

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY & FINANCE COMMITTEE

INFORMATION

Agenda Item No

meeting date: 28 JULY 2009  
title: TREASURY MANAGEMENT ACTIVITIES 2008/09  
submitted by: DIRECTOR OF RESOURCES  
principal author: TRUDY HOLDERNESS

## 1 PURPOSE

1.1 To inform you of our 2008/2009 treasury management operations.

## 2 BACKGROUND

2.1 You have previously approved a treasury management policy in accordance with CIPFA's code of practice on treasury management for Local Authorities.

2.2 In accordance with this policy committee should receive an annual report on its treasury management operations.

## 3 INFORMATION

3.1 Nationally, bank base interest rates have fell dramatically during the financial year 2008/09 as demonstrated in the following table.

Effective Date	New Rate %
7 February 2008	5.25
10 April 2008	5.00
8 October 2008	4.50
6 November 2008	3.00
4 December 2008	2.00
8 January 2009	1.50
5 February 2009	1.00
5 March 2009	0.50

No change has occurred since 5 March 2009.

3.2 This has had no immediate effect on the interest payable on the Council's long-term loan debt from Public Works Loan Board, which is mainly at fixed interest rates. However, interest received from the short-term investment of surplus funds was immediately affected by the change in interest rates, decreasing the Council's external investment interest.

#### 4 BORROWING REQUIREMENTS

4.1 The movements of the Council's external debt for the period can be summarised as follows:

	<b>PWLB £000</b>	<b>Other £000</b>	<b>Total £000</b>
External Debt at 1 April 2008	6,924	10	6,934
Repayments	-6,275	-3	-6,278
<b>External debt at 31 March 2009</b>	<b>649</b>	<b>7</b>	<b>656</b>

4.2 On the 3 April 2008 the Department for Communities and Local Government (DCLG) re-paid £6,203,291 of our Public Works Loan Board debt, this followed our successful housing stock transfer on 31 March 2008.

4.3 On 15 September 2008 we redeemed a small loan we had with West Yorkshire Superannuation fund.

4.4 No new loans have been taken in the period.

4.5 The total interest paid on the Council's external debt during the period was £35,485.99.

#### 5 INVESTMENTS

5.1 In accordance with the treasury management policy, surplus funds are temporarily invested via the money market at the best rate of interest available with the minimisation of risk to the capital sum.

5.2 The average interest we received on all external investments for the period 1 April 2008 to 31 March 2009 was 6.1%, which compares favourably with the average local authority seven-day notice deposit rate of 3.7%.

5.3 The movement in the Council's external investments can be summarised as follows:

	<b>Banks/ Building Societies £000</b>	<b>Other Local Authorities £000</b>	<b>Total £000</b>
Investments at 1 April 2008	3,000	400	3,400
Transactions – Investments	49,320	1,100	50,420
Repayments	-50,735	-1,500	-52,235
<b>Investments at 31 March 2009</b>	<b>1,585</b>	<b>0</b>	<b>1,585</b>

5.4 The total interest received from investments was £238,495. This compares with £332,439 for the previous year. Interest was allocated as follows:

	<b>2007/08 £</b>	<b>2008/09 £</b>
General Fund	286,027	210,230
HRA	46,412	28,265
	<b>332,439</b>	<b>238,495</b>

Following the closure of our HRA on 31 March 2009 and the transfer of balances to the General Fund there will no longer be any interest allocated to the HRA in future years.

## 6 PRUDENTIAL INDICATORS

6.1 Since April 2004 the Prudential Code for Capital Finance in Local Authorities (the Code) regulates the Council's ability to undertake new capital investment.

6.2 In accordance with this Code the Council agreed to monitor a number of mandatory prudential indicators.

6.3 The limits set on interest rate exposures for 2008/09 were as follows:

	<b>Upper Limit £m</b>	<b>Current Actual £m</b>
Maximum Principal Sums Borrowed >364 days	11.2	0.66
Limits on Fixed Interest Rates	11.2	6.935
Limits on Variable Interest Rates	2.2	0

6.4 The upper and lower limits for the maturity structure of its borrowings for 2008/09 were as follows:

	<b>Upper Limit %</b>	<b>Lower Limit %</b>	<b>Current Actual %</b>
Under 12 months	20		90.53
12 Months and Within 24 Months	20		1.03
24 Months and Within 5 Years	30		3.08
5 Years and Within 10 Years	30		3.14
10 Years and Above	90	25	2.22

6.5 The upper limit for the maturity structure for debt falling due under 12 months has been exceeded due to repayment of part of our public works loan board debt by the DCLG following the successful housing stock transfer.

## CONCLUSION

- 7.1 The treasury management operation has been conducted within the Council's approved treasury management policy with the exception of exceeding the upper limit for the maturity structure of its borrowing as a result repayment of part of our Public Works Loan Board debt by DCLG

SENIOR ACCOUNTANT

PF31-09/TH/AC  
17 JUNE 2009