

# COUNCIL

Friday,  
30 September 2005  
11.00 a.m.

Council Chamber,  
Council Offices,  
Spennymoor

# AGENDA and REPORTS

## AGENDA

**1. APOLOGIES**

**2. DECLARATIONS OF INTEREST**

To notify the Chairman of any items that appear later in the agenda in which you may have an interest.

**3. MINUTES**

To confirm as a correct record the Minutes of the meeting held on 29<sup>th</sup> July 2005 (Pages 1 - 4)

**4. MAYOR'S ANNOUNCEMENTS**

**5. REVIEW OF THE LOCAL CODE OF TREASURY MANAGEMENT PRACTICE**

Report of Director of Resources (Pages 5 - 46)

**6. TREASURY MANAGEMENT ANNUAL REVIEW 2004/5**

Report of Director of Resources (Pages 47 - 66)

**7. SEDGEFIELD BOROUGH COUNCIL LOCAL DEVELOPMENT FRAMEWORK - SUBMISSION DRAFT STATEMENT OF COMMUNITY INVOLVEMENT**

Report of Director of Neighbourhood Services (Pages 67 - 72)

A copy of the Draft Statement of Community Involvement is available in the Members Rooms, and on the Intranet and the Internet

**8. SEDGEFIELD OROUGH LOCAL DEVELOPMENT FRAMEWORK - DRAFT RESIDENTIAL EXTENSIONS SUPPLEMENTARY PLANNING DOCUMENT**

Report of Director of Neighbourhood Services (Pages 73 - 78)

A copy of the Draft Residential Extensions Supplementary Planning Document is available in the Members Rooms, and on the Intranet and the Internet

**9. ANNUAL SCRUTINY REPORT**

Report of Chief Executive Officer (Pages 79 - 116)

### EXEMPT INFORMATION

The following item is not for publication by virtue of Paragraph 1 of Part 1 of Schedule 12 A of the Local Government Act 1972. As such it is envisaged that an appropriate resolution will be passed at the meeting to exclude the press and public.

**10. REQUEST FOR EARLY RETIREMENT**

To consider the attached report together with the minutes of the Meeting of the Employment Issues Panel held on 9<sup>th</sup> September 2005. (Pages 117 - 126)

N. Vaulks  
Chief Executive Officer

Council Offices  
SPENNYMOOR  
21<sup>st</sup> September 2005

Councillor J.K. Piggott (Mayor) and

All other Members of the Council

---

ACCESS TO INFORMATION

Any person wishing to exercise the right of inspection in relation to this Agenda and associated papers should contact  
**Liz North 01388 816166 ext4237**

This page is intentionally left blank

# Item 3

## SEDGEFIELD BOROUGH COUNCIL

Council Chamber,  
Council Offices,  
Spennymoor

Friday,  
29 July 2005

Time: 11.00 a.m.

**Present:** Councillor Mrs. L. Hovvels (Deputy Mayor) and

Councillors W.M. Blenkinsopp, D.R. Brown, Mrs. B.A. Clare, Mrs. K. Conroy, Mrs. J. Croft, V. Crosby, M.A. Dalton, R.S. Fleming, T.F. Forrest, Mrs. B. Graham, A. Gray, Mrs. J. Gray, J.E. Higgin, Mrs. L. Hovvels, J.G. Huntington, M. Iveson, M.T.B. Jones, J.M. Khan, B. Meek, J.P. Moran, G. Morgan, K. Noble, B.M. Ord, R.A. Patchett, Mrs. E.M. Paylor, G.W. Scott, A. Smith, Mrs. I. Jackson Smith, Mrs. L. Smith, Mrs. C. Sproat, T. Ward, W. Waters and J. Wayman J.P

**Apologies:** Councillors Mrs. A.M. Armstrong, B.F. Avery J.P, J. Burton, Mrs. A.M. Fleming, G.C. Gray, B. Hall, D.M. Hancock, K. Henderson, A. Hodgson, G.M.R. Howe, D.A. Newell, J.K. Piggott, Mrs. C. Potts, Ms. M. Predki, J. Robinson J.P, J.M. Smith and K. Thompson

**C.38/05            DECLARATIONS OF INTEREST**

No declarations of interest were submitted.

**C.39/05            MINUTES**

The Minutes of the meeting held on the 29<sup>th</sup> June, 2005 were confirmed as a correct record and signed by the Chairman. (For copy see file of Minutes).

**C.40/05            MAYOR'S ANNOUNCEMENTS**

The Deputy Mayor reported that since 29<sup>th</sup> June, 2005 the Mayor had attended 30 functions and events including the Royal Garden Party at Buckingham Palace.

He had attended the official opening of Sedgefield Age Concern Locality Office, the official opening of Spennymoor Annual Gala, Durham Miners Gala and a Service of Commemoration in Durham Cathedral to mark the 60<sup>th</sup> Anniversary of the end of the Second World War.

The Mayor had also attended a number of awards ceremonies/presentations, civic services, charity events, a Golden Wedding Anniversary and a Diamond Wedding Anniversary celebration.

The Deputy Mayor had attended the Spennymoor School Summer Fete and a presentation of awards to school children held at the Council Offices.

**C.41/05**

**IMPLEMENTING ELECTRONIC GOVERNMENT STATEMENT (IEG4.5)**

Consideration was given to a report of the Director of Resources detailing progress on delivery of the Council's Customer Service Modernisation Programme. (For copy see file of Minutes).

It was reported that the implementation of e-Government was a Government priority. Since 2001 the Council had received £900,000 in Capital Grant from the Office of the Deputy Prime Minister (ODPM).

The e-Government Manager was present at the meeting to give a presentation and answer queries on progress on delivery of the Programme.

It was reported that e-Government was not just concerned with technology but was also related to people and service delivery. It was about reviewing ways in which services were delivered with a view to achieving service improvements.

The Community Strategy was central in influencing the implementation of local e-Government. The Council had therefore locked e-Government into its corporate planning process.

The Council was committed to working in partnership and it was through working together that the Council aimed to make full use of new media and technology to improve services. Reference was made to the County Durham e-Government Partnership (CDeGP). It was explained that a common Customer Relationship Management solution (CRM) had been implemented through the partnership. The CRM was an enabling technology that would assist Customer Service Agents to resolve the majority of customer enquiries at first point of contact.

Members were informed that on the 14th June 2005, Overview and Scrutiny Committee 1 approved a project assurance role in overseeing the implementation of the Customer Service Modernisation Programme. The Council continued to take the e-Government agenda seriously and had allocated £1m from the 2005/06 Capital Budget to fund the delivery of the Modernisation Programme. The Council had also brought forward £325,000 from the 2004/05 Capital Budget for business transformation, project management and IT capacity.

Specific reference was made to BVPI157. It was reported that performance against BVPI157 had risen to 88.55% which exceeded the Government target of 84% for 2004/05.

Members were informed that the Office of the Deputy Prime Minister (ODPM) had identified 73 priority service outcomes, 19 of which were voluntary outcomes. It was explained that 29 outcomes should be implemented by December, 2005 and the remaining 25 by March, 2006.

Members were informed that a number of systems had been implemented to underpin the Priority Service Outcomes, these included :

- Customer Relation Management
- The Content Management System
- Electronic Records and Document Management System
- Geographical Information System

It was explained that work on the Customer Relation Management solution was ongoing. This system would link all service departments. The Geographical Information System was also ongoing. With regard to Electronic Records and Document Management System, work needed to be undertaken prior to implementation. It was pointed out that the Content Management System had now been implemented.

Reference was made to Customer Services and the implementation of the Contact Centre. It was explained that Customer Services Agents were located at the Reception area to resolve face-to-face enquiries. It was pointed out that a training programme was underway to ensure that staff had the relevant skills.

Specific reference was made to the introduction of a Single Golden Telephone Number for Customer Services. It was felt that this would reduce call volume to Reception, reduce key waiting times for our customers and enable the Council to hit the 80% result target at first point of contact.

With regard to One Stop Shops it was reported that the Council continued to work with the Citizens Advice Bureau. It was pointed out that the Council was also working with West Cornforth Partnership to exploit access to services opportunities via video conferencing.

It was emphasised that the e-Government Agenda required a large upfront investment in core business transformation technologies and therefore efficiency savings would not be realised immediately but in the longer term.

*RESOLVED : That the contents of the IEG 4.5 Statement be agreed.*

---

**ACCESS TO INFORMATION**

Any person wishing to exercise the right of inspection, etc., in relation to these Minutes and associated papers should contact Lynsey Walker 01388 816166 ext 4237

This page is intentionally left blank



# Item 5

## REPORT TO COUNCIL

30<sup>th</sup> SEPTEMBER 2005

## REPORT OF DIRECTOR OF RESOURCES

**Portfolio: RESOURCE MANAGEMENT**

### REVIEW OF THE LOCAL CODE OF TREASURY MANAGEMENT PRACTICES

#### 1. SUMMARY

- 1.1 The purpose of this report is to review the Local Code of Practice for Treasury Management Activities (the Local Code), which was originally approved by the Council in December 2002.

Since that time a number of developments have taken place which impact on the current Treasury Management Activities and this report incorporates the necessary changes to the original Code.

#### 2. RECOMMENDATIONS

- 2.1 That the revised Code of Treasury Management Practice be adopted.

#### 3. TREASURY MANAGEMENT REVIEW AND PRACTICES

##### ***Background***

- 3.1 The Local Code of Treasury Management Practice was first adopted by Council in December 2002, and since then a number of developments have occurred that impact on the Council's Treasury activities, which have necessitated a review of the Local Code. The main developments include introduction of the Prudential Framework for capital finance, new investment guidance from the ODPM, and the impact of money laundering regulations.
- 3.2 The Local Government Act 2003 introduced sweeping changes to the capital accounting arrangements for all local authorities. A new system, '*The Prudential Code for Capital Finance in Local Authorities*' (The Prudential Code) was introduced with effect from 1 April 2004. The Prudential Code sets out a framework of self-regulation of capital spending, in effect allowing Councils to invest in capital projects as long as they are affordable, prudent and sustainable. In accordance with Prudential Code requirements, responsibility for setting and monitoring prudential indicators lies with Council. In accordance with this requirement, Full Council adopted and approved a number of prudential indicators in February 2004 - as part of the 2004/05 Treasury Management Strategy report.
- 3.3 The ODPM issued new guidance for local government investments under Section 15(1)(a) of the Local Government Act 2003. This guidance applies to the 2004/05 financial year and subsequent years and replaces previous investment

rules contained in the Local Authorities (Capital Finance) (approved Investments) Regulations 1990, which cease to have effect. The Local Code has been revised to reflect the new guidance.

- 3.4 The significant increase in resources available for investment following the recently completed sale of Site J Cobblers Hall, and further expected land sales over the next few years mean that a review of the Council's investment strategy is required to ensure that maximum benefits are achieved from the additional resources available to the Council. The Local Code has been amended to provide the required flexibility to achieve these aims.
- 3.5 With the introduction of the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003, the Council has now a statutory responsibility to be alert to the possibility that it may become the subject of an attempted involvement with money laundering. Accordingly, it will maintain procedures relating to its Treasury activities for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The arrangements for dealing with this have now been incorporated into the revised Code.
- 3.6 This review of the Local Code examined all treasury activities including investment periods and authorised limits with individual counter parties, the range and potential use of instruments available, and the performance of Money Brokers. The revised Local Code of Treasury Management Practice is attached with this report.

#### **4. RESOURCE IMPLICATIONS**

There are no specific resource implications in connection with this report.

#### **5. CONSULTATIONS**

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

#### **6. OTHER MATERIAL CONSIDERATIONS**

No other material considerations have influenced this report.

#### **7. OVERVIEW AND SCRUTINY IMPLICATIONS**

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

#### **8. List of Appendices**

Code of Practice for Treasury Management Activities.

**Contact Officer:** Harold Moses (Head of Financial Services)

**Telephone No.:** (01388) 816166 ext. 4385

**E-Mail Address:** [hmoses@sedgefield.gov.uk](mailto:hmoses@sedgefield.gov.uk)

**Ward(s):** Not Ward Specific

**Background Papers:**

Code of Practice for Treasury Management Activities - Council 20<sup>th</sup> December 2002

The Treasury Management Strategy 2004/05 to 2006/07 and the Impact of the Prudential Code for Capital Finance – Special Council 27<sup>th</sup> February 2004

**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	√	

This page is intentionally left blank

# **CODE OF PRACTICE FOR TREASURY MANAGEMENT PRACTICES**

**SEPTEMBER 2005**

**SEDGEFIELD BOROUGH COUNCIL**

# CONTENTS

	<b>Page</b>
<b>1. INTRODUCTION</b>	<b>2</b>
<b>2. STATUS</b>	<b>2</b>
<b>3. TREASURY MANAGEMENT POLICY STATEMENT</b>	<b>2</b>
<b>4. TREASURY MANAGEMENT PRACTICES</b>	<b>2</b>
<b>TMP1 RISK MANAGEMENT</b>	<b>3-13</b>
<b>14-15</b>	<b>13-14</b>
<b>TMP3 DECISION MAKING AND ANALYSIS</b>	<b>16-17</b>
<b>TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES</b>	<b>18-19</b>
<b>TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS</b>	<b>20-24</b>
<b>TMP6 REPORTING REQUIREMENTS AND MANAGEMENT ARRANGEMENTS</b>	<b>25-26</b>
<b>TMP7 BUDGETING, ACCOUNTING AND AUDITING ARRANGEMENTS</b>	<b>27-28</b>
<b>TMP8 CASH AND CASH FLOW MANAGEMENT</b>	<b>29-30</b>
<b>TMP9 MONEY LAUNDERING</b>	<b>31-33</b>
<b>TMP10 STAFF TRAINING AND QUALIFICATIONS</b>	<b>34</b>
<b>TMP11 USE OF EXTERNAL SERVICE PROVIDERS</b>	<b>35-36</b>
<b>TMP12 CORPORATE GOVERNANCE</b>	<b>37</b>

## 1. INTRODUCTION

The Council has adopted this Code of Practice for Treasury Management Activities, taking into account the guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

## 2. STATUS

Under the Local Government Act 2003, authorities have to have regard to any guidance issued either specifically by the Secretary of State or identified in regulations. In carrying out its capital finance functions, the Council must have regard to the code of practice ‘Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes.’

