

Variations on Treasury Management Activity

	Net Budget £000	Projected Out-turn £000	Variance £000
<u>Interest Earned on Average Balances</u> The delay in the capital receipts has resulted in an impact on the Council's cash flow, which has a knock on effect on the treasury management budget. As a result of the underachievement of capital receipts against the anticipated plan the Council has used its existing cash balances to fund the capital programme, resulting in a fall in the cash available to invest. The delay in key receipts was built in to the revised 2006/07 budget, however, delays to a number of key receipts have had the impact of lowering the average balances for the year by £5.5m. In addition to this the decision to delay borrowing to take advantage of more preferential rates has had the impact of depressing balances further which also contributes to the overspend. The Council is predicted to receive more investment interest than budgeted because interest rates, which were predicted to fall at the time of the budget are expected to remain on hold for the remainder of the year. This position has been further improved by a better than normal returns generated by the in house treasury management team.	(1,220)	(1,140)	+235
<u>Minimum Revenue Provision (MRP) decrease</u> There has been an increase in the level of MRP because the opening balance for 2006/07 on the Capital Financing Requirement is higher than expected, when the budget was set. There was an overall shortfall in capital receipts of £8.3m, which would have seen an increase in MRP of more than £330k in 2006/07. Year end financing adjustments, which involved "borrowing" from earmarked funds of £4.3m resulted in a reduction MRP of £170k. Flexibility in light of potential lower receipts was also built in to the budget which will result in an overall overspend against the available budget of £54k. A contingency of £250k was earmarked in case the Barbican receipt was not achieved.	2,573	2,627	+54
<u>Club Loan Debt Restructure</u> Negotiations to restructure the Council's £10m Club Loan have been hampered by one of the partner authorities reluctance to reschedule. However, around the table negotiations have been resumed but there is Member reluctance in our partner authority to restructure because of the impact that this will have on their HRA. It is unlikely that this saving will be achieved in the foreseeable future.	636	716	+80
<u>Long Term Borrowing</u> The decision to take long term borrowing has been delayed as the Council wait for more beneficial interest rates, this should result in an interest saving of £284k for the year. However, the Council is still expected to have to borrow at a slightly higher interest rate than originally budgeted for, so this will reduce the saving by £14k to make an overall saving of £270k.	4,139	3,869	-270
<u>Temporary Borrowing</u> Careful cashflow management and more buoyant interest rates have meant it has not been necessary to enter in to any temporary borrowing, it is unlikely that any temporary borrowing will be required for the remainder of the year resulting in an underspend of £26k.	26	-	-26
<u>Miscellaneous</u> Other net small variances produce a saving.	(1,126)	(1,127)	-1
Total	5,028	4,945	-83