

Item 8

REPORT TO AUDIT COMMITTEE
24th SEPTEMBER 2008

REPORT OF DIRECTOR OF
RESOURCES

Portfolio: STRATEGIC LEADERSHIP

ANNUAL REVIEW OF TREASURY MANAGEMENT 2007-08

1.0 SUMMARY

1.1 The purpose of this report is to review the performance of the Council's Treasury Management activities during the 2007-08 financial year.

2.0 RECOMMENDATIONS

2.1 That performance and compliance with the approved Treasury Management Strategy in 2007-08 be noted.

3.0 TREASURY MANAGEMENT REVIEW

3.1 Council initially approved the Local Code of Practice for Treasury Management Activities (the Local Code) in December 2002. This was reviewed in 2005-06, following changes to regulations governing treasury activities and Council subsequently approved a revised Local Code in September 2005 that took into account these developments.

3.2 This code encouraged local authorities to put into place formal policies and practices, strategies and reporting arrangements for the effective management and control of Treasury Management activities.

3.3 Included in the agreed clauses for incorporation into the Council's formal processes, was the requirement to produce:

- a) an annual Treasury Management Strategy in advance of the commencement of the year, and:
- b) a report on performance against this in an Annual Report by 30th September the following financial year.

3.4 The attached report sets out details of the Council's performance and compliance with the strategy approved by Council in February 2006 (minute C. 69/06 refers) and details the effects of the decisions taken and the transactions executed in the past year. The report confirms that the Council fully complied with its approved strategy, treasury management practices and Local Code in 2007-08. Key aspects of performance in 2007-08 that should be noted are as follows:

- The policy of ensuring that **long-term borrowing** and the **capital financing requirement** are at broadly the same level was diverged from with figures of **£18.284m** and **£13.834m** respectively. This was as a result of the voluntary set aside of **£5m** of unapplied capital receipts during 2007-08 to reduce the CFR. This will have a knock-on effect for 2008-09 of reducing the MRP by £200,000. During 2008-09 the capital receipts applied in 2007-08 will be used to finance the capital programme, which will return the CFR back to the 1 April 2007 position.

- ❑ There was no rescheduling of debt during the year due to the PWLB changing its structure of interest rates so that any repayment of PWLB debt will have a more penal repayment rate applied. Hence, the average rate of interest paid on external debt remained at **6.01%** during the year.
- ❑ Average rate of return achieved on investments was **5.76%** - which is **0.17%** greater than the benchmark comparator of **5.59%**.
- ❑ Compliance with all prudential indicators in accordance with the Prudential Code for Capital Finance in Local Authorities.

4.0 RESOURCE IMPLICATIONS

The specific resource implications and financial performance of the Council's Treasury Management activities are set out in detail in the Annual Review of Treasury Management 2007-08 Report.

5. CONSULTATIONS

The content of the report has been developed in consultation with Butlers - the Council's external Treasury Management consultants. No other specific consultations were deemed appropriate or necessary.

6. OTHER MATERIAL CONSIDERATIONS

Links to Corporate Objectives/Values

- 6.1 Effective treasury management activities provide support towards achievement of the Council's business and service objectives. The principal direct link is to the corporate value of *'being responsible with and accountable for public finances.'*

Risk Management

- 6.2 The Local Code contains detailed guidance on the management of risk associated with the Council's treasury activities. The successful identification, monitoring and management of risk are the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management activities in 2007-08 continued to be focused on securing principal sums invested.

Legal and Constitutional

- 6.3 The annual review is prepared in accordance with the constitutional requirement that 'reports will be prepared on Treasury Management policies, practices and activities, including an annual strategy and plan in advance of the year, and *an annual report will be presented after the close of the financial year to Council*, in the form prescribed in TMP's' (Part 4 Rules of Procedure – Financial Regulations).

7. OVERVIEW AND SCRUTINY IMPLICATIONS

The report will be subject to normal Overview and Scrutiny arrangements.

8. List of Appendices

1. Annual Review of Treasury Management 2007-08

Contact Officer: Harold Moses (Head of Financial Services)
Telephone No.: (01388) 816166 ext. 4385
E-Mail Address: hmoses@sedgfield.gov.uk
Ward(s): Not Ward Specific

Background Papers:

Code of Practice for Treasury Management Activities - Council 20th December 2002
 Review of Local Code of Treasury Management Practices – Council 30th September 2005
 The Treasury Management Strategy 2007-08 – Council 29th February 2008

Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Councils Head of the Paid Service or his representative	✓	
2. The content has been examined by the Councils S.151 Officer or his representative	✓	
3. The content has been examined by the Council's Monitoring Officer or his representative		
4. The report has been approved by Management Team		

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