

TREASURY MANAGEMENT ANNUAL REPORT 2006/07

1 SUMMARY

- 1.1 This is the annual report for treasury management for the year 2006/2007. During the year, Rochford District Council has reduced its debt burden by £356,863, and has increased investment income compared to the standard benchmark due to timely investments over the year.

2 INTRODUCTION

- 2.1 The Chartered Institute of Public Finance and Accountancy published a Revised Code of Practice on Treasury Management. The Code was agreed on the adoption of the new Financial Regulations in December 2002 (Min 636/02). 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 Council should receive an annual review report for the previous year.
- 2.3 The Council employs Sector Treasury Services Ltd to advise on treasury management strategy and policy.

3 BORROWING

- 3.1 All long-term loans are from the Public Works Loans Board (PWLB). The Council's debt position at the beginning and end of the year was as follows:-

	£
Balance as at 1 April 2006	10,502,306
Scheduled repayments of principal	<u>356,863</u>
Balance as at 31 March 2007	10,145,443

- 3.2 The Council redeems long-term debt as it becomes due. The amount outstanding at 31 March 2006 was £10,502,306. No new borrowing from the PWLB was undertaken during 2006/07.
- 3.3 All the Council's debt relates to housing. Following advice from our advisors, Sector Treasury Services Ltd, the Head of Finance, Audit and Performance Management increased the amount of borrowing to £13,445,443 on June 2007. This is in line with the Housing Revenue Account's adjusted Subsidy Capital Financing Requirement of £13,472,305, which represents the level of financing by either internal or external borrowing. As part of the arrangements for the transfer of the housing stock to the Rochford Housing Association, the housing debt up to the Housing Revenue Account's adjusted Subsidy Capital Financing Requirement will be paid in full by the Government.
- 3.4 During the year, there were no temporary loans taken.

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 4.50% with a rise to 4.75% in August. There was then another rise in November to 5.00% at which it stayed until January when it rose to 5.25% until the end of the year. Total external interest earned was £623,910.
- 4.2 During 2006/2007, the average return on temporary investments was 4.84%, compared to the standard benchmark of the 7-day London Interbank Bid Rate (LIBID) of 4.71%, a better performance of 0.13% or £13,913 on an average investment balance of £10.703m.

5 COMPLIANCE WITH TREASURY LIMITS

- 5.1 The treasury limits for the financial year were agreed by the Council in February 2006. 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 £17,000 as we have beaten the standard benchmark. The sector contract cost £10,500 in 2006/2007 but for 2007/2008 the price has been negotiated down to £8,000. 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 In 2006/2007, external interest payments totalled £1.02m, of which £24,546 was borne by the General Fund, with the remainder charged to the Housing Revenue Account.
- 6.3 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 and the inter-relationship of the General Fund to the Housing Revenue Account. Usually, the initial charge is to the General Fund, with all costs covered by recharges to the Housing Revenue Account. New borrowing has to be judged by taking account of this process of recharge and the requirements of the new Prudential Framework.

7 RECOMMENDATION

It is proposed that the Council **RESOLVES** that the report be accepted.

Yvonne Woodward

Head of Finance, Audit and Performance Management

Background Papers:-

None

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If you would like this report in large print, braille or another language please contact 01702 546366.

APPENDIX 1

Sums Invested
April 2006 - March 2007

