

**TREASURY MANAGEMENT - FINANCIAL MONITORING****1. EXECUTIVE SUMMARY**

- 1.1 This is one of a series of reports submitted to Members throughout the year, the purpose of which is to highlight the financial performance of the Treasury Management budget during 2006/07.

**2. BUDGET FOR THE FINANCIAL YEAR 2006/07**

- 2.1 Further to the reporting of the Estimates 2006/07 to Cabinet on 20 February 2006 and to Council on 1 March 2006, the approved budget for Treasury Management was £14,505,700 CR. Changes to reflect the financing of the agreed Invest-To-Save schemes revised this figure to £14,414,700 CR.
- 2.2 As part of the preparation of the Estimates for 2007/08 the 2006/07 budget was also reviewed, This was reported to this Committee on 6 February 2007 and was then referred to Cabinet on 19 February 2007 and Council on 1 March 2007. The budget is now £2,900,600 analysed over service areas as follows :

	£
Corporate Management	2,580,300 DR
Democratic Representation	1,963,800 DR
Pensions	1,768,800 DR
Asset Management	<u>3,412,300 CR</u>
Total for Treasury Management	<u>2,900,600 DR</u>

**3. FINANCIAL MONITORING 2006/07****3.1 Progress On Policy Options**

- 3.1.1 There were no policy options affecting these budgets.

**3.2 Progress On Savings**

- 3.2.1 There were no savings for 2006/07 which affected these budgets.

**3.3 Bridging Finance**

- 3.3.1 There was no bridging finance allocated to these budgets.

### **3.4 Cabinet decisions**

- 3.4.1 Cabinet on the 28 June 2006 agreed to variations in the Finance Department budget, to meet the increased pressures and requirements on Treasury Management, due to the Audit Commission and Internal Audit reports on the Prudential Code. The costs which are to be met from a transfer from Treasury Management are £125,000 for the full year but total £93,800 in 2006/07.

### **3.5 Service Re-engineering**

- 3.5.1 The Treasury Management budgets essentially relate to the financing costs of asset management with the related staffing and accommodation running costs being held within departmental budgets. There is no service re-engineering target for this particular budget.

### **3.6 Variations**

- 3.6.1 The Asset Management budget has income and expenditure of £9 million and £7 million respectively and due to such size and complexity may vary significantly. Changes in interest rates and market conditions, for example, would impact on these budgets.

- 3.6.2 The major variation affecting the Asset Management budget was as a result of the change in June 2006 which removed the requirement for a notional financing charge to be applied to the value of assets. This is one of a number of amendments to bring public sector accounts into line with the UK GAAP (Generally Accepted Accounting Practice) standard. However, a depreciation charge is still required for operational assets. The net effect is a reduction in income from capital charges of £17,443,700 in 2006/07. These are offset by decreases in other departmental budgets.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 For 2006/07 the agreed estimate for the Treasury Management budget was £14,414,700 CR which following Council on 1 March 2007 has been revised to £2,900,600 CR.