
AGGREGATE CREDIT LIMIT AND TREASURY MANAGEMENT

1 SUMMARY

- 1.1 This report sets out proposals for the aggregate credit limit and Treasury Management proposals.

2 INTRODUCTION

At the Finance & General Purposes Committee meeting held on 27th February 2001 the borrowing policy for 2001/2002 was determined with an aggregate limit of £18m and a temporary borrowing limit of £6m and a variable rate loans limit of £2m.

3 DETAILED CONSIDERATIONS

Borrowing

- 3.1 The aggregate credit limit is the maximum amount which an Authority can have outstanding as borrowing or credit arrangements and must be determined, in advance for each financial year, by the Council. The limit is made up of the following:-

The temporary revenue borrowing limit
The temporary capital borrowing limit
The credit ceiling of the Authority
The sum of approved investments less usable capital receipts

- 3.2 As in previous years the calculation produces a figure higher than is required for total borrowing by this Authority. Therefore for 2002/2003 it is proposed that the aggregate credit limit be set at the same level as the current financial year i.e. a total of £18M, with a temporary borrowing limit of £6M. All external borrowing will be by way of fixed interest loans apart from £2M of the £6M of temporary borrowing which can be at variable rates.

- 3.3 Other than temporary borrowing, 100% of the external debt of the Authority is from the Public Works Loans Board (PWLB) at fixed rates. The position on these loans for 2001/2002 is as follows:-

Description	2001/2002 £000	2002/2003 £000
Opening Balance	13,887	13,530

Less Repayments	357	357
Plus Additional Loans	-	-
Closing Balance	13,530	13,173

Investments

- 3.4 The Authority's lending policy permits loans only to those Banks and Buildings Societies on the authorised list together with Local Authorities. The attached list shows those organisations currently falling within the scope of this policy. (Appendix 1)
- 3.5 Our policy is to lend to those who, at the date of the loan, are on the authorised list and who offer the most competitive rate of interest.
- 3.6 The attached [graph](#) show the investments made by the Authority from April 2001 to December 2001. The decrease in the rates of interest can be clearly seen in the lower section of the graph.
- 3.7 All borrowing and investment is undertaken within the Council's Treasury Management Policy. (Appendix 2)
- 3.8 CIPFA has released an updated Code of Practice on Treasury Management in Local Authorities for 2002/2003. The implications of this are being looked at and a report will be submitted at a later meeting.

4 RESOURCE IMPLICATIONS

- 4.1 All interest paid and received is accounted for within the General Fund. Charges to the Housing Revenue Account are made in accordance with Government Regulations.

RECOMMENDATION

It is proposed that the Committee **RESOLVES**

- (1) That the aggregate credit limit for 2002/2003 be £18M and that the temporary borrowing limit be £6M and that the limit for variable rate loans is £2M.
- (2) That the existing policies regarding Treasury Management continue for 2002/2003 until a further report is submitted outlining the changes required as a result of the updated CIPFA Code of Practice.

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Background Papers:

Local Government & Housing Act 1989

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Appendix 1

Approved Lending List.

	Limit of Total Holding £ M
Abbey National PLC Abbey National Treasury Services PLC	6
Royal Bank of Scotland National Westminster	6
Barclays Woolwich	6
Lloyds/TSB Cheltenham & Gloucester	6
HSBC	6
Bank of Scotland Halifax	6
Alliance & Leicester	4
Nationwide	4
Bradford & Bingley	3
Clydesdale Bank	3
Northern Rock PLC	3
Standard Life Bank Ltd	3
Ulster Bank Ltd.	3
Bristol & West	2
Other Local Authorities	6

Treasury Management Policy.

1. This Council adopts CIPFA's "Code of Treasury Management in Local Authorities".
2. A Treasury Policy Statement setting out its strategy and procedures has been adopted by the Council and its implementation and monitoring shall be delegated to the Finance and General Purposes Committee.
3. All money in the hands of the Council shall be aggregated for the purposes of treasury management and shall be under the control of the officer designated for the purposes of Section 151 of the Local Government Act 1972 or Section 95 of the Local Government (Scotland) Act 1973, referred to in the Code as the Chief Financial Officer.
4. All executive decisions on borrowing, investment or financing shall be delegated to the Chief Financial Officer or through him to his staff, who shall all be required to act in accordance with CIPFA's "Code for Treasury Management in Local Authorities".
5. The Chief Financial Officer shall report to the Finance and General Purposes Committee, not less than twice in each financial year, on the activities of the Treasury Management operation and on the exercise of Treasury Management powers delegated to him. One such report shall comprise an Annual Report on Treasury Management for presentation by the 30th September of the succeeding financial year.