

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 £294k this year as is a result of the unfavourable cost of borrowing for the year to date and projections for the remainder of the year. The early borrowing of £10m in 2006/07 and the realisation of significant capital receipts from the sale of the Barbican and St Leonards Place has resulted in a strong cash position and negated the need to borrow, until rates fall to more favourable levels. The latest cashflow forecasts indicate that the Council will not have to borrow until February 2010, when cash resources will be depleted and additional borrowing will be required to fund its capital programme commitments. This means that the Council is in a strong position and is able to wait until interest rates become a lot more favourable.	5,010	4,716	-294
<u>Provision to repay debt</u> The provision to repay debt is lower than anticipated when the budget was set due to year end slippage on the capital programme which determines the statutory minimum level of debt that is required to be repaid.	4,469	4,425	-44
<u>Increase in Interest Receivable</u> The increase in average cash balances, on which interest is earned is attributable to the capital and revenue underspends in 2006/07, the early payment of capital grants from central government, the early receipt of some capital receipts and projected slippage in capital expenditure in 2007/08. The increase in the rate of interest earned is due to the increase in the base rate and the higher than normal market interest rates caused by the "credit crunch", which were not forecast when the budget was set. The December interest rate reduction has been factored in to this figure and is likely to have cost £40k.	(2,393)	(3,688)	-872
<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).	0	(61)	-61
<u>Miscellaneous</u> Other net small variances produce a saving.	321	259	-62
Total	7,407	5,651	-1,756