

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

17 JANUARY 2008

TREASURY MANAGEMENT - FINANCIAL MONITORING

1. EXECUTIVE SUMMARY

1.1 This is one of a series of reports submitted throughout the year to highlight the financial performance of Treasury Management. Members are asked to note the report.

2. BUDGET FOR THE FINANCIAL YEAR 2007/08

2.1 Further to the reporting of the Estimates 2007/08 to Cabinet on 20 February 2007 and to Council on 1 March 2007, the approved budget for Treasury Management was £6,203,800 DR. This is analysed as follows:

2.2 Service Area:

	£
Corporate Management	2,719,900 DR
Democratic Representation	1,937,300 DR
Pensions	1,797,400 DR
Asset Management	<u>250,800 CR</u>
Total for Treasury Management	<u>6,203,800 DR</u>

3. FINANCIAL MONITORING 2007/08

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 2007/08 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 There have been no Cabinet decisions affecting the Treasury Management budgets.

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. Consequently there is no service re-engineering target for this particular budget.

3.6 Variations

3.6.1 The Asset Management budget due to its size and complexity may vary significantly. Any variations in interest rates and market conditions, for example, would also have an impact and all budgets continue to be monitored on a regular basis.

3.6.2 The management of capital and the need to borrow to fund investment has resulted in savings generated through slippage in the capital programme and through the outcome of Equal Pay back pay claims being less than initially forecast. In total this will result in reduced borrowing costs of £1 million in 2007/08.

3.6.3 In terms of interest rates the reduction in temporary borrowing through better cash flow management and the increased rates offered as a result of changes in the banking sector has resulted in the Council benefiting in terms of both interest payments and receipts with around £1.1 million forecast by the end of the financial year.

3.7 Issues affecting future financial years

3.7.1 The Government is proposing changes to the accounting treatment of asset and debt management. The detailed guidance is expected to be formally issued as part of the Statement of Recommended Practice which is annually updated and will be issued early in 2008.

4. FINANCIAL AND STAFFING IMPLICATIONS

4.1 For 2007/08 the agreed current estimate for the Treasury Management budget is £6,203,800 DR. The variations identified in section 3.6 of this report will result in an underspend of £2.1 million in 2007/08.

4.2 There are no staffing implications arising from this report.