

TREASURY MANAGEMENT ANNUAL REPORT 2007/08

1 SUMMARY

- 1.1 This is the annual report for treasury management for the year 2007/2008. During the year, Rochford District Council has become debt free as transferring our housing stock enabled us to pay off our PWLB loans. The Council has also increased investment income compared to the standard benchmark due to timely investments over the year.

2 INTRODUCTION

- 2.1 In December 2002 the Council agreed to follow the “Code of Practice” as set out by The Chartered Institute of Public Finance and Accountancy. The Code clarifies the reporting requirements for treasury management functions and this report covers those requirements.
- 2.2 A primary requirement of the Code is that the Council should receive an annual review report for the previous year.
- 2.3 During 2007/08 the Council’s treasury management advisors contract became renewable. As part of the renewing process, the authority sought quotes from a number of treasury consultants, and once again decided on Sector Treasury Services to provide support and advise on treasury management strategy and policy.

3 BORROWING

- 3.1 All long-term loans are from the Public Works Loans Board (PWLB). As previously mentioned the Council was able to become debt free during the year. The Council’s debt position at the beginning and end of the year was as follows:-

	£
Balance as at 1 April 2007	10,145,443
Conversion of borrowing	3,300,000
Repayments	<u>13,445,443</u>
Balance as at 31 March 2008	-

- 3.2 The debt that the Council had up to repayment related to housing. Following advice from Sector our treasury management advisors, the Head of Finance, Audit and Performance Management increased the amount of borrowing to £13,445,443 in June 2007. This was done by converting internal borrowing in to external borrowing. This was in line with the Housing Revenue Account’s adjusted Subsidy Capital Financing Requirement of £13,472,305; this represents the level of financing by either internal or external borrowing. As part of the housing stock transfer, the housing debt to the Housing Revenue Account’s adjusted Subsidy Capital Financing Requirement was paid in full by the Government.

4 INVESTMENTS

- 4.1 The attached graph shows the total investments, the average sum invested, the rates of interest achieved and the base rate. The base rate started the year at 5.25% with a rise to 5.50% in May. There was then another rise in July to 5.75% at which it stayed until December when it dropped back to 5.50%, then dropping again in February back to 5.25% where it remained until the end of the year. Total external interest earned was £822,322
- 4.2 During 2007/2008, the average return on temporary investments was 5.85%, compared to the standard benchmark of the 7-day London Interbank Bid Rate (LIBID) of 5.66%, a better performance of 0.19% or £26,532 on an average investment balance of £13.964m.

5 COMPLIANCE WITH TREASURY LIMITS

- 5.1 The treasury limits for the financial year were agreed by the Council in February 2007. The Council operated in accordance with the applicable treasury management policies and within these treasury limits.

6 RESOURCE IMPLICATIONS

- 6.1 Investment income is an important source of income to the General Fund. As discussed in paragraph 4.2 above, following the advice of our treasury advisors, Sector, has resulted in additional income of £26,532 as we have beaten the standard benchmark. The sector contract cost £8,000 in 2007/2008 but for 2008/2009 the price has been negotiated down to £6,000. This represents good value for money for the authority as we have achieved better returns than we might have. The advice service received frees up officer time from researching the money markets and means that Investment decisions are made in a timely fashion.
- 6.2 Treasury management is based on two key issues:-
- The investment of all surplus cash to the advantage of the Authority. The income from investments is credited to the General Fund.
 - Borrowing policies that take account of the requirements of the Authority.

7 RECOMMENDATION

It is proposed that the Council **RESOLVES** to accept this report.

Yvonne Woodward

Head of Finance, Audit and Performance Management

Background Papers:-

None

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