Nothing in this Code overrides or should be taken as overriding statutory provision. Nor does the adoption of this Code make vires anything that is otherwise ultra vires.

## 3. TREASURY MANAGEMENT POLICY STATEMENT

The Council has adopted the following to define the policies and objectives of its treasury management activities:

1. This Council defines its treasury management activities as:

*“The management of the Council’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

2. The Council regards the successful identification, monitoring and management of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of the Council’s business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance management techniques, within the context of effective risk management.

## 4. TREASURY MANAGEMENT PRACTICES

Treasury Management Practices (TMPs) set out the way in which this Council will seek to achieve its treasury management policies and objectives and how it will manage and control those activities. Each section begins with a statement of **Principles** for each area of practice. Specific details of the systems and routines to be employed and the records to be maintained take the form of **Schedules** which follow the relevant TMP.

## TMP1 TREASURY RISK MANAGEMENT

### PRINCIPLES:

“The Director of Resources will design, implement and monitor arrangements for the identification, management and control of treasury risk management, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council’s objectives in this respect, all in accordance with the procedures set out in TMP 6 *Reporting requirements and management information arrangements*. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.”

#### [1] Liquidity risk management

“This Council will ensure that it has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to which are necessary for the achievement of its business/service objectives.”

#### [2] Interest rate risk management

“This Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs, or securing its interest income, in accordance with the amounts provided in the annual budget in accordance with TMP 6 *Reporting requirements and management information arrangements*.

It will achieve this objective by prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level of structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.”

#### [3] Exchange rate risk management

“This Council will manage its exposure to fluctuations in exchange rates so as to minimize any detrimental impact on its budgeted income/expenditure levels.

It will achieve this objective by prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level of structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.”

#### [4] Inflation risk management

“The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation.

It will achieve this objective by prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level of structure of interest rates. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.”



#### **[5] Credit and counterparty risk management**

“This Council regards a prime objective of its treasury management activities to be the security of the principle sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards Institutions with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in *TMP 4 Approved Instruments, methods and techniques* and listed in the schedule to this document. It also recognizes the need to have, and will therefore maintain, a formal counterparty policy in respect of those Institutions from which it may borrow, or with whom it may enter into other financing arrangements.”

#### **[6] Refinancing risk management**

“This Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardize achievement of the above.”

#### **[7] Legal and regulatory risk management**

“This Council will ensure that all of its treasury management activities comply with statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under *TMP1.5 Credit and counterparty risk management*, it will ensure that there is evidence of counterparties’ powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

This Council recognizes that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimize the risk of these impacting adversely on the Council.”

#### **[8] Fraud, error and corruption and contingency management**

“This Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.”

#### **[9] Market risk management**

“This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principle sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.”

## **SCHEDULES:**

### **1.1 LIQUIDITY RISK MANAGEMENT**

#### **Liquidity Risk**

*The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.*

#### **1.1.1 Amounts of approved minimum cash balances and short-term investments**

The Treasury Management section shall seek to ensure that the balance held in the Council's main bank accounts at the close of each working day is held at a level in order to minimize the amount of bank overdraft interest payable, and maximize the amount of credit interest receivable. Borrowing or lending shall be arranged in order to achieve this aim.

The target is to achieve a net overall pooled bank balance of nil within the Council's current bank accounts on a daily basis. The performance will be monitored on a daily basis by the Council's Loans Officer and Policy and Finance Manager.

#### **1.1.2 Bank overdraft arrangements**

A £0.350m overdraft at 1% over base has been agreed as part of the bank tender. The overdraft is assessed on a group basis for the Councils accounts.

#### **1.1.3 Short-term borrowing facilities**

The Council can access temporary loans through approved brokers on the London money market. The approved borrowing limit for short-term debt is 50% of the overall loan debt.

#### **1.1.4 Insurance/Fidelity guarantee facilities**

See TMP 1.8.3 which provides details of the Council's insurance / Fidelity guarantee facilities to mitigate risks.

#### **1.1.5 Closure of Council Offices**

When the Council offices are closed on a banking day, then provision will be made for expected clearances and receipts. The actual strategy to be adopted will depend on overall liquidity and market conditions at the time and available staff resources. At such times the Loans Officer undertakes transfers, anticipating cash flow within the Council's accounts.

### **1.2 INTEREST RATE RISK MANAGEMENT**

#### **Interest rate risk**

*The risk that fluctuations in the levels of interest rates creates an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.*

#### **1.2.1. Details of approved interest rate exposure limits**

This risk is considered as part of the Treasury Management Strategy Statement approved by Council in February/March each year. The Strategy contains interest rate exposure limits in accordance with the requirements of the CIPFA Prudential Code. A variety of Prudential indicators is required to be approved and monitored by Council. The Council will have regard to potential fluctuations in

interest rates when borrowing or lending surplus cash. Advice will be sought from the Council's Treasury Management advisors before any non-routine transaction is made.

### **1.2.2 Trigger points and other guidelines for managing changes to interest rate levels**

These will be undertaken in consultation with the Council's treasury advisers at regular treasury strategy meetings.

### **1.2.3 Minimum/maximum proportions of variable rate debt/interest**

The maximum proportion of interest on borrowing which is subject to variable rate interest.	50%
---	-----

The minimum proportion of interest on borrowing which is subject to variable rate interest	0%
--	----

### **1.2.4 Minimum/maximum proportions of fixed rate debt/interest**

The minimum proportion of interest on borrowing which is subject to fixed rate interest.	100%
--	------

The maximum proportion of interest on borrowing which is subject to fixed rate interest	100 %
---	-------

### **1.2.5 Policies concerning the use of financial derivatives and other instruments for interest rate management.**

Each of the following types of instruments will only be used with the approval of the Director of Resources and in consultation with the Council's treasury advisors:

Forward dealing  
Callable deposits  
LOBOS (borrowing using a 'lender's option/borrower's option' facility)

## **1.3 EXCHANGE RATE RISK MANAGEMENT**

### **Exchange rate risk**

*The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.*

### **1.3.1 Approved criteria for managing changes in exchange rate levels**

Sedfield Borough Council rarely deals with foreign currency so an exposure to exchange rate risk will be minimal. However, as a result of the nature of the Council's business, the Council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling. The Council will adopt a full hedging strategy to control and add certainty to the sterling value of these transactions. This will mean that the Council will eliminate all foreign exchange exposures as soon as they are identified.

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange

transactions will be considered, with professional advice, to comply with this full cover hedging policy. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Council has a contractual obligation to make a payment in the same currency at a date in the future. In this instance, the currency may be held on deposit to meet this expenditure commitment, depending on the expected timing of transactions.

#### **1.4 INFLATION RISK MANAGEMENT**

##### **Inflation risk**

*The risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.*

##### **1.4.1. Details of approved inflation exposure limits for cash investments/debt**

During the current period of low and stable worldwide inflation there is little requirement for an active consideration of the impact of inflation. The key consideration is that investments reap the highest real rate of return, with debt costing the lowest real cost, consistent with other risks mentioned within this section.

##### **1.4.2. Approved criteria for managing changes in inflation levels**

Inflation both current and projected will form part of the debt and investment decision-making criteria both within the strategy and operational considerations.

#### **1.5 CREDIT AND COUNTERPARTY RISK MANAGEMENT**

##### **Credit and counterparty risk**

*The risk of failure by a third party to meet its contractual obligations to the Council under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the Council's capital or current (revenue) resources.*

##### **1.5.1 Criteria to be used for creating/managing approved counterparty lists/limits**

- a) Suitable criteria for assessing and monitoring the credit risk of investment counterparties will be formulated and a lending list comprising time, type, sector and specific counterparty limits will be constructed. This criteria will follow the ODPM investment guidance (issued March 2004).
- b) Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.
- c) Credit ratings will be used as supplied from one or more of the following credit rating agencies: -
  - Fitch Ratings
  - Moody's Investors Services
  - Standard and Poor's
- d) The Council's Treasury Management Consultants are required to provide a regular update of all ratings relevant to the Council, and updated rating information be e-mail where ratings change.

- e) The approved counterparty list takes into account the Council's Annual Investment Strategy (which takes into account guidance issued by the secretary of state concerning local authority investments) and is based on the following criteria: -

### Specified Investments

These investments are sterling dominated of not more than one-year in maturity, or those which could be for a longer period but where the Council has a right to be paid within 12 months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible.

Specified Investment Category	Credit Rating	Max Period
<b>UK Government</b> – including Debt management Office, UK Treasury Bills or gilts with less than one year to maturity	High security. No Credit rating criteria needed.	1 year
<b>Supranational Bonds</b> – 1) issued by a financial institution that is guaranteed by the UK 2) multi lateral development bank bonds aimed at economic development (e.g. European Investment Bank)	High security. No Credit rating criteria needed	1 year
<b>Local Authority, Parish or Community Council</b>	High security. No Credit rating criteria needed	1 year
<b>Money Market Funds (Investment Schemes)</b>	AAA rating by Fitch, Moody's and Standard and Poors	1 year
<b>Highly Credit Rated Body</b> – investments made with a bank/building society from the Council's counterparty list	Short term rating of at least F1 (or equivalent) or minimum asset size of £200m.	1 year

### Non - Specified Investments

Non –specified investments are any other type of investment (i.e. not defined as specified investments above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below.

Non -Specified Investment Category	Limit (£)
<b>Supranational Bonds greater than 1 year to maturity</b> – 1) issued by a financial institution that is guaranteed by the UK 2) multi lateral development bank bonds aimed at economic development (e.g. European Investment Bank)	£20m
<b>Gilt edged securities greater than 1 year to maturity</b> – Government bonds providing the highest level of security.	£20m
<b>Building Societies not meeting the basic security requirements under the specified investments</b> – the Council may use such building societies which have a minimum asset size of £200m .	£20m

<b>Non -Specified Investment Category</b>	<b>Limit (£)</b>
Any <b>Bank or Building Society</b> that has a minimum long term credit rating of F1+ for deposits of greater than one year (including forward deals in excess of one year from inception to repayment) or minimum asset size of £200m.	£20m
Any <b>Non rated subsidiary</b> of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from the parent company.	£5m
<b>Share capital or loan capital</b> in a body corporate – the use of these instruments will count as capital expenditure and will be an application of capital resources. Revenue resources will not be invested in corporate bodies.	£5m

### **1.5.2 Approved methodology for changing limits and adding/removing counterparties**

Credit ratings for individual counterparties can change at any time. The Director of Resources is responsible for applying the stated credit rating criteria in 1.5.1 for selecting approved counterparties, and will add or delete counterparties as appropriate to / from the approved counterparty list when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers. This is delegated on a daily basis to the Loans Officer.

The Director of Resources will also adjust lending limits and periods when there is a change in the credit ratings of individual counterparties or in banking structures e.g. on mergers or takeovers in accordance with the criteria in 1.5.1. This is delegated on a daily basis to the Loans Officer.

## **1.6 REFINANCING RISK MANAGEMENT**

### **Refinancing risk**

*The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Council for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.*

### **1.6.1 Debt/other capital financing maturity profiling, policies and practices**

The maturity profile of debt will be monitored and used to minimize any refinancing risk in consultation with the Council's treasury advisors. Any debt rescheduling is likely to take place when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- a) The generation of cash savings at minimum risk;
- b) To reduce the average interest rate;
- c) To enhance the balance of the long term portfolio (amend the maturity profile and /or the balance of volatility)

### **1.6.2 Projected capital investment requirements**

The Council will prepare forecasts of capital investment needs and resources covering at least a three-year period within the Medium Term Financial Plan (MTFP). This will identify capital financing requirements and therefore the need to borrow to finance the capital programme. The MTFP provides details of the

Council's financial plans covering a three-period and is updated on an annual basis. Officers prepare detailed forecasts covering a longer-term horizon for internal purposes.

### **1.6.3 Policy concerning limits on revenue consequences of capital financings**

As part of compliance with the CIPFA Prudential Code, the Council will consider the revenue consequences of any capital scheme to ensure it is affordable, prudent and sustainable.

