

# Item 11

## REPORT TO CABINET

27<sup>th</sup> JULY 2006

## REPORT OF HEAD OF FINANCIAL SERVICES

Portfolio: STRATEGIC LEADERSHIP

### ANNUAL REVIEW OF TREASURY MANAGEMENT 2005-06

#### 1.0 SUMMARY

1.1 The purpose of this report is to review the performance of the Council's Treasury Management activities during the 2005-06 financial year.

#### 2.0 RECOMMENDATIONS

2.1 That performance and compliance with the approved Treasury Management Strategy in 2005-06 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 an annual Treasury Management Strategy in advance of the commencement of the year and report on performance against this in an Annual Report by 30<sup>th</sup> 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 2005 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 2005-06. Key aspects of performance in 2005-06 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 achieved with figures of **£18.349m** and **£19.147m** respectively.
- Rescheduling of **£3.9m** of debt during the year, replacing loan debt at **8.35%** with a relatively low rate of **3.7%**, resulting in revenue savings of around **£90,000** per year.

- ❑ Average rate of return on achieved on investments was **4.80% - 0.27%** greater than the benchmark comparator of **4.53%**.
- ❑ Reduction in the average rate of interest paid on external debt from **7.4%** to **7.2%**.
- ❑ 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 2005-06 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 2005-06 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*, 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 2005-06

|                         |   |
|-------------------------|---|
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| <b>Ward(s):</b>         | <b>Not Ward Specific</b>  |

**Background Papers:**

Code of Practice for Treasury Management Activities - Council 20<sup>th</sup> December 2002  
Review of Local Code of Treasury Management Practices – Council 30<sup>th</sup> September 2005  
The Treasury Management Strategy 2005-06 – Council 25<sup>th</sup> February 2005

**Examination by Statutory Officers**

|  | Yes                                 | Not<br>Applicable        |
|--|-------------------------------------|--------------------------|
| 1. The report has been examined by the Councils Head of the Paid Service or his representative | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 2. The content has been examined by the Councils S.151 Officer or his representative           | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 3. The content has been examined by the Council's Monitoring Officer or his representative     | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4. The report has been approved by Management Team   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

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