

Agenda Item 7

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Report

Subject : Statutory Determinations for Capital and Treasury Management Performance 2007/08
Report to : Full Council
Date : Monday 08 September 2008
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Statutory Determinations for Capital and Treasury Management Performance 2007/08

1. Report 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 2 of this report.

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

- The report recommends determination of the capitalisation of expenditure as treated as capital in the Statement of Accounts approved by Council in June.
- The report shows that the in-house managed investment fund over performed its benchmark for 2007/08 by 0.2% whilst the external fund over performed by 0.01%. A detailed analysis is contained in section 3.

2. Capital Determinations for 2007/08:

- 2.1 A determination by the Council 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 grants and contributions = **£1,186,136**.

- 2.2 A determination of the Council is required if a credit approval is to be used:-

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

Authorisation to capitalise expenditure in respect of credit approvals = **NIL**



Awarded in:
Housing Services
Waste and Recycling Services



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

2.4 A determination of the Council 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 = **£4,336,843.**

2.5 The Council 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**

2.6 Capital Expenditure/Financing

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

	£'000
<u>Expenditure</u>	
Housing Portfolio– HRA	2,861
Housing Portfolio	1,039
Community Portfolio	39
Environment Portfolio	91
Transport Portfolio	25
Resources Portfolio	2,533
Finance Portfolio	1,771
City Area	<u>25</u>
	8,384
<u>Financed by:</u>	
Borrowing	NIL
Capital Receipts	4,337
Grants	1,122
Revenue Contributions (HRA)	2,861
Section 106	<u>64</u>
	8,384

3. Treasury Management Activity and Performance – 2007/08:

The following activity and performance information is reported for 2007/08.

3.1 Borrowing Activities in 2007/08

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

3.2 Investments in 2007/08

A total turnover of £62 million (£52 million managed internally) was invested during the year in line with the Council's strategy. The average length of the investment was 92 days for internally managed funds. At year end £25.799 million (£13 million managed internally) was invested in line with the Treasury Management Policy.

3.3 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.

3.4 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 £12.799m (including accrued interest) was held on behalf of the Council. In the year the fund returned 5.78% against a performance benchmark of 5.77%.

3.5 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>£1,754,313</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	5.97
	- Externally managed	5.78
	Of the internally managed funds, the highest rate during the year was 6.6% and the lowest was 5.29%.	
(vi)	The performance benchmark for invested funds is the average 7 day LIBID (Base) Rate	5.77
(vii)	Performance over benchmark	
	- Internally managed	0.20
	- Externally managed	0.01

4. External Debt Policy and Actual Levels:

4.1 Authorised Borrowing Limit

This was set at £15m by the Council and was not exceeded. The highest amount of borrowing reached was NIL.

4.2 Operational Boundary Borrowing Limit

This was also set at £15m and was not exceeded. The highest amount of borrowing reached was NIL.

4.3 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.

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

5. Consultation Undertaken:

Head of Legal and Property Services
Retained treasury management advisers (Sector Ltd)

6. Recommendations:

- (i) Approves the Statutory Determinations in respect of 2007/08 as set out in 2.1 – 2.6 of the report. (Subject to Full Council Decision)
- (ii) Notes the Treasury Management Performance as set out in 3.1 – 3.5.

7. Background Papers:

Statement of Accounts – June 2008
Budget Strategy October 2007.
Budget Setting – General Fund Revenue Account Feb 2007.
Performance Monitoring Reports – Quarterly
Prudential Limits - March 2007.

8. Implications:

Financial	:	As set out in the report
Legal	:	This report is required under the Local Government Act 2003
Human Rights	:	None
Personnel	:	None
Climate Change	:	N/A
Council's Core Values	:	N/A
Wards Affected	:	All