## **1.7 LEGAL AND REGULATORY RISK MANAGEMENT**

### **Legal and regulatory risk**

*The risk that the Council itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.*

### **1.7.1 References to relevant statutes and regulations**

The treasury management activities of the Council shall comply with legal statute and the regulations of the Council. These are:

- CIPFA Prudential Code for Capital Finance
- CIPFA Treasury Management Code of Practice 2001
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities
- CIPFA Standard of Professional Practice on Treasury Management
- Local Government Act 2003
- The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Councils Standing Order relating to Contracts
- Councils Financial Regulations
- Council's Scheme of Delegated Functions
- SI 2003/3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended)
- ODPM Local Government Investment Guidance under section 15(1)(a) – 12<sup>th</sup> March 2004

### **1.7.2 Procedures for evidencing the Council's powers/authorities to counterparties**

The Council will prepare, adopt and maintain, as the cornerstones for effective treasury management:-

- A Treasury Management Policy Statement, stating the overriding principles and objectives of its Treasury Management activities.
- Treasury Management Practices, setting out the manner in which the Council will achieve those principles and objectives, and prescribing how it will manage and control those activities.

### **1.7.3 Required information from counterparties concerning their powers/authorities**

Lending shall only be made to counterparties on the authorised list and borrowings will only be undertaken from recognized and reputable counterparties to comply with TMP 9 *Money Laundering*.

Sedgefield Borough Council hold letters verifying that the approved brokers are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000, under which Local Authorities are classified as market counterparties.

Building Societies are members of Building Society Association and are governed by Building Society Act 1986.

Banks are regulated by the Financial Services Authority under the provisions of the Financial Services and Markets Act 2000.

#### **1.7.4 Statement on the Council's political risks and their management**

The Director of Resources shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond and manage appropriately political risks such as change of majority group and leadership etc.

### **1.8 FRAUD, ERROR AND CORRUPTION, BUSINESS CONTINUITY AND CONTINGENCY MANAGEMENT ARRANGEMENTS**

#### **Fraud, error and corruption, business continuity and contingency risk**

*The risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures to maintain effective business continuity and contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.*

#### **1.8.1 Details of systems and procedures to be followed, including internet services**

The Treasury Management function is subject to a regular review by the Council's Internal Audit Service.

##### **Authority:**

- Loan procedures are defined in the Council's Financial Regulations.
- The Scheme of Delegation to Officers sets out the appropriate delegated levels. All loans and investments, including PWLB, are negotiated by the Director of Resources or authorized persons.

##### **Occurrence:**

- Detailed register of loans and investments is maintained. This is independently checked to the ledger balance.
- Adequate and effective cash flow forecasting records are maintained to support the decision to lend or borrow.
- Written confirmation is received from the lending or borrowing institution
- All transactions placed through the brokers are confirmed by a broker note, showing details of the loan arranged.

##### **Completeness:**

- The loans register is updated to record all lending and borrowing. This includes the date of the transaction and interest rates.



**Measurement:**

- The Financial Services Section checks the calculation of repayment of principal and interest notified by the lender or borrower for accuracy.
- The Financial Services Section calculates periodic interest payments of PWLB and other long-term loans. This is used to check the amount paid to these lenders.

**Timeliness:**

- The Loans Officer maintains an up to date diary and register that clearly identifies when money borrowed or lent is due to be repaid.

**Regularity:**

- Lending is only made to institutions on the Approved List.
- All loans raised and repayments made go directly to and from the institutions bank account.
- Authorisation limits are set for every institution (see 1.5.1).
- Brokers have a list of named officials authorised to perform loan transactions.
- There is adequate Fidelity Guarantee insurance cover for employees involved in loans management and accounting.
- There is a separation of duties in the Section between the repayment of a loan and its authorization.
- The bank reconciliation is carried out regularly from the bank statement to the financial ledger.

**Security:**

- The 'Financial Director System', which is provided by the Co-operative Bank to allow direct access to the Council's bank accounts, can only be accessed by a password.
- Payments can only be authorised by an agreed bank signatory. The list of signatories having previously been agreed with the current provider of our banking services.

**Substantiation:**

- A quarterly reconciliation is carried out matching transactions from the treasury system to the financial ledger codes.

**1.8.2 Contingency planning and business continuity management arrangements**

If the Treasury Management PC fails, the 'Financial Director System' can be accessed via another PC. All spreadsheets are held on the shared drive and therefore can be accessed by other PC's if necessary.

If the Electronic Banking System fails, there is a contingency arrangement in place with the Bank whereby cash balances can also be obtained verbally or by fax from the Co-op Bank, and CHAP payment instructions, which are normally input directly into 'Financial Director System', can be faxed to the bank for their processing.

In the event of a business continuity problem, which prevents access to the Financial Director System, the present contingency management arrangements will be invoked.

### **1.8.3 Insurance cover details**

The Council has 'Fidelity Guarantee' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees to a maximum £3m in respect of a number of designated post holders and £250,000 in respect of all other staff.

## **1.9 MARKET RISK MANAGEMENT**

### **Market risk**

*The risk that, through adverse market fluctuations in the value of the principal sums a Council invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.*

### **1.9.1 Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate (gilts, CDs, etc)**

The Council does not normally make investments where the capital value may fluctuate. Investment instruments used by external fund managers are subject to fluctuations in capital and exposure to interest rate risk. The Council does not currently use external fund managers but will keep the situation under review. In order to minimise the risk of fluctuations in capital value of investments, capital preservation is set as the primary objective.

## TMP 2 BEST VALUE AND PERFORMANCE MEASUREMENTS

### PRINCIPLES:

“This Council is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council’s stated business or service objectives. There will be a regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope of other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.”

### SCHEDULES:

#### **2.1 METHODOLOGY TO BE APPLIED FOR EVALUATING THE IMPACT OF TREASURY MANAGEMENT DECISIONS**

The Council’s Treasury Management consultants are required to carry out a health check of our Treasury Management function.

#### **2.2 POLICY CONCERNING METHODS FOR TESTING BEST VALUE IN TREASURY MANAGEMENT**

##### **2.2.1 Frequency and processes for tendering**

Tenders are normally awarded on a five yearly basis. The process for advertising and awarding contracts will be in line with the Council’s Contract Standing Orders.

##### **2.2.2 Banking services**

Banking services will be tendered for every five years to ensure that the level of prices reflect efficiency savings achieved by the supplier and current pricing trends.

##### **2.2.3 Money-broking services**

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers will be established which takes account of both prices and quality of services.

##### **2.2.4 Consultants’/advisers’ services**

This Council’s policy is to appoint professional treasury management consultants and separate leasing advisory consultants.

##### **2.2.5 Policy on External Managers (Other than relating to Superannuation Funds)**

The Council’s current policy is not to use an external investment fund manager to manage a proportion of surplus cash. This will be kept under review.

Should it be necessary to engage the services of one or more external fund managers to assist in the treasury management function, the Director of Resources will produce a comprehensive report identifying:

- The procedures to be followed for the appointment
- The basis of the fees to be paid
- The reporting requirements
- The targets to be set
- The performance measurement against appropriate benchmarks
- The requirement for suitable indemnities and security for due performance

### **2.3 METHODS TO BE EMPLOYED FOR MEASURING THE PERFORMANCE OF THE COUNCIL'S TREASURY MANAGEMENT ACTIVITIES**

Performance of the Treasury Management function will be measured against annual Treasury Management Strategy Statement targets and compliance with the CIPFA Code of Treasury Practice.

Performance will be monitored monthly against approved budgets and internally agreed targets.

### **2.4 BENCHMARKS AND CALCULATION METHODOLOGY:**

#### **2.4.1 Debt management**

*Data – total interest payable as a percentage of long term loans outstanding*  
*Comparator – similar rates of other local authorities – estimated average rate*

The Council will look to reduce the average rate of interest payable on all external debt (consolidated rate of interest) on a year by year basis.

#### **2.4.2 Investment**

*Data – average rate of interest earned on all investments.*  
*Comparator – the average seven day rate applicable to local authorities.*

The performance of in house investment earnings will be measured against the 7 day London Interbank Bid Rate (LIBID). This is the clearing rate that banks lend to other banks and institutions.

Performance will also be measured against other local authority funds with a similar benchmark.

## TMP 3 DECISION-MAKING AND ANALYSIS

### PRINCIPLES:

“This Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule of this document.”

### SCHEDULES:

#### 3.1 FUNDING, BORROWING, LENDING, AND NEW INSTRUMENTS/TECHNIQUES:

##### 3.1.1 Records to be kept

The following records will be used relative to each loan or investment:

- Daily cash projections.
- Telephone / e-mail rates.
- Dealing slips for all money market transactions – including rate changes.
- PWLB loan schedules.
- Local bond certificates (if used).
- Market bond certificates (if used).
- Temporary loan receipts (if used).
- Brokers confirmations for deposits/investments.
- Contract notes received from fund managers (if used).
- Fund managers valuation statements (if used).
- Confirmation notes from borrowers.

##### 3.1.2 Processes to be pursued

- Cash flow analysis.
- Maturity analysis.
- Ledger reconciliations
- Review of borrowing requirement.
- Monitoring of projected loan charges and interest and expenses costs.
- Review of opportunities for debt rescheduling.
- Collation of monthly performance information.

##### 3.1.3 Issues to be addressed.

###### 3.1.3.1 *In respect of every decision made the Council will:*

- Above all be clear about the nature and extent of the risks to which the Council may become exposed.
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained.
- Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping

- Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
- Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

**3.1.3.2 *In respect of borrowing and other funding decisions, the Council will:***

- Evaluate the economic and market factors that might influence the manner and timing of any decision to fund
- Consider the merits of alternative forms of funding, including (but not exclusively) funding from revenue, leasing and private partnerships
- Consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- Consider the ongoing revenue liabilities created, and the implications for the Council's future plans and budgets.

**3.1.3.3 *In respect of investment decisions, the Council will:***

- Consider the optimum period, in the light of cash flow availability and prevailing market conditions.
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital.

# TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

## PRINCIPLES:

“This Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP 1 *Risk management*.”

## SCHEDULES:

### 4.1 APPROVED ACTIVITIES OF THE TREASURY MANAGEMENT OPERATION

- Borrowing;
- Lending;
- Debt repayment and rescheduling;
- Consideration, approval and use of new financial instruments and treasury management techniques;
- Managing the underlying risk associated with the Council’s capital financing and surplus funds activities;
- Managing cash flow;
- Banking activities;
- Leasing.

### 4.2 APPROVED INSTRUMENTS FOR INVESTMENTS

All investments will comply with the Council’s Annual Investment Strategy (which takes into account guidance issued by the Secretary of State concerning Local Authority investments). The instruments used will be:

- Term deposits with banks and building societies up to a maximum of 5 years
- Term deposits with non-rated subsidiaries of an institution meeting the basic credit criteria
- Debt Management Office
- Gilts
- Supranational bonds
- Money market funds that meet the criteria set in the investment policy
- Term deposits with other Local Authorities and Parish Councils

### 4.3 APPROVED METHODS AND SOURCES OF RAISING CAPITAL FINANCE

Finance will only be raised in accordance with the Local Government and Housing Act, 1989, and within this limit the Council has a number of approved methods and sources of raising capital finance. These could include:

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	●

Internal (capital receipts & revenue balances)	●	●
Leasing (not operating leases)	●	●

**Other Methods of Financing**

These include Government and EC Capital Grants, lottery monies, PFI/PPP, Operating leases and other capital contributions from relevant partners and stakeholders.

All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Resources has delegated powers, in accordance with the Officers' Scheme of Delegation within the Constitution and the Treasury Management Strategy, to borrow using the most appropriate sources.



## **TMP 5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS**

### **PRINCIPLES:**

"This Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when this Council intends, as a result of lack of resources or for any other circumstances, to depart from these principles, the Director of Resources will ensure that the reasons are properly reported in accordance with TMP 6 *Reporting requirements and management information arrangements*, and the implications properly considered and evaluated.

The Director of Resources will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The present arrangements are detailed in the schedule of this document.

The delegations to the Director of Resources in respect of treasury management are set out in the schedule to this document. The Director of Resources will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management*."

### **INDEX OF SCHEDULES:**

- 5.1 Limits to responsibilities/discretion at Council/Director levels**
- 5.2 Principles and practices concerning segregation of duties**
- 5.3 Treasury management organisation chart**
- 5.4 Statement of duties/responsibilities of each Treasury post and other officers involved with Treasury Management**
- 5.5 Absence cover arrangements**
- 5.6 Dealing Limits**
- 5.7 List of approved brokers**
- 5.8 Policy on brokers' services**
- 5.9 Policy on taping of conversations**
- 5.10 Direct dealing practices**
- 5.11 Settlement transmission procedures**
- 5.12 Documentation requirements**
- 5.13 Arrangements concerning the management of third-party funds.**

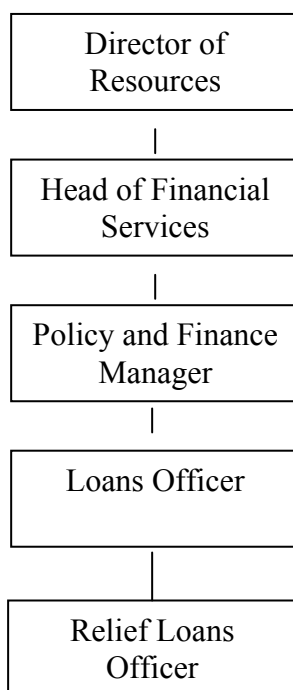
### **5.1 LIMITS TO RESPONSIBILITIES/DISCRETION AT COUNCIL/DIRECTOR LEVELS**

- Council will receive and review reports on treasury management policies, practices and activities, and the annual treasury management strategy.
- The Director of Resources will be responsible for amendments to the Council's adopted clauses, treasury management policy statement and treasury management practices.
- The Director of Resources will approve the segregation of responsibilities.
- The Director of Resources will receive and review external audit reports.
- Approving the selection of external service providers and agreeing terms of appointment will be decided by the Director of Resources, in accordance with the Constitution.

