

## Variations on Treasury Management Activity

	Net Budget £000	Projected Out-turn £000	Variance £000
<u>Delay in Borrowing</u> The delay in borrowing is expected to save the Council £144k this year and is as a result of the unfavourable cost of borrowing during the first four months of the year and an unfavourable outlook for the remainder of the year. The Public Works Loans Board (PWLB) 45-50 year rate started the year at 4.45% and has since risen steadily from this low point up to a high of 4.90% in both mid June and July with rates dropping back to a level of 4.55% by the end of July. Due to the rise in world inflationary expectations over the longer term it is unlikely that the PWLB rate will reach the 4.25% trigger set at the start of the year, it is therefore proposed that the target figure be reset at a level of 4.45%, which is still an aggressive target given current market conditions.	5,010	4,866	-144
<u>Provision to repay debt</u> Strong cashflows mean that the Council can delay any borrowing until March 2009, when additional debt will have to be secured to continue to fund the capital investment programme. The provision required to repay debt has decreased due to the capital programme slippage from 2006/07 and the resulting reduction in the need to borrow in 2006/07, this results in an in year saving of £39k	4,469	4,430	-39
<u>Increase in Interest Receivable</u> Average balances are higher than originally anticipated and based on this the increase in interest earned will be £192k more than budgeted. The increase in average balances is due to strong cashflows caused by a number of factors including: · Significantly higher opening balances due to the 2006/07 revenue under spend of £4m; Early realisation of £4m capital receipts originally scheduled for the end of 2007/08; · Higher opening balances as a result of a £5.7m reduction in the 2006/07 capital programme spend due to slippage against the capital budget. The overall increase in interest rates throughout the year is anticipated to contribute an additional £307k in interest income in 2007/08. The consensus amongst economic market commentators at the time of setting the budget was an expectation for interest rates to be in the region of 5% for the year, with a risk to the downside. However, due to stronger than expected inflation, interest rates have steadily increased from 5.25% at the start of the year to a current level of 5.75%, with a potential peak at 6% before the end of 2007. These higher than anticipated levels have resulted in interest rates of 1.0% above the budgeted level.	(2,393)	(2,892)	-192
<u>BCCI Dividend</u> A £61k dividend payment from the liquidators of the collapsed Bank of Credit and Commerce International (BCCI) has been received, taking the total amount of debt recovered by the Council up to 90% (£1.4m) in sterling prices.	0	(61)	-61
<u>Miscellaneous</u> Other net small variances produce a saving.	321	314	-7
<b>Total</b>	<b>7,407</b>	<b>6,657</b>	<b>-750</b>