years	50	0	0
10 years and above	100	50	100

(d) **Debt Restructuring**

No opportunities for debt restructuring have arisen during this year.

(e) **Investments**

Substantial cash surpluses were invested during the course of 2006/07. The daily cash surplus averaged £40.15 million. The placement of that cash surplus required a significant volume of investment transactions during the year.

(f) **Investment Profile for 2006/07**

	<u>Notice Money</u>	<u>Fixed for 3 months or less</u>	<u>Fixed for over 3 months</u>	<u>TOTAL</u>
Number of Investments	1	96	9	106
Value of Investments	£0.5m	£421.54m	£21.00m	£443.04m

(g) **Comparison of Investment Rates**

The average rate of interest for the year on temporary investments, together with that for the call account held with Royal Bank of Scotland

have been combined to compare with the 7 day notice rate (bid rate) as published in the Financial Times.

The average interest rate obtained on all temporary investment was 4.86% which is slightly above the published 7 day notice rate as per the Financial Times (bid rate) 4.84%.

The last five years' comparisons to the 7 day rate are as follows:-

Year	Rate achieved %	7 day rate %	Extra % achieved
2002/03	3.75	3.65	0.10
2003/04	3.70	3.52	0.18
2004/05	4.43	4.50	-0.07
2005/06	4.63	4.54	0.09
2006/07	4.86	4.84	0.02

The total external interest received in the year on all investments totalled £1,953,616.

This has come from investment of temporary surplus cash balances. Without the Treasury Management Function and access to the money markets this significant contribution towards the Council's finances would be substantially reduced.

3. Management Costs

The debt management costs for administering the Council's Treasury Management function was £88,414 compared to a revised budget provision for 2006/07 of £83,220.

4. Interest Account

The total of external interest paid on all loans throughout the year (net of investment income) was £25.60 million compared to a revised budget provision of £28.80 million.

This reduction in interest of £3.20m can mainly be explained as follows:

	£
Income on investments for the year	1.95m
Reduction in charges re. interest on balances (Interest not charged by the Insurance Fund, only by HRA during the year)	1.24m

The average rate of interest paid on Total Debt, General Fund Debt and HRA Debt is as follows:

	<u>Amount of Debt</u> £'m	<u>Total Interest Paid</u> £'m	<u>Average Interest Rate</u> %
General Fund Debt	192.30	10.30	5.35
H.R.A. Debt	217.60	15.30	7.03
Total Debt	409.90	25.60	6.24

5. **B.C.C.I.**

No payments have been received in this financial year.

DAVID J. SMITH

Director of Finance and I.T.

L/GSP12/REPORTS/JLP
06.06.07