### **5.2 PRINCIPLES AND PRACTICES CONCERNING SEGREGATION OF DUTIES**

- The Director of Resources in consultation with the Head of Financial Services authorizes all new long-term borrowing.
- Transactions relating to pre-existing agreements are also delegated to the Head of Financial Services.
- Short-term borrowing and investment can be authorised by the Head of Financial Services, Policy and Finance Manager, Accountancy Services Manager or Audit Services Manager.

### **5.3 TREASURY MANAGEMENT ORGANISATION CHART**



## **5.4 STATEMENT OF DUTIES/RESPONSIBILITIES OF EACH TREASURY POST AND OTHER OFFICERS INVOLVED WITH TREASURY MANAGEMENT**

### **5.4.1 Director of Resources**

- a) The Director of Resources will:
- i) Recommend clauses, treasury management policy / practices for approval, reviewing the same on a regular basis, and monitoring compliance.
  - ii) Submit treasury management policy reports as required.
  - iii) Submit budgets and budget variations in accordance with Financial Regulations and guidance.
  - iv) Receive and review management information reports.
  - v) Review the performance of the treasury management function and promote best value reviews.
  - vi) Ensure the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
  - vii) Ensure the adequacy of internal audit, and liaising with external audit.
  - viii) Recommend on appointment of external service providers in accordance with the Constitution.
- b) The Director of Resources has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- c) The Director of Resources may delegate his power to borrow and invest to members of his staff. The Head of Financial Services must conduct all dealing transactions, or staff authorised by the Director of Resources to act as temporary cover for leave/sickness. All transactions must be authorised by an officer named in 5.2 above.
- d) The Director of Resources will ensure that the Policy is adhered to, and if not will bring the matter to the attention of the Chief Executive and, if necessary, elected members as soon as possible.
- e) Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director of Resources to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Constitution.
- f) It is also the responsibility of the Director of Resources to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

### **5.4.2 Head of Financial Services**

The Head of Financial Services will:-

- a) Ensure a tri-annual review of the Treasury Management Policy Statement.
- b) Ensure preparation of Treasury Management Reports.
- c) Review the investment counterparty list and recommend any changes to the Director.

- d) Ensure numbers of sufficiently trained staff are adequate.
- e) Monitor performance and report to Director as necessary.
- f) Review annually the internal scheme of management.
- g) Liaise with consultants on strategic issues.

#### **5.4.3 Policy and Finance Manager**

The Policy and Finance Manager will:

- a) Ensure that transactions are executed
- b) Ensure adherence to agreed policies and practices on a daily basis
- c) Carry out a tri-annual review of the treasury management policy statement
- d) Supervise treasury management staff
- e) Maintain relationships with third parties and external service providers
- f) Monitor performance on a day to day basis
- g) Submit management information reports to the Head of Financial Services
- h) Identify and recommend opportunities for improved practices
- i) Develop and maintain suitable treasury management practices

#### **5.4.4 Loans Officer**

The Loans Officer will:

- a) Prepare weekly cash flow forecasts
- b) Prepare a daily cash requirement
- c) Take dealing decisions consistent with weekly forecasts
- d) Maintain weekly, monthly and annual cashflow forecasts for Treasury Management purposes
- e) Prepare reports on transactions and balances as required from time to time
- f) Maintain a register of lending, borrowing and repayments
- g) Reconcile treasury activity in relation to lending, borrowing and repayments to the financial management system

#### **5.4.5 Relief Loans Officer**

Relief Loans Officer will carry out the duties normally undertaken by the Loans Officer, as outlined in 5.4.4 above.

#### **5.4.6 Chief Executive**

The responsibilities of this post will be to ensuring that the Director of Resources reports regularly to Cabinet on treasury policy, activity and performance.

#### **5.4.7 Head of Legal Services (in the role of monitoring officer)**

The responsibilities of this post will be: -

- a) Ensuring compliance by the Director of Resources with the treasury management policy statement and treasury management practices and that they comply with the law.
- b) Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- c) Giving advice to the Director of Resources when advice is sought.

#### **5.4.8 Internal Audit**

The responsibilities of Internal Audit will be: -

- a) Reviewing compliance with approved policy and procedures.
- b) Reviewing division of duties and operational practice.

- c) Assessing value for money from treasury activities.
- d) Undertaking probity audit of the treasury function.

**5.5 ABSENCE COVER ARRANGEMENTS**

The Head of Financial Services is responsible for ensuring that the number of trained staff is adequate (refer to 5.4.2(d)).

**5.6 DEALING LIMITS**

Persons authorised to deal are identified at 5.4.4 and 5.4.5 above and dealing limits will be determined by the Director of Resources or Head of Financial Services.

**5.7 LIST OF APPROVED BROKERS**

A list of approved brokers is maintained within the Treasury Management section and a record of all transactions recorded against them.

**5.8 POLICY ON BROKERS' SERVICES**

It is Council's policy to divide business between brokers.

**5.9 POLICY ON TAPING OF CONVERSATIONS**

It is not Council Policy to tape brokers conversations

**5.10 DIRECT DEALING PRACTICES**

It is an acceptable practice for the Council to make direct dealings with suitable counterparties if the use of Brokers does not provide a satisfactory financial arrangement at any time.

**5.11 SETTLEMENT TRANSMISSION PROCEDURES**

Each transaction must be submitted and then authorized by any one of the officers shown below. The transfer is then processed electronically using the 'Financial Director' system by 15:30 on the day of the transaction.

*Authorised Officers: Head of Financial Services, Policy and Finance Manager, Audit Services Manager, Accountancy Services Manager.*

**5.12 DOCUMENTATION REQUIREMENTS**

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

**5.13 ARRANGEMENTS CONCERNING THE MANAGEMENT OF THIRD-PARTY FUNDS**

Arrangements regarding the vetting of counterparties are referred to in TMP 9 *Money Laundering*.

## **TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGMENTS**

### **PRINCIPLES:**

“This Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting treasury management activities; and on the performance of the treasury management function.

As a minimum, Council will receive:

- i) an annual report on the strategy and plan to be pursued in the coming year
- ii) an annual report on the performance of the treasury management function, on the effects of decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the Council’s treasury management policy statement and TMPs..

The present arrangements and the form of these reports are detailed in the schedule to this document.”

### **SCHEDULES:**

#### **6.1 ANNUAL TREASURY MANAGEMENT STRATEGY STATEMENT**

The Treasury Management Strategy sets out the specific expected treasury activities for the forthcoming financial. This strategy will be submitted to Council for approval before the commencement of each financial year.

The formulation of the annual treasury management strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter term variable interest rates.

The Treasury management statement is concerned with the following elements:

- The current treasury portfolio position;
- The expected movement in interest rates;
- The borrowing and debt strategy;
- The annual investment strategy;
- The prudential indicators for capital finance and treasury management limits including local Treasury Management indicators and Prudential indicators and limits;
- Any extraordinary treasury issue.

#### **6.2 ANNUAL REPORTING ON TREASURY MANAGEMENT ACTIVITY**

An annual report will be presented to the Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:-

- a) Performance against strategy:
  - Long term borrowing from PWLB

- Premature redemption of debt
  - Long term debt – other than PWLB
  - Summary of all long term loan transactions
  - Investments
- b) Economic trends during financial year  
 c) Compliance with the Council's procedures and external requirements  
 d) Risk, performance and corporate governance  
 e) Treasury Management consultants  
 f) Money Brokers

### **6.3 MANAGEMENT INFORMATION REPORTS**

Management information reports will be prepared on a regular basis by the Policy and Finance Manager and will be presented to the Head of Financial Services.

The reports will contain the following information:-

A summary of transactions executed

Measurements of performance

Degree of compliance with original strategy and explanation of any variances

### **6.4 PERIODIC MONITORING REPORTS**

Council will consider as a minimum:

An annual strategy statement before the commencement of the new financial year.

An annual review of treasury management activity before the 30<sup>th</sup> September after the year end to which it relates.

# TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

## PRINCIPLES:

“The Director of Resources will prepare, and this Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the expenditure incurred with regard to the activity, together with the associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP 1 *Risk management*, TMP 2 *Best value and performance measurement*, and TMP 4 *Approved instruments, methods and techniques*. The form which this Council’s budget will take is set out in the schedule to this document. The Director of Resources will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP 6 Reporting Requirements and Management Information Arrangements.

This Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of this Council’s accounts is set out in the schedule to this document.

This Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers surrounding the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed in the schedule to this document.”

## SCHEDULES:

### 7.1 **STATUTORY/REGULATORY REQUIREMENTS**

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognized by statute as representing proper accounting practices.

### 7.2 **ACCOUNTING PRACTICES AND STANDARDS**

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain. The Council adopts in full the principles set out in CIPFA’s Treasury Management in the Public Services – Code of Best Practice and Cross Sectoral Guidance Notes (the ‘CIPFA Code and Guide’), together with those of its specific recommendations that are relevant to this Council’s treasury management activities.

### 7.3 **BUDGETING AND ACCOUNTING ARRANGEMENTS**

The Policy and Finance Manager will prepare an annual budget for treasury management, which will bring together all the expenditure incurred with regard to this activity, as well as the associated income. The Policy and Finance Manager will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with section TMP6 above.

All transactions for loans, repayments and interest paid and received are recorded to general ledger codes reserved for that purpose.



#### **7.4 LIST OF INFORMATION REQUIREMENTS OF INTERNAL AND/OR EXTERNAL AUDITORS**

Both Internal and External Auditors have access to prime documents of: cash flow history, authorized documentation of transactions made, loans and fixed investment register and general ledger transaction listings. In addition, addresses of counterparties are supplied as necessary for independent verification of loans held.

## TMP 8 CASH AND CASH FLOW MANAGEMENT

### PRINCIPLES:

“Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Council will be under the control of the Director of Resources, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Director of Resources will ensure that these are adequate for the purposes of monitoring compliance with TMP 1[1] *liquidity risk management*. The present arrangements for preparing cash flow projections, and their form, are set out in the schedule to this document.”

### SCHEDULES:

#### 8.1 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS

Cash flow projections are prepared annually, monthly, weekly and daily. The annual and monthly cash flow projections are prepared from the previous years daily cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates.

#### 8.2 CONTENT AND FREQUENCY OF CASH FLOW BUDGETS

National Non Domestic Rates, Revenue Support Grant, Housing Benefit, Housing Subsidy payments and receipts  
County Council, Police Authority, Fire Authority, and Parish and Town Council precepts  
Creditor payments - daily  
PWLB interest/principal – various  
Leasing instalments - various

#### 8.3 LISTING OF SOURCES OF INFORMATION

Estimated cashflow details are compiled using:

- a) Schedule of Payment of National Non Domestic Rates, Revenue Support Grant, Housing Benefit, Housing Subsidy and any other payments or receipts from Central Government Departments.
- b) Council Tax Precept dates and amounts,
- c) Notifications from the Accountancy section of any significant grants expected during the year.
- d) Schedule of payroll payment dates supplied by the Payroll section, Resources department, with an estimated amount based on the previous years payments. The actual amounts will be available from Payroll section a few days before payment is due.
- e) PWLB and other Long Term Loans Payments schedule.
- f) An estimated figure for creditor payments, based on previous patterns of expenditure. More accurate figures can be obtained two days before payment based on the Creditor BACs figure, available from Control Services, and

notification of any large cheques due, supplied by the Revenues Section section.

#### **8.4 BANK STATEMENTS PROCEDURES**

Income and expenditure transactions on the Bank statement are allocated to the appropriate General Ledger accounts. Regular reconciliations are undertaken to ensure that all transactions are recorded in the appropriate General Ledger account.

#### **8.5 PAYMENT SCHEDULING AND AGREED TERMS OF TRADE WITH CREDITORS**

The Council's aim is to pay creditors within 30 days of the invoice date and this effectively schedules the payments. Certificated payments to sub-contractors must be paid within 14 days.

#### **8.6 ARRANGEMENTS FOR MONITORING DEBTORS / CREDITORS LEVELS**

The Financial Services Section provides each department with monthly reports detailing the debtor, the amount outstanding and the age of outstanding debts.

The Financial Services Section provides each department and the Director of Resources with monthly statistics of invoices paid and the percentage paid within 30 days.

#### **8.7 PROCEDURES FOR BANKING OF FUNDS**

All money received by an officer on behalf of the Council will without unreasonable delay be deposited in the Council's bank accounts. No deductions may be made from such money save to the extent that the Director of Resources may specifically authorize.

#### **8.8 PRACTICES CONCERNING PREPAYMENTS**

All prepayments must be authorised by the Director of Resources.

## TMP 9 MONEY LAUNDERING

### PRINCIPLES:

“This Council is alert to the possibility that it may become the subject of an attempt involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule to this document.”

### SCHEDULES:

#### 9.1 TREASURY MANAGEMENT PURPOSES

##### 9.1.1 Training

Staff will be kept aware of developments in money laundering regulations and will be encouraged to keep abreast of money laundering issues through specific training, publications and the Internet. The Council’s nominated Money Laundering Reporting Officer (MLRO) will be required to attend specific professional courses on money laundering developments to ensure knowledge is kept up to date.

