

REPORT TO EXECUTIVE



DATE	19th August 2008
PORTFOLIO	Resources
REPORT AUTHOR	Lindsey Cowburn
TEL NO	(01282) 425011 Ext 2209
EMAIL	lcowburn@burnley.gov.uk

Treasury Management Activity – Review of 2007/08 Activity**PURPOSE**

1. To comply with the Council's approved Treasury Policy Statement, CIPFA codes of practice on Treasury Management in the Public Services, and The Prudential Code for Capital Finance in Local Authorities.

RECOMMENDATION

2. Members are asked to approve the Treasury Management Activity Statement for the year ended 31 March 2008.

REASONS FOR RECOMMENDATION

3. To fulfil statutory and regulatory requirements and to provide a clear framework for local authority capital finance and treasury management.

SUMMARY OF KEY POINTS**4. BACKGROUND**

Treasury Management entails the management of the Council's cash flows, its borrowings and its investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.

The Council's borrowing policy and borrowing strategy for 2007/08 along with the Prudential Indicators was outlined in a report to the Executive on 12 February 2007.

The borrowing policy entailed four basic parameters within which borrowing was to be undertaken during 2007/08. The borrowing strategy enabled finance staff to take a view on the level of interest rates and to decide on whether to borrow long or short term accordingly. The Prudential Indicators are set in compliance with the CIPFA Prudential Code to meet the objectives of the framework for local authority capital finance.

5. **TREASURY MANAGEMENT ACTIVITY DURING 2007-08**

All activity during the year complied with both the approved borrowing policy and strategy statement, as well as there being no breaches of any of the prudential indicators set during the year.

The prudential indicators required under the CIPFA Prudential Code are/relate to both Affordability and Prudence. For ease of clarification the monitoring performance for the period 1 April 2007 to the 31 March 2008 have been grouped together under each of the classification headings pertaining to the prudential indicators.

6. **Affordability Indicators:**

Capital Expenditure to be incurred

At the end of the financial year, the revised capital budget approved by Members / Delegation totalled £21.2m. The final outturn position on capital expenditure totalled £20.2, this being, 95% of the overall capital programme delivered within the year.

7. **Authorised External Debt Limit**

The approved limit set for 2007/08 was £32.2m, being the statutory limit set by the Council for external debt as determined under section 3(1) of the Local Government Act 2003.

8. **Operational Boundary for Total External Debt**

This is lower than the authorised limit for total external debt by the amount of headroom provided for "unusual cash movements". The Council's operational boundary for 2007/08 was set at £29.3m and relates to the maximum level of external debt projected in estimates to provide for normal operational capacity. This is an early warning sign and if the level of debt exceeds this boundary it is not a breach of the prudential code.

The Council's external indebtedness was within this operational limit throughout the year and at the 31 March 2008 totalled £25.6m. Split between short-term [within 1yr] of £2.2m and £23.4m for longer-term maturity periods.

9. **Movements in External Debt**

The net overall borrowing decreased during the course of the year by £2.3m. The main factors being, a £1m PWLB loan was repaid and a decrease of £1.3m in temporary borrowing outstanding at year-end.

10. **Prudence Indicators:**

Upper Limits on Interest Rate Exposures

The limits are set at 100% for fixed rate exposure and 25% for variable rate. During the period 1 April 2007 to 31 March 2008 interest rate exposures remained within these limits.

11. **Upper and Lower Limits for Maturity Structure of Borrowing**

This indicator limits the period to repayment of overall expected debt outstanding and shows five bands. There are minimum and maximum proportions of overall debt within each band. This means that the amount of debt in each band will fall within this range as a proportion of overall debt. These are what the limits were for 2007/08 and throughout the year borrowing was within each of these classifications.

<u>Proportion of Debt</u>	<u>Min – Max</u>
Under 12 months	0%-30%
12 months & within 24 months	0%-15%
24 months & within 5 years	5%-25%
5 years & within 10 years	25%-45%
10 years and above	50%-70%

12. **Interest Payable on External Borrowing/Interest Receivable**

Provision is made in the revenue budget to meet the net interest payable on external borrowing. The figure in the original budget for 2007/08 was set at £1,019,476. Over the course of the year the budget was monitored against performance and reported to Members under the Revenue Monitoring process and this was revised during the year down to £952,476. This represents the difference between interest paid on external borrowing and interest receivable on external short-term investments. The total net interest payable during the year amounted to £938,523.

The amount of income generated from investments placed during the year totalled £271,274.

13. **Investments**

Market investments made during 2007/08 totalled £111.8m, comprising of 129 loans in total, split 77 with HSBC Sterling Line and 52 with individual counter parties through the brokerage facility. It was, and remains, the Council's policy to invest monies in the market only when there are short-term cash flow surpluses. There are strict limits in terms of the type of institution with which funds may be deposited and these are reviewed annually within the treasury strategy.

Appendix 1 to this report lists the approved counterparties along with outlining the volume of investments placed, as a total for the year.

Appendix 2 provides Members with a graph of the interest received on temporary investments made during the year in comparison to the budget projections that have been reported through to the Executive under the revenue monitoring cycles.

Short-Term Investment Limits

The maximum investment period permitted at any one time with any institution, or group of institutions with shared ownership is three months. All investments made during the year were carried out in line with the council's investment policy detailed in the treasury strategy.

FINANCIAL IMPLICATIONS AND BUDGET PROVISION

None arising as a direct result of this report.

POLICY IMPLICATIONS

14. None arising as a direct result of this report.

DETAILS OF CONSULTATION

15. None.

BACKGROUND PAPERS

16. Treasury Management Quarterly Monitoring Reports
Prudential Indicators & Treasury Management 2007/2008
Treasury Policy Statement for 2007/2008
CIPFA Prudential Code for Capital Finance in Local Authorities
Local Government Act 2003
CIPFA Treasury Management in the Public Services Code of Practice

FURTHER INFORMATION

PLEASE CONTACT:

Lindsey Cowburn, Senior Accountant

ALSO:

Phil Moore, Head of Finance

[Appx 1](#)