

Financial Services

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Report

Subject : Statutory Determinations for Capital and Treasury
Management Performance 2005/06

Report to : The Cabinet

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Cabinet Member for Resources: Councillor Culver

EXECUTIVE SUMMARY

Under the Local Government Act 2003 the Council is required to make certain determinations in respect of capital expenditure within six months of the end of the relevant financial year. These are contained in section 1 of this report.

The Code of Practice for Treasury Management requires that a report on the performance of the treasury function for the relevant financial year is submitted in the same timescale.

- The report recommends determination of the capitalisation of expenditure (treated as capital in the Statement of Accounts approved by Council in June)
- The report shows that both the in-house and external fund investments marginally underperformed their benchmark for 2005/06.

1. CAPITAL DETERMINATIONS FOR 2005/06:

1.1 A determination by the authority is required if expenditure for capital purposes which is to be reimbursed or met out of finance provided by any other person is to be capitalised.

Amount of capitalised expenditure met from grant **£384,968**.

1.2 A determination of the authority is required if a credit approval is to be used:-

- a. as authorisation to capitalise expenditure, or
- b. as authorisation to enter into vary a credit arrangement.

As authorisation to capitalise expenditure – **NIL**



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1.3 A determination of the authority is required if a credit approval is in whole or in part to be transferred to another authority. Amount - **NIL**

1.4 A determination of the authority is required if usable capital receipts are to be applied:-

- a. to meet expenditure incurred for capital purposes, or
- b. as (voluntary) provision for credit liabilities

and where voluntary provision for credit liabilities is made to provide credit cover for the entering into or varying of a credit arrangement a determination to this effect is required

Amount to meet expenditure for capital purposes **£4,545,259.**

1.5 Each authority must determine what amount (being not less than the required minimum revenue provision for the year) is to be set aside from revenue account as provision for credit liabilities and where such provision is made to provide credit cover for the entering into or varying of a credit arrangement, a determination to this effect is required.

Amount set aside from revenue which is not less than the statutory revenue provision for Credit Liabilities - **NIL**

1.6 Capital Expenditure/Financing

An analysis of the Council's Capital Expenditure on an accruals basis in the year is as follows:-

	£'000
Community & Housing Portfolio– HRA	3,676
Community & Housing Portfolio	1,317
Environment & Transport Portfolio	22
Resources Portfolio	<u>3,830</u>
	8,845
The Capital was financed by:	
Borrowing	NIL
Capital Receipts	4,545
Grants	385
Revenue Contributions (HRA)	<u>3,915</u>
	<u>8,845</u>

2. TREASURY MANAGEMENT ACTIVITY AND PERFORMANCE - 2005/06

The following activity and performance information is reported for 2005/06.

2.1 Borrowing Activities in 2005/06

- (i) Long Term - Nil
- (ii) Short Term - Nil
- (iii) At year end there was NIL Borrowing

2.2 Investments in 2005/06

A total turnover of £38 million (£28 million managed internally) was invested during the year in line with the Council's strategy. The average length of the investment was 79 days for internally managed funds. At year end £18.4 million (£4 million managed internally) was invested in line with the Treasury Management Policy.

2.3 Brokers

The two firms of brokers named in the Council's policy document were utilised during the year. The Council's main broker was Prebon Yamane (UK) Ltd. and Martin Brokers (UK) Plc. were utilised to check on the service being provided by the main broker.

2.4 External Fund Managers

Invesco Asset Management Ltd was appointed to manage part of the investment portfolio in August 1999. At the year end a total of £14.355m was held by on behalf of the Council. In the year the fund returned 4.6% against a performance benchmark based on low risk of 4.65%. Discussions have taken place between the fund managers Sector Ltd, the Council's treasury advisers, and the Head of Financial Services. The fund is subject to monthly monitoring and the fund managers expect to outperform the benchmark by 0.25-0.75% in 2006/7.

2.5 Performance data and other statistics

All figures in this section are for the combined internally and externally managed funds (unless otherwise stated).

	<u>£</u>
(i) Total Interest Paid – Long Term Loans Public Works Loans Board Bank Interest	nil
(ii) Total Interest Paid – Short Term Loans	nil
(iii) Total Interest Earned	<u>1,097,685</u>
(iv) Average rate of interest paid on borrowing during the year was	N/A
(v) Average rate of interest on investments during the year was	<u>%</u>
- Internally managed	4.64
- Externally managed	4.60
Of the internally managed funds, the highest rate during the year was 4.91% and the lowest was 4.46%.	
(vi) The Performance benchmark for invested funds is the average 7 day LIBID (Base) Rate	4.65
(vii) Performance under benchmark	
- Internally managed	0.01
- Externally managed	0.05

3. EXTERNAL DEBT POLICY AND ACTUAL LEVELS

3.1 Authorised Borrowing Limit

This was set at Zero by the Council and was not exceeded. The highest amount of borrowing reached was NIL.

3.2 Operational Boundary Borrowing Limit

This was also set at Zero and was not exceeded. The highest amount of borrowing reached was NIL.

3.3 Variable Interest Rate Loans

No limit was set for all borrowing with no variable interest rate loans to be taken up. No borrowing was undertaken in the year.

3.4 No change to the powers to the Head of Financial Services is necessary.

4. RECOMMENDATIONS

It is recommended that Cabinet

- (i) Approves the Statutory Determinations in respect of 2005/06 as set out in 1.1 – 1.5 of the report. (Subject to Full Council Decision)
- (ii) Notes the Treasury Management Performance as set out in 2.1 – 3.4.

5. IMPLICATIONS

Financial	-	As set out in the report
Legal	-	This report is required under the Local Government Act 2003
Human Rights	-	None
Personnel	-	None
Environmental	-	None
Community Safety	-	None
Council's Core Values	-	Statutory Requirement
Wards Affected	-	District Wide