##### 9.1.2 Material and regular deposits or borrowing

For all investment or borrowing counterparties, the Council will ensure that the counterparty has been suitably identified. This will take the form of:

###### a) Investment Counterparties

All investment counterparties which are maintained on the Council’s lending list should be a deposit taker authorised by a regulatory body (e.g. the FSA {check via [www.fsa.gov.uk/register](http://www.fsa.gov.uk/register)}). As such the identification procedures usually required above do not apply since the institution carries out relevant business in the UK. Those counterparties not authorised as a deposit taker through the FSA are institutions, such as the Bank of England or Post Office, are not required to be the subject of stringent identification procedures, but the Council will review these on a case by case basis.

###### b) Borrowing Counterparties

All borrowing counterparties are dealt with through either of the following routes:

i) Via Money brokers – In this instance Money Laundering Regulations 5(2) applies in as much as the combination of the use of brokers and reasonable grounds that the counterparty carries on authorised business in the UK. However even when dealing via a broker it is the Council’s responsibility to verify the counterparty, not the broker’s; or

ii) Direct dealing – In this instance the Council uses only recognized names, ones with credit ratings and to which the Council has reasonable grounds to expect that the counterparty carries on regulated business in the UK. For a few notable exceptions (such as Bank of England or Post Office), the nature of their business does not require stringent identification procedures, but the council will undertake procedures to “know the counterparty”.

If any Treasury investment counterparties are not known to the Council the treasury officer will ensure identification of the counterparty by checking the credit rating of the organisation via the Council's Treasury advisers. This would normally be undertaken during the compilation of the counterparty list. If the counterparty is neither credit rated, nor known to be carrying on regulated business (e.g. FSA), the Council will not deal with that organisation.

### **9.1.3 Small or irregular treasury deposits**

The Council may from time to time be asked to accept deposits from local institutions or individuals. In these circumstances the Council will require and copy identification of the institution's contact officer or individual and the Council will take such steps that are reasonable to ensure the activities and operations of the counterparty are appropriate. The identification process and documentation will be held with the information relating to the transaction. In the event that identification is inadequate or not forthcoming the Council will not deal with that institution or individual.

### **9.1.4 Reporting and Appointment of a "Nominated Officer"**

The MLRO is nominated to receive disclosures under this regulation. The MLRO for this Council is the Head of Financial Services. Any concern of a transaction possibly being linked to either money laundering or the proceeds of crime must be referred to the MLRO for consideration and if the concerns are validated the NCIS must be notified.

## **9.2 NON TREASURY MANAGEMENT PURPOSES**

### **9.2.1 Regular cash and other receipts**

The Council will in the normal operation of its services accept cash payments from individuals or organisations in relation to rents, Council tax, sundry debtors etc. However the de minimus limit of Euro15,000 applied in the regulations will mean that the requirements of the regulations do not apply to the majority of the Council's customers, unless the Council employee would have reasonable grounds to suspect money laundering activities or proceeds of crime or is simply suspicious. Where in the case of rental income, business rates etc., which are in excess of the de minimus limit the Council employee can take some confidence from the following:

- a). Receipts will normally be paid by BACS or cheques and the relevant bank will be required to comply with the money laundering regulations for their customer.
- b). These types of transactions relate to usage of a property or specific service which would not normally be ideal conduits for money laundering.
- c). Most customers will be locally known businesses.

Significant cash receipts should be properly evaluated, evidence gathered and if not supported refused. Any bank payments from unknown or overseas banks should be subject to similar scrutiny.

### **9.2.2 Occasional receipts from infrequent customers**

The main receipts accepted by the Council will be related to capital receipts from the sale of assets, although any other receipts in excess of Euro15,000 should be reviewed. In ensuring the identification procedures the Council can take confidence from the following:

- a) The legal section will deal with the sale and will identify the payee during the course of the process of sale.
- b) Receipts will normally be paid by BACS or cheques and the relevant bank will be required to comply with the money laundering regulations for their client.
- c) Customers may be longstanding tenants or known businesses.

### **9.2.3 Payments**

The majority of the payments by the Council will be via the payroll directly to bank accounts. Similarly the majority of creditor payments will be paid via BACS directly to domestic bank accounts or by crossed cheques and so the same controls will apply. In these cases the relevant bank will be required to comply with the money laundering regulations for their client's further use of the money.

### **9.2.4 Cash payments**

Cash payments made by the Council are undertaken through authorised petty cash floats. The amounts do not exceed the thresholds for money laundering purposes.

### **9.2.5 Refunds**

Where a significant overpayment arises which results in a repayment, this will be properly investigated and authorised before payment.

**In the event of any suspicious transactions the MLRO should be contacted for investigation.**

## TMP 10 STAFF TRAINING AND QUALIFICATIONS

### **PRINCIPLES:**

“This Council recognizes the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Director of Resources will recommend and implement the necessary arrangements. The present arrangements are detailed in the schedule to this document.”

### **SCHEDULES:**

- 10.1** Details of staff training needs will be identified as part of the training needs analysis undertaken during annual Employee Development Interviews.
- 10.2** Treasury Management seminars will be attended as appropriate.
- 10.3** The Director of Resources is committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

## TMP 11 USE OF EXTERNAL SERVICE PROVIDERS

### PRINCIPLES:

“This Council recognizes the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons, which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to a regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to a formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Director of Resources, and details of the current arrangements are set out in the schedule to this document.”

### SCHEDULES:

#### **11.1 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS**

##### **11.1.1 Banking services**

- a) Name of supplier of service is the Co-operative Bank plc. The branch address is:  
29 Hight Street  
Durham  
DH1 3PL
- b) Contract commenced 1<sup>st</sup> April 2002 and runs for 5 years until 31<sup>st</sup> March 2007
- c) Cost of service is variable depending on schedule of tariffs and volumes
- d) Payments are paid quarterly in arrears

##### **11.1.2 Money-broking services**

Name of suppliers of service:

- a) Martin Brokers (UK) plc
- b) Tradition (UK) Ltd
- c) No commission is paid by the Council to any money broker

##### **11.1.3 Consultants/advisers services**

- a) Treasury Consultancy Services
  - i) Name of supplier of service is Butlers Limited. Their address is:  
Broadgate  
London  
EC2M 7UR  
Tel: 020 7000 5900
  - ii) Contract commenced the 14<sup>th</sup> February 2002 and runs for 5 years to the 13<sup>th</sup> February 2007.



d) Leasing Consultancy Services.

- i) Name of the supplier of the service is Chrystal Consultancy Services. Their address is:

191C Moss Lane  
Bramhall  
Stockport  
Cheshire  
SK7 1BA

- ii) Contract commenced 1<sup>st</sup> April 2005 for a one year period.  
iii) The cost of the service is dependent upon the value of leasing drawdowns which take place throughout the year.

- e) External Fund Managers  
None at present.

Other Consultancy services may be employed on short term contracts as and when required.

## **11.2 PROCEDURES AND FREQUENCY FOR TENDERING SERVICES**

Refer to TMP 2 *Best Value and Performance Management* for details regarding frequency and tendering processes in relation to treasury management activities.

## **TMP 12 CORPORATE GOVERNANCE**

### **PRINCIPLES:**

“This Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

This Council has adopted and has implemented the key recommendations of the Code. This together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Director of Resources will monitor and, if and when necessary, report upon the effectiveness of these arrangements.”

### **SCHEDULES:**

#### **12.1 LIST OF DOCUMENTS TO BE MADE AVAILABLE FOR PUBLIC INSPECTION**

**Annual Statement of Accounts**  
**Annual Revenue and Capital Budgets**  
**Medium Term Financial Plan**  
**Treasury Management Policy**  
**Treasury Management Strategy**  
**Annual Review of Treasury Management**

# Item 6

## REPORT TO COUNCIL

30<sup>th</sup> SEPTEMBER 2005

## REPORT OF DIRECTOR OF RESOURCES

**Portfolio: RESOURCE MANAGEMENT**

### **ANNUAL REVIEW OF TREASURY MANAGEMENT 2004/2005**

#### **1. SUMMARY**

- 1.1 The purpose of this report is to review the performance of the Council's Treasury Management activities during the 2004/05 financial year.

#### **2. RECOMMENDATIONS**

- 2.1 That Council accepts the content of the Annual Review.

#### **3. TREASURY MANAGEMENT REVIEW AND PRACTICES**

##### ***2004/05 Performance***

- 3.1 Council approved the Local Code of Practice for Treasury Management Activities (the Local Code) in December 2002 (Minute C55/02 refers).
- 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 Special Council in February 2004 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, TMP's and Local Code in 2004/05.

#### **4. 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 2004/05 Report.

## 5. CONSULTATIONS

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

## 6. OTHER MATERIAL CONSIDERATIONS

No other material considerations have influenced this report.

## 7. OVERVIEW AND SCRUTINY IMPLICATIONS

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

## 8. List of Appendices

Annual Review of Treasury Management 2004/05

**Contact Officer:** Harold Moses (Head of Financial Services)

**Telephone No.:** (01388) 816166 ext. 4385

**E-Mail Address:** [hmoses@sedgefield.gov.uk](mailto:hmoses@sedgefield.gov.uk)

**Ward(s):** Not Ward Specific

### Background Papers:

Code of Practice for Treasury Management Activities - Council 20<sup>th</sup> December 2002

The Treasury Management Strategy 2004/05 to 2006/07 and the Impact of the Prudential Code for Capital Finance – Special Council 27<sup>th</sup> February 2004

### Examination by Statutory Officers

	Yes	Not Applicable
1. The report has been examined by the Council's Head of the Paid Service or his representative	√	
2. The content has been examined by the Council's 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	√	

**ANNUAL REVIEW OF  
TREASURY MANAGEMENT**

**2004/2005**

**SEDGEFIELD BOROUGH COUNCIL**

## **1. Introduction**

- 1.1 The purpose of this report is to review the performance of the Council's Treasury Management activities during the 2004/05 financial year, in accordance with Treasury Management Practice Number 6 "Reporting Requirements and Management Information Arrangements".

## **2. Performance Against Strategy**

### **2.1 Long Term Borrowing from the Public Works Loan Board (PWLB)**

The objective set out in the Strategy was to continue the policy of ensuring that the level of external debt and the capital financing requirement were broadly at similar levels. This is achieved by a combination of loans being repaid at the end of their normal loan period and prematurely redeeming other debt.

The capital financing requirement and external debt at 31 March 2005 was £19.289 and £18.987m respectively.

There was no requirement for long term borrowing from the PWLB or other bodies during the year either for capital financing or to facilitate debt rescheduling.

An analysis of the PWLB Loan Debt as at 31 March 2005 is attached at Appendix A.

### **2.2 Premature Redemption of Debt**

Debt rescheduling opportunities were constantly monitored throughout the year, taking into account interest rate fluctuations and recommendations made by our external Treasury Management Consultants.

The Council's actual level of external debt and the capital financing requirement were broadly similar throughout the year and therefore no debt rescheduling activities were necessary to bring the two measures together. Previous legislation required the Council to set aside a proportion of its capital receipts to repay debt, which meant that the Council's debt levels had traditionally been falling year on year. However, with the introduction of the 'pooling system' for housing capital receipts from 1<sup>st</sup> April 2004, debt levels are not expected to significantly reduce over the medium term.

Although no debt rescheduling activities were undertaken during 2004/05, the Council holds premiums amounting to £1.142m on its balance sheet (as a prepayment) relating to debt restructuring exercises conducted in previous years. In line with proper accounting practices, these premiums are being charged to the appropriate revenue accounts over a number of years. As at 31<sup>st</sup> March 2005, the General Fund element of these pre-payments equate to

£0.193m and the HRA share is £0.949m. Full provision is made in the budget framework for the annual charge to both the General Fund and HRA.

### 2.3 Long Term Debt - Other than PWLB

The objective in the Strategy was to monitor money market rates, in order to borrow additional sums within the overall borrowing limit, from sources other than the PWLB - had it been in the Council's best interests to do so.

It was not necessary to borrow from these sources during 2004/05.

The Council had £0.644m loans outstanding with financial institutions other than the PWLB on 1<sup>st</sup> April 2004. During the year a further £0.150m was repaid, in accordance with the terms of the existing loans to Durham County Council's Superannuation Fund and the European Investment Bank (EIB). The total value of 'other long term debt' at 31 March 2005 was £0.494m.

### 2.4 Summary – All Long Term Loan Transactions

An analysis of the long term loan transactions during 2004/05, is as follows:-

<i>Type of Institution</i>	<i>Balance at 1/04/04 £m</i>	<i>Borrowed by the Council £m</i>	<i>Normal Repayments by the Council £m</i>	<i>Premature Repayments by the Council £m</i>	<i>Balance at 31/03/05 £m</i>
PWLB	18.63	Nil	0.14	Nil	18.49
EIB	0.30	Nil	0.14	Nil	0.16
Other	0.34	Nil	0.01	Nil	0.33
	<b>19.27</b>	Nil	<b>0.29</b>	<b>Nil</b>	<b>18.98</b>

NB: The Council's assets, against which the debt is effectively secured, have a book value of £336m at the 31 March 2005.

### 2.5 Investments

Officers assess the Council's cash flows on a daily basis, taking into account detailed forecasts of funds needed throughout the year, and invest surplus funds and in accordance with approved TMP's and only to authorised counter parties. Fixed investments are made for sums of £500,000 plus and for varying periods up to 364 days. Excess funds that are held temporarily for only a few days, for cash flow purposes, are invested in either the Anglo Irish Bank or a Bank of Scotland account held by the Council – depending on which of these is offering the best rate of interest at the time.

