

Report

Subject : Statutory Determinations for Capital and Treasury
Management Performance 2006/07

Report to : The Cabinet

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Cabinet Member for Finance : Councillor Roberts

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 the in-house fund performed its benchmark for 2006/07 whilst the external fund underperformed by 0.9%.

1. CAPITAL DETERMINATIONS FOR 2006/07:

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 **£324,876**.

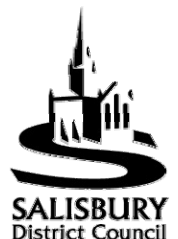
1.2 A determination of the authority is required if a credit approval is to be used:-

- 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 **£3,261,170.**

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	2,860
Community & Housing Portfolio	956
Environment & Transport Portfolio	57
Resources Portfolio	2,607
City Area	<u>76</u>
	6,556
The Capital was financed by:	
Borrowing	NIL
Capital Receipts	3,261
Grants	325
Revenue Contributions (HRA)	2, 860
Leasing	34
Section 106	<u>76</u>
	6,556

2. TREASURY MANAGEMENT ACTIVITY AND PERFORMANCE - 2006/07:

The following activity and performance information is reported for 2006/07.

2.1 Borrowing Activities in 2006/07

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

2.2 Investments in 2006/07

A total turnover of £50 million (£40 million managed internally) was invested during the year in line with the Council's strategy. The average length of the investment was 90 days for internally managed funds. At year end £20.970 million (£6 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 Tullet Prebon (UK) Ltd. and Martin Brokers (UK) Plc. were utilised to check on the service being provided by the main broker. In line with the decision taken by members in 1998 some loans were arranged directly without going through the brokers, in such cases the rates obtained were at or above those obtainable through the brokers.

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 £14.970m (including accrued interest) was held on behalf of the Council. In the year the fund returned 4.1% against a performance benchmark based on low risk of 5.0%. Discussions have taken place between the fund managers, Sector Treasury Services Ltd (the Council's treasury advisers) and the Head of Financial Services concerning the performance of the fund managers. The fund is subject to monthly monitoring and the fund managers expect to outperform the benchmark in 2007/8. As the Council's Capital Programme progresses the fund will be liquidated to the point that the minimum fee becomes payable (£12.5m). This will maintain a balance of internal and externally managed investments in the foreseeable future.

2.5 Performance data and other statistics

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

	£
(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>1,226,615</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	%
- Internally managed	5.0
- Externally managed	4.1
Of the internally managed funds, the highest rate during the year was 5.6% and the lowest was 4.5%.	
(vi) The performance benchmark for invested funds is the average 7 day LIBID (Base) Rate	5.0
(vii) Performance under benchmark	
- Internally managed	0.0
- Externally managed	0.9

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 2006/07 as set out in 1.1 – 1.6 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