The objective in the strategy was to optimise investment income in accordance with the Council's Treasury Management Statement by achieving a level of return greater than that which would have accrued if all surplus cash was invested at interest rates applicable to the average seven day investment rate, as quoted by the Council's nominated brokers.

The average seven-day compounded London Inter Bank Bid rate (LIBID) for 2004/05, was 4.52%.

The actual return achieved by this Council during 2004/05 was **4.70%**, which is 0.18% higher than the above comparator. In financial terms this equates to an additional £29,400 interest earned during 2004/05.

<i><b>Investments</b></i>	<i><b>Target %</b></i>	<i><b>Outturn %</b></i>
Return compared with the 7 day LIBID Rate	+ 0.10	+ 0.18

Initial estimates for the total level of investment income earned in 2004/05 were set at £400,000. This estimate was subsequently increased during the year because the Council was set to receive a large capital receipt from the sale of land at Cobblers Hall, Newton Aycliffe.

Although the major capital receipt was not received in 2004/05, the Council exceeded its target for overall investment income earned. This was due partly to the buoyant housing market in which the volume and value of right to buy sales was higher, resulting in a higher level of resources available for investment.

In addition, the Council's overall financial position significantly improved at the end of the 2003/04 financial year which meant that the Council started the 2004/05 year on a more healthy footing than initially anticipated when the budgets were originally prepared. The main reasons for this were as follows:

- The Council had been very successful in securing external grants and contributions to finance its capital programmes in recent years, reducing the amount that the Council was required to finance from its own resources (such as from capital receipts and revenue contributions). At the beginning of 2004/05 the Council brought forward £3m of unused capital receipts available to finance future capital commitments. Until these resources have been applied to finance capital programmes, they can be invested to generate additional income.
- A large refund of business rates in relation to the Council's major leisure centres amounting to £0.9m was received in 2003/04, which was set aside as a reserve to support future budget commitments. This increased the level of funds that could be used for investment purposes.



- The 2003/04 outturn position resulted in a further contribution of £238,000 being made to balances as compared to an anticipated use of balances of £300,000. This again, increased the level of reserves held by the Council, which can be made available for investment in the short term.

As a result of the above factors, actual total investment income received during 2004/05 was £762,000 (compared to an initial budget of £400,000 and a revised budget of £700,000).

The total value of investments at the start of the year was £12.890m, which increased to £14.593m as at 31 March 2005. An analysis of the investments is shown at Appendix B.

### **3. Economic Trends During 2004/05**

- 3.1 The Council employs external Treasury Management Consultants to advise on the Treasury Strategy, provide economic data and interest rate forecasts, assist in planning and reduce the impact of unforeseen adverse interest rate movements. Throughout the course of the year the Council received weekly guidance and advice on interest rate changes from the external consultants and, together with cash flow forecasts and within approved TMP's, this was fully taken into account in determining investment decisions
- 3.2 Base rates started the year at 4%, having risen to that level on the 5<sup>th</sup> February 2004. The rising trend in UK interest rates which commenced in mid-2003 continued during the 2004/05 financial year as the Monetary Policy Committee (MPC) tightened policy to combat the effects that increased economic activity might have upon inflation. These concerns were most in evidence during the early stages of the year and Base Rates were raised in quarter-point steps in May and June to 4.5%.
- 3.3 Official rates were raised again in August to 4.75%, the peak for the year. Thereafter, the MPC adopted a comparatively neutral stance. A steep rise in world oil prices (to in excess of \$50 per barrel) triggered a slowdown in economic activity in industrialised economies, notably the US. This, together with the low domestic inflation environment, caused the Bank of England to adopt a more optimistic view of medium-term inflation prospects, which was seen as a hint that interest rates may have peaked. Money market rates adjusted to accommodate this assessment and longer fixed interest rates dropped.
- 3.4 Base Rates remained unaltered for the rest of the year but confidence that the rate cycle had peaked was undermined in the last few months of the period. Quoting stronger economic activity, tighter labour market conditions and rising raw material prices, the Bank of England February 2005 Inflation Report cast some doubt upon the ability of inflation to maintain a subdued performance over the medium term.

3.5 Long-term interest rates (PWLB rates) tended to track the movements in the money market. A rise in the early part of the year, in response to market interest rate pessimism, was reversed in the autumn and winter of 2004 as weaker economic activity placed downward pressure upon fixed interest rates across the globe.

#### 4. Compliance with the Council's Procedures and External Requirements

4.1 The Council fully complied with its internal procedures and the requirements of the CIPFA Code of Practice on Treasury Management during 2004/05. The Council was bound by the requirements of the Local Government Act 2003, which introduced changes to the capital accounting arrangements for all local authorities. A new system, 'The Prudential Code for Capital Finance in Local Authorities' (The Prudential Code) was introduced with effect from 1 April 2004.

4.2 The Prudential Code sets out a framework of self-regulation of capital spending, in effect allowing Councils to invest in capital projects as long as they are affordable, prudent and sustainable. In general terms, the Council complies with the Prudential Code by:

- Having medium term plans (Corporate Capital Strategy, Revenue and Capital Budgets);
- Having plans to achieve sound capital investment (Capital Strategies, Capital Project Appraisals and Asset Management Plans);
- Complying with the Treasury Management Code of Practice.

4.3 To support capital investment decisions, the Prudential Code requires the Council to agree and monitor a number of Prudential Indicators. These indicators are mandatory and cover capital expenditure, affordability, prudence, external debt levels and Treasury Management activities. The indicators are purely for internal use by the Council and are not to be used as comparators between Councils.

4.4 Council adopted and approved its prudential indicators in February 2004 - as part of the 2004/05 Treasury Management Strategy. Actual performance against these indicators is shown in Appendix D, which demonstrates that all limits have been adhered to. A summary of the key controls surrounding the treasury and capital finance position is shown below:

	<b>Key Prudential Indicators</b>	<b>2004/2005 Budget £'000</b>	<b>2004/2005 Outturn £'000</b>
	Gross Borrowing	19,587	18,493
	Investments	(10,000)	(14,593)
(1)	<b>Net Borrowing</b>	<b>9,587</b>	<b>3,900</b>
(2)	Capital Financing Requirement	20,256	19,289
(3)	Authorised Limit	30,000	18,493
(4)	Operational Boundary	22,000	18,493

- **The Capital Financing Requirement (CFR)** in 2) above shows the Council's underlying need to borrow for a capital purpose. Under normal circumstances, actual borrowing should be broadly in line with the CFR. The table above shows that the Council's gross borrowing is just under the CFR.
  - **The Authorised Limit** in 3) above is the statutory 'Affordable Borrowing Limit' required by Section 3 of the Local Government Act 2003. The table demonstrates that during 2004/05 the Council has maintained gross borrowing within its Authorised Limit.
  - **The Operational Boundary** in 4) above is the expected borrowing position of the Council during the year, and periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached.
- 4.5 Treasury Management Practices set out in the Local Code establish strict controls governing the day-to-day investment activity of the Council. All investments in the year were made in accordance with these practices in terms of the authorised counter parties that the Council deals with and the maximum deposits applying to those individual institutions and the investment periods. For 2004/05, the Local Code sets a maximum investment period of 364 days, maximum amounts that can be invested with individual counter parties and states that no greater than 75% of investments should be for periods in excess of 6 months. An analysis of the investment maturity profile at the year-end is shown at Appendix C, only 13.8% of investments were for periods of greater than 6 months and at no point in the year were the limits and control totals set out in the Local Code exceeded.

## **5. Risk, Performance and Corporate Governance**

- 5.1 The Council is aware of the risks of passive management of Debt and Investment and, with the support of Butlers, the Council's Treasury Management advisers, has proactively managed the debt and surplus cash flows over the year.
- 5.2 As a result of the above, the Council has been able to redeem high interest related debt and take advantage of lower interest rates prevailing in the market. This has led to a reduction in the average rate of interest on its outstanding long-term debt, from 7.74% in 2003/04 to 7.39% in 2004/05 – a reduction of 0.35%. There is no risk of volatility of costs in the current debt portfolio as the interest rates are all at fixed, long-term levels.

<b>Long Term Debt</b>	<b>Target %</b>	<b>Outturn %</b>
Change in average rate of interest paid on debt	- 0.20	- 0.35

- 5.3 In adopting the Local Code, the Council has agreed a low risk strategy to only invest its surplus cash in a limited number of Banks and Building Societies. This policy was determined in order to ensure that the Council is not at risk of losing funds by extending the number of organisations for investment to obtain higher returns.

Similarly, the Council has not used surplus cash to invest in Managed Funds or Certificates of Deposits where again there is risk of losing some of the capital invested, although a higher rate of return may have been achievable.

- 5.4 The Council's investment return is predominantly determined by movements in base rates and therefore these returns can be volatile and, whilst the risk of loss of the investment is minimised through the lending list, accurately forecasting returns can often be difficult.
- 5.5 The Local Code of Treasury Management is published on the Council's website and the application of the TMP's contained within it fully support the Local Code of Corporate Governance. TM activities and decisions are underpinned by the key principles of good corporate governance – accountability; integrity; and openness and inclusivity. These are monitored and reviewed on a regular basis and the Corporate Governance dimension of risk management and internal controls underpins the whole TM function.

## **6. Treasury Management Consultants**

- 6.1 Butlers were appointed as the Council's consultants in February 1999. They have supplied a high level of specialist advice throughout the year, including providing advice on the timing of the premature repayment of debt to the PWLB and guidance in terms of the impact of the introduction of the new Prudential Framework. Officers remain satisfied with the level and quality of service provided by Butlers.

## **7. Money Brokers**

- 7.1 The Council has appointed three approved money brokers to act on its behalf. These brokers are responsible for securing the best interest rates available from the market for the investment of surplus loans. Investments are limited to the approved counter parties' list and control totals govern the maximum value of investments with each of these. In addition, investments are also made direct with the Council's bankers (the Co-operative Bank).

7.2 All brokers work within a highly competitive environment and contact the Council on a daily basis to provide details of market rates applicable for different investment periods. The following table identifies the total number of fixed investments in 2004/05, showing the number and total value of those deals per broker: -

<b>Source Broker</b>	<b>Number of Deals</b>	<b>Value of Deals (£'000)</b>	<b>% Total of Overall Deals</b>
Martin Brokers (UK) plc	20	14,200	34.5
Tradition (UK) Ltd	27	22,450	54.6
Direct Dealings (Co-op Bank)	3	4,450	10.8
<b>Total</b>	<b>50</b>	<b>41,100</b>	

7.3 Officers are satisfied with the service received from both Martin Brokers (UK) plc and Tradition (UK) Ltd. Their performance is continually reviewed with reference to the market for competitiveness.

## **8. Conclusions**

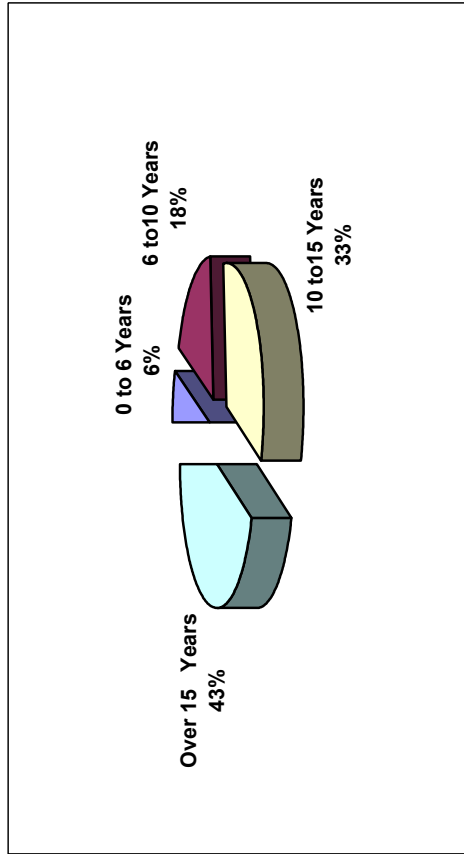
8.1 The Council has maintained the level of external debt in line with its capital financing requirement. It has also achieved a satisfactory return on its investments during the 2004/05 financial year, whilst operating within the approved borrowing limits at all times.

8.2 It can therefore be concluded that the Treasury Management activities undertaken during 2004/05 met all of the strategic aims and objectives by the Council, set at the beginning of the year.

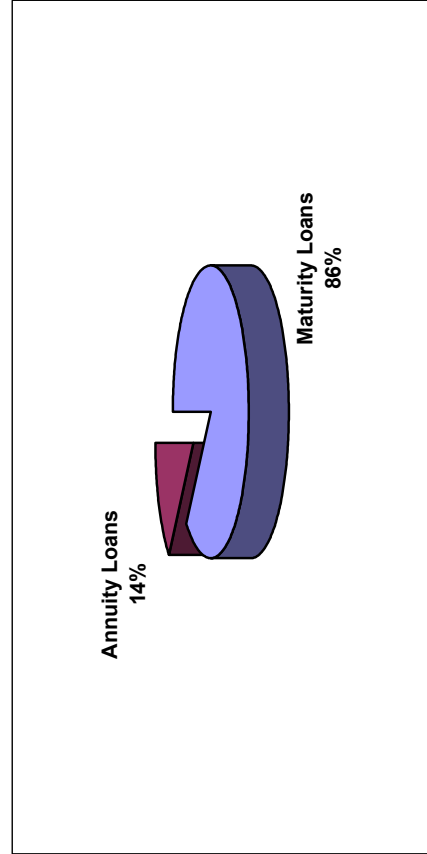
## APPENDIX A

### ANALYSIS OF PWLB LOAN DEBT AS AT 31 MARCH 2005

Period to Maturity Within:-	Amount Outstanding £
Within 1 Year	145,189
1 - 2 Years	158,507
2 - 3 Years	173,070
3 - 4 Years	188,994
4 - 5 Years	206,392
5 - 6 Years	225,425
6 - 10 Years	3,254,547
10 - 15 Years	6,044,143
Over 15 Years	8,096,787
	<b>18,493,055</b>



Loan Type	Amount Outstanding £
Maturity Loans	15,933,125
Annuity Loans	2,559,930
	<b>18,493,055</b>



**APPENDIX B**

<b>SEDGEFIELD BC – SUMMARY OF INVESTMENTS AS AT 31/03/05</b>							
<b>Date of Loan</b>	<b>Borrower</b>	<b>Value (£)</b>	<b>% Total</b>	<b>Interest Rate</b>	<b>Loan Period (Days)</b>	<b>Date Repaid</b>	
<b>BANKING SECTOR</b>							
N/a	Co-op Bank Current A/c	143,000	N/a	N/a	N/a	N/a	
N/a	Anglo Irish Bank (30 day Flexible Deposit A/c)	300,000	N/a	4.08%	30	04/04/05	
N/a	Co-op Bank (Public Sector Reserve A/c)	150,000	N/a	3.50%	N/a	N/a	
	<b>SUB TOTAL – BANKING SECTOR</b>	<b>593,000</b>	<b>4.08%</b>				
<b>BUILDING SOCIETY SECTOR</b>							
	Cumberland	1,500,000	N/a	4.82%	86	01/04/05	
	Cumberland	500,000	N/a	4.85%	181	16/05/05	
	<b>Sub Total – Cumberland</b>	<b>2,000,000</b>	<b>13.70%</b>				
	Norwich & Peterborough	1,000,000	N/a	5.01%	335	19/04/05	
	Norwich & Peterborough	1,000,000	N/a	4.905%	364	03/02/06	
	<b>Sub Total – Norwich &amp; Peterborough</b>	<b>2,000,000</b>	<b>13.70%</b>				
	Kent Reliance	500,000	N/a	5.03125%	206	01/04/05	
	Kent Reliance	1,500,000	N/a	4.84%	183	06/07/05	
	<b>Sub Total – Kent Reliance</b>	<b>2,000,000</b>	<b>13.70%</b>				
	Furness	500,000	N/a	4.82%	119	02/06/05	
	Furness	500,000	N/a	4.83%	188	04/08/05	
	Furness	750,000	N/a	4.83%	167	06/07/05	
	<b>Sub Total – Universal</b>	<b>1,750,000</b>	<b>11.99%</b>				
	Universal	750,000	N/a	4.17%	148	06/07/05	
	Universal	750,000	N/a	4.38%	188	08/09/05	
	<b>Sub Total – Ipswich</b>	<b>1,500,000</b>	<b>10.28%</b>				
	Market Harborough	500,000	N/a	4.82%	94	29/04/05	
	Market Harborough	1,000,000	N/a	4.86%	184	04/08/05	

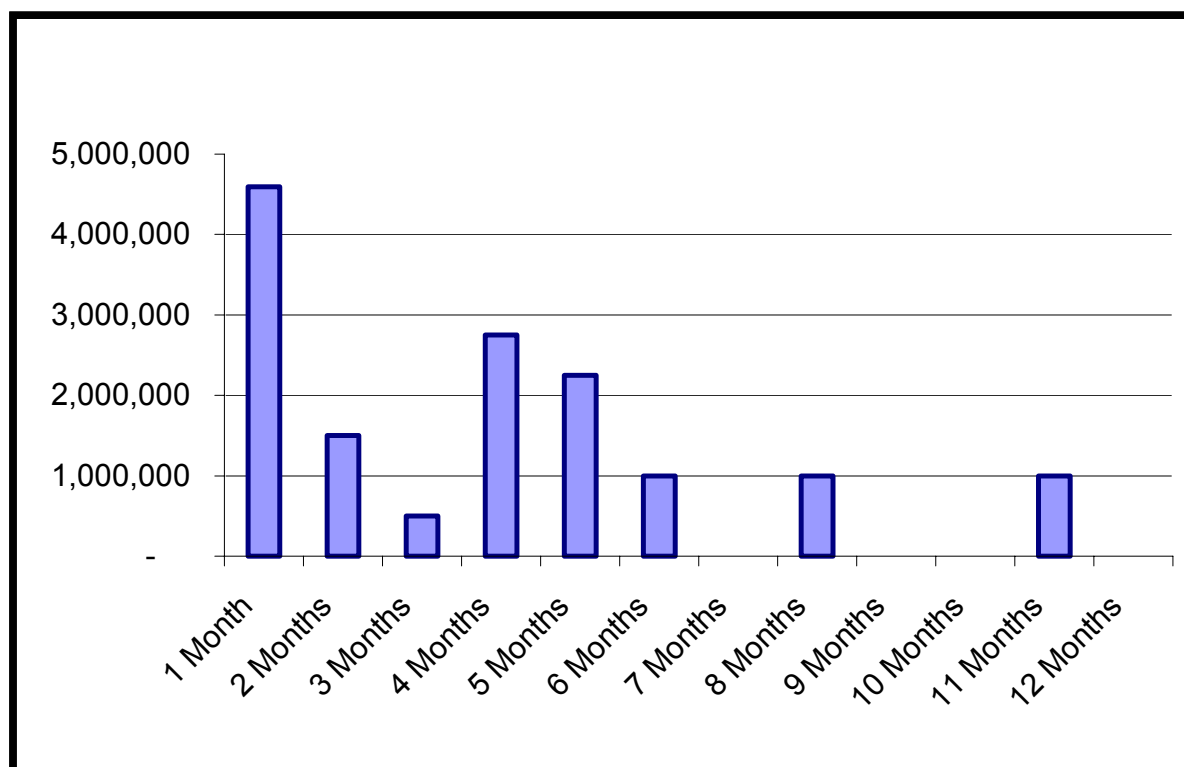
	<b>Sub Total – Market Harborough</b>	<b>1,500,000</b>	<b>10.28%</b>				
	Progressive	1,000,000	6.85%	4.07%	261	10/11/05	
	Lambeth	1,000,000	6.85%	4.60%	92	04/05/05	
	Manchester	750,000	5.14%	4.03%	181	18/08/05	
	Newbury	500,000	3.43%	5.00%	203	01/04/05	
	<b>SUB TOTAL – BUILDING SOCIETIES</b>	<b>14,000,000</b>	<b>95.92%</b>				
	<b>GRAND TOTAL</b>	<b>14,593,000</b>	<b>100.00%</b>				



## APPENDIX C

### MATURITY PROFILE OF EXTERNAL INVESTMENTS AT 31 MARCH 2005

Period to Maturity	Value of Investment (£)	% Total Investments
1 Month	4,593,000	31.4
2 Months	1,500,000	10.3
3 Months	500,000	3.4
4 Months	2,750,000	18.8
5 Months	2,250,000	15.4
6 Months	1,000,000	6.9
7 Months	Nil	N/a
8 Months	1,000,000	6.9
9 Months	Nil	N/a
10 Months	Nil	N/a
11 Months	1,000,000	6.9
12 Months	Nil	N/a
	<b>14,593,000</b>	<b>100</b>



## APPENDIX D

### CAPITAL EXPENDITURE AND THE CAPITAL FINANCING REQUIREMENT

#### **Capital Expenditure**

This indicator shows the overall capital spending plans of the Council over the medium term and reflects planned investment levels in line with the Corporate Capital Strategy.

<b>Capital Expenditure</b>	<b>2002/2003 Actual £'000</b>	<b>2003/2004 Actual £'000</b>	<b>2004/2005 Budget £'000</b>	<b>2004/2005 Actual £'000</b>
Housing	6,165	6,738	7,400	7,414
Non-Housing	2,917	3,363	4,500	4,550
<b>Total</b>	<b>9,082</b>	<b>10,101</b>	<b>11,900</b>	<b>11,964</b>

#### **Capital Financing Requirement (CFR)**

This figure represents the Council's underlying need to borrow for a capital purpose, and the change year on year will be influenced by the capital expenditure in the year and how much of this is supported directly through grants, contributions and capital receipts.

<b>Capital Financing Requirement</b>	<b>2002/2003 Actual £'000</b>	<b>2003/2004 Actual £'000</b>	<b>2004/2005 Budget £'000</b>	<b>2004/2005 Actual £'000</b>
Housing	14,718	8,388	9,410	9,043
Non-Housing	10,107	10,973	10,846	10,242
<b>Total CFR</b>	<b>24,825</b>	<b>19,361</b>	<b>20,256</b>	<b>19,285</b>

Previous legislation required the Council to set aside a proportion of its capital receipts to repay debt, which has meant that the Council's debt levels have traditionally been falling year on year. However, with the introduction of the 'pooling system' for housing capital receipts from 1<sup>st</sup> April 2004, it is expected that debt levels will not significantly reduce in the medium term.

### **LIMITS TO BORROWING ACTIVITY**

#### **Net Borrowing**

The first key control over the Council's activity is to ensure that over the medium term net borrowing will only be for a capital purpose. The Council needs to ensure that net external borrowing does not, except in the short term, exceed the CFR in the preceding year plus the estimates of any additional capital financing requirement for the following three years.

<b>Net Borrowing</b>	<b>2002/2003 Actual £'000</b>	<b>2003/2004 Actual £'000</b>	<b>2004/2005 Budget £'000</b>	<b>2004/2005 Actual £'000</b>
Gross Borrowing	25,381	19,270	19,587	18,493
Investments	(10,756)	(12,890)	10,000	(14,593)
<b>Net Borrowing</b>	<b>14,625</b>	<b>6,380</b>	<b>9,587</b>	<b>3,900</b>

A further two prudential indicators control the overall level of borrowing: **Authorised Limit** and the **Operational Boundary**. These limits separately identify borrowing from other long-term liabilities such as finance leases.

### **Authorised Limit**

This represents the limit beyond which borrowing is prohibited and reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit that the Council must determine in accordance with Section 3(1) of the Local Government Act 2003.

### **Operational Boundary**

This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure that the authorised limit is not breached.

<b>Authorised Limit</b>	<b>2002/2003 Actual £'000</b>	<b>2003/2004 Actual £'000</b>	<b>2004/2005 Budget £'000</b>	<b>2004/2005 Actual £'000</b>
Borrowing	n/a	n/a	30,000	18,493
Long Term Liabilities	n/a	n/a	-	-
<b>Total</b>	<b>n/a</b>	<b>n/a</b>	<b>30,000</b>	<b>18,493</b>

<b>Operational Boundary</b>	<b>2002/2003 Actual £'000</b>	<b>2003/2004 Actual £'000</b>	<b>2004/2005 Budget £'000</b>	<b>2004/2005 Actual £'000</b>
Borrowing	n/a	n/a	22,000	18,493
Long Term Liabilities	n/a	n/a	-	-
<b>Total</b>	<b>n/a</b>	<b>n/a</b>	<b>22,000</b>	<b>18,493</b>

## **AFFORDABILITY PRUDENTIAL INDICATORS**

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the

affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

### **Ratio of Financing Costs to Net Revenue Stream**

This indicator expresses the amount of interest payable on external debt and other debt management expenses (i.e. financing costs) as a proportion of the amount of income received from Government and local taxpayers (i.e. net revenue stream). The definition of net revenue stream for the HRA is based on the statutory definition which incorporates charges to the account under Part 4 of the Local Government and Housing Act 1989.

<b>Financing Costs to Net Revenue Stream</b>	<b>2002/2003 Actual</b>	<b>2003/2004 Actual</b>	<b>2004/2005 Budget</b>	<b>2004/2005 Actual</b>
Housing	37.5%	34.7%	31.6%	31.8%
Non-Housing	9.6%	7.2%	7.2%	5.6%

### **Incremental Impact of Capital Investment Decisions on the Council Tax**

This indicator identifies the impact of the Council's General Fund Capital Programme on revenue budgets and is expressed in terms of Band D Council Tax. As most taxpayers in the Borough pay at the Band A level of Council Tax, this figure has also been reported.

<b>Incremental Impact of Capital Programme</b>	<b>2004/2005 Budget</b>	<b>2004/2005 Actual</b>
Council Tax at Band D	-£0.28	£0.00
Council Tax at Band A	-£0.19	£0.00

The Council did not take out any borrowing over and above the amount that the Government provides to the Council to support its capital programme. As a consequence, there is no additional impact on the Council Tax as a result of the Council's capital investment in 2004/05.

### **Incremental Impact of Capital Investment Decisions on Housing Rent Levels**

Similar to the Council Tax calculation this indicator identifies the impact of the Housing Capital Programme on revenue budgets, expressed in terms of weekly rent levels. This reflects the current revenue contribution that is made to support the Housing Capital Programme.

<b>Incremental Impact of Capital Programme</b>	<b>2004/2005 Budget</b>	<b>2004/2005 Actual</b>
Weekly Housing Rent	£3.92	£0.00

The original budget for 2004/05 was based on direct revenue financing of £1.75m to support the Housing Capital Programme.

Buoyant Right to Buy Sales resulted in a higher than expected level of capital receipts, which were used to finance the Housing Investment Programme, which meant that no direct revenue funding was required.

## **TREASURY PRUDENTIAL INDICATORS**

The purpose of these Prudential Indicators is to contain the activity of the Treasury Management function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions, impacting negatively on the Council's overall financial position. Four Prudential Indicators are required under this category:-

### ***Upper Limits on Fixed Interest Rate Exposure***

This indicator provides the range within which the authority will manage its exposure to fixed rates of interest.

### ***Upper Limits on Variable Interest Rate Exposure***

This indicator provides the range within which the authority will manage its exposure to variable rates of interest.

### ***Maturity Structure of Fixed Borrowing***

This indicator measures the amount of fixed rate borrowing maturing at each period expressed as a percentage of total borrowing at fixed rate at the start of each period.

### ***Maximum Principal Sums Invested for more than 1 year***

The purpose of this indicator is to contain the exposure to the possibility that loss might arise as a result of seeking early repayment or redemption of sums invested, or exposing public funds to unnecessary or unquantified risk.

Actual performance at the year-end is as follows:

<b><i>Treasury Indicators</i></b>	<b><i>2004/2005 % of debt Budget</i></b>	<b><i>2004/2005 % of debt Actual</i></b>
Upper Limits on Fixed Interest Rates	100	100
Upper Limits on Variable Interest Rates	50	50
Maturity Structure of Fixed Borrowing:		
<i>Under 12 months</i>	50	50
<i>12 months to 2 years</i>	50	50
<i>2 years to 5 years</i>	50	50
<i>5 years to 10 years</i>	50	50
<i>10 years and above</i>	100	100
Upper Limit on Principal Sums Invested for more than 1 year (£m)	0	0

This page is intentionally left blank

# Item 7

## REPORT TO COUNCIL

30 September 2005

### REPORT OF DIRECTOR OF NEIGHBOURHOOD SERVICES

#### Portfolio: Regeneration

#### Sedgefield Borough Local Development Framework – Submission Draft Statement of Community Involvement

#### 1 SUMMARY

- 1.1 The Planning and Compulsory Purchase Act 2004 represents a major reform of the planning system. The Government's objective is to produce a more flexible plan-making system; the Local Development Framework. The LDF will comprise of a Local Development Scheme which sets out the work programme; a Statement of Community Involvement; a range of Development Plan Documents; Supplementary Planning Documents; and, Annual Monitoring Reports. In terms of the preparation of documents, the Statement of Community Involvement is subject to public examination.
- 1.2 The Statement of Community Involvement explains how the Borough Council intends to engage those who have an interest in matters relating to development in their area and the preparation of documents. The Government sees the Statement of Community Involvement as very important in their aim of a more inclusive planning system. Whilst it has always been acknowledged as best practice, the Statement of Community Involvement will formally set out how Local Planning Authorities will engage their community in the planning system. The Submission Draft Statement of Community Involvement will be published for a statutory six-week consultation period. It will be required to undergo a Public Examination, if any objections are received to suggest that the Statement fails the tests of soundness. Following any examination, the Borough Council is legally required to formally adopt the Inspectors findings. Full Council will perform this role.

#### 2 RECOMMENDATION

- 2.1 That Council endorses the Cabinet recommendation made on 15 September 2005 to publish the draft Statement of Community Involvement for its statutory period for public consultation.

- 2.2 Council will receive a further report detailing responses received during the consultation exercise, together with information about the next steps to be taken.

### **3 THE SUBMISSION DRAFT STATEMENT OF COMMUNITY INVOLVEMENT**

- 3.1 Planning Policy Statement (PPS) 1 highlights that Planning must work as a partnership and engage with the community to deliver sustainable development in the right place at the right time. The planning system has the potential to affect everyone, and subsequently those involved in the system have a role to play in delivering effective and inclusive planning. Sustainable development requires the community to be involved with developing the vision for their areas. Communities should be able to contribute to ideas about how that vision can be achieved and have the opportunity to participate in the process for drawing up specific plans or policies and to be involved in development proposals.
- 3.2 The consultation period on the Draft Statement of Community Involvement ran from 11 April to 23 May 2005. This document identifies how the document was formulated, who was consulted and the method of consultation, the availability of the document, the publicity undertaken, the level of responses and how the Borough Council has taken these comments into account. The vast majority of the responses received were either in support of the document or required minor factual amendments.
- 3.3 A number of changes have been made to the Submission Draft SCI, and these are summarised below:
- Clarification has been provided to define what constitutes “medium and large scale” developments;
  - In addition to details of Sustainability Appraisals, Strategic Environmental Assessments have been mentioned in Chapter 2;
  - Additional methods of disseminating information suggested by the responses during the consultation period have been included;
  - Clarification provided of which ‘other’ types of planning applications require a press notice;
  - Changes made to Appendix 2 to include additional consultation methods suggested by numerous responses during the consultation period;
  - New paragraph introduced at the start of Chapters 2 & 3 to outline the roles of the Forward Planning and Development Control Team respectively;
  - Clarity provided that the document will only apply to Planning Services and not any other Council services (not a corporate document); and
  - Greater clarification provided as to the documents intentions;

The Submission draft incorporates all of these amendments in various sections of the document.

- 3.4 The Submission Draft Statement of Community Involvement will be published for a statutory period of six-weeks in accordance with Regulation 28 of The Town and Country Planning (Local Development) (England) Regulations, 2004 and submitted to independent examination. The purpose of the examination is to consider the ‘soundness’ of the Statement of Community Involvement. The presumption will be that



it is 'sound' unless it is shown to be otherwise as a result of evidence. The Planning Inspectorate's preferred method of dealing with representations on the Statement of Community Involvement is by written representations. A public hearing will only take place where one or more of those making representations wish to be heard. It is programmed that this examination will take place in December 2005. The Planning Inspectorate Costs in relation to this process is discussed in Section 4 of the report.

### Soundness

- 3.5 Planning Policy Statement 12 sets out nine tests that a Statement of Community Involvement should meet if it is 'sound'. The Inspector will need to determine whether the:
- i) Local Planning Authority has complied with the minimum standards for consultation, as set out in the Town and Country Planning (Local Development) (England) Regulations, 2004;
  - ii) Local Planning Authority's strategy for community involvement links with other community involvement initiatives e.g. the Community Strategy;
  - iii) Statement identifies in general terms which local community groups and other bodies will be consulted;
  - iv) Statement identifies how the community and other bodies can be involved in a timely and accessible manner;
  - v) Methods of consultation to be employed are suitable for the intended audience and for the different stages in the preparation of local development documents;
  - vi) Resources are available to manage community involvement effectively;
  - vii) Statement shows how the results of community involvement will be fed into the preparation of development plan documents and supplementary planning documents;
  - viii) Authority has mechanism for reviewing the statement of community involvement, and;
  - ix) Statement clearly describes the planning authority's policy for consultation on planning applications.
- 3.6 Following the examination into the Submission Draft Statement of Community Involvement, the Planning Inspectorate will report its findings to the Borough Council. Under the Planning and Compulsory Purchase Act 2004, these findings will be binding upon the Council and must be adopted by Council.

## **4 RESOURCE IMPLICATIONS**

- 4.1 There are no direct implications at this stage in the consultation process, though there might be additional impacts for staff resources during the consultation exercise to attend evening meetings.
- 4.2 The Borough Council is responsible for the payment of the Planning Inspectorate costs for the independent examination of the Statement of Community Involvement. In June 2005, the Planning Inspectorate provided indicative costs for all types of examination. If the Statement of Community Involvement were examined by written representations, the estimated costs would be approximately £2,300. Alternatively, if a formal hearing

were required, the estimated costs would be approximately £7,700. These costs would be met by the Local Development Plan budget.

## **5 CONSULTATIONS**

- 5.1 Copies of the Statement of Pre-Submission Consultation together with the Submission draft and the prescribed tests of “soundness” (against which the draft will be judged) have been made available to members prior to the meeting since publication of the agenda:
- (a) by e-mail
  - (b) by posting to the Council’s website, and
  - (c) copies have been deposited in members’ rooms.
- 5.2 The current timetable for preparing the Statement of Community Involvement is as follows. The Submission Draft Statement of Community Involvement will be consulted upon in September and October 2005. Following the consideration of the issues put forward during this consultation period, an independent examination will be required by way of either written representations or a formal hearing. This is programmed for December 2005. Final approval by the Secretary of State of the Statement of Community Involvement is expected in the spring of 2006.

## **6 OTHER MATERIAL CONSIDERATIONS**

- 6.1 In terms of environmental sustainability, the Submission Draft Statement of Community Involvement is not required to undergo Sustainability Appraisal. There are no risk management issues associated with the report.

## **7 OVERVIEW AND SCRUTINY IMPLICATIONS**

- 7.1 None.

## **8 LIST OF APPENDICES**

**Contact Officers:** Chris Myers  
**Telephone No:** (01388) 816166 ext **4328**  
**Email Address:** [cmyers@sedgefield.gov.uk](mailto:cmyers@sedgefield.gov.uk)

**Ward(s):** All

**Key Decision Validation:** This is a Key Decision, as the decision made by Cabinet will be put forward to develop the policy framework.

### **Background Papers**

Planning Policy Statement 1: Delivering Sustainable Development  
Community Involvement in Planning: The Government’s Objectives  
Planning Policy Statement 12: Local Development Frameworks  
Creating Local Development Frameworks: A Companion guide to PPS12

A Framework for assessing soundness and focussing representations on Development Plan Documents and Statements of Community Involvement, The Planning Inspectorate

**Examination by Statutory Officers**

	<b>Yes</b>	<b>Not Applicable</b>
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"/>

This page is intentionally left blank

## REPORT TO COUNCIL

30 September 2005

### REPORT OF DIRECTOR OF NEIGHBOURHOOD SERVICES

#### Portfolio: Regeneration

#### Sedgefield Borough Local Development Framework – Draft Residential Extensions Supplementary Planning Document

#### 1 SUMMARY

- 1.1 The Planning and Compulsory Purchase Act 2004 represents a major reform of the planning system. The Government's objective is to produce a more flexible plan-making system; the Local Development Framework. The Local Development Framework will comprise of a Local Development Scheme which sets out the work programme; a Statement of Community Involvement; a range of Development Plan Documents; Supplementary Planning Documents; and, Annual Monitoring Reports.
- 1.2 The Local Development Scheme identifies that the Draft Residential Extensions Supplementary Planning Document will come forward in September 2005. Planning applications for householder development has risen from 49% in 2002/03 to 68% in 2004/05. There is clear evidence that the existing Supplementary Planning Guidance Note 4, adopted in 2000, has become out-of-date and requires urgent review. This Supplementary Planning Document provides detailed guidance on the extension to residential properties in the Borough and replaces existing Supplementary Planning Guidance Note 4. In terms of the preparation of documents, the Residential Extensions Supplementary Planning Document is not subject to public examination.

#### 2 RECOMMENDATION

- 2.1 That Council endorses the Cabinet recommendation made on 15 September 2005 to publish the Draft Residential Extensions Supplementary Planning Document for its statutory period for public consultation.
- 2.2 Council will receive a further report detailing responses received during the consultation exercise, together with information about the next steps to be taken.

### **3 THE DRAFT RESIDENTIAL EXTENSIONS SUPPLEMENTARY PLANNING DOCUMENT**

- 3.1 Sedgefield Borough has experienced a significant increase in householder extension applications over the last few years. Residents are seeking improvements to their current dwelling rather than moving up the property ladder. This has been attributed to the effect of rising house prices on the Borough housing market e.g. average house prices in Sedgefield Borough rose 57% over the last three years (source: Land Registry).
- 3.2 In 2004, the Borough Council commissioned final year students from the University of Newcastle to identify national best practice in this area and make recommendations to help the Borough develop a revised Supplementary Planning Document. Officers within Planning and Technical Services have subsequently refined this work to suit local circumstances.

#### The Supplementary Planning Document

- 3.3 All matters covered in the Supplementary Planning Document must relate to policies in a Development Plan Document or a 'saved' policy in the Local Plan. The latter applies in this case, namely Policies H15 and H16 of the Borough Local Plan. The Residential Extensions Supplementary Planning Document provides detailed advice and guidance on the following issues:
- General Design Principles;
  - Porches;
  - Forward Extensions;
  - Side Extensions;
  - Rear Extensions;
  - Rural Extensions;
  - Conservatories;
  - Dormer Windows and Roof Extensions;
  - Garages and Outbuildings;
  - Walls and Fences; and,
  - Other Material Considerations

#### Sustainability Appraisal

- 3.4 To comply with Planning Policy Statement 12 and the Town and Country Planning (Local Development) (England) Regulations, 2004, a Sustainability Appraisal must accompany the draft document. The Sustainability Appraisal has followed the guidance laid down in the ODPM document '*Sustainability Appraisal of Regional Spatial Strategies and Local Development Frameworks*' (Consultation Paper 2004) and the '*Interim Advice Note on Frequently Asked Questions*' (ODPM 2005), and as such complies with the EU Directive on Strategic Environmental Assessment 2001/42/EC. The Appraisal also draws heavily upon the work already undertaken in carrying out the Sustainability Appraisal for the Local Development Framework Key Issues Paper

(published for consultation in July 2005, entitled *Local Development Framework: Sustainability Appraisal Scoping Report*).

- 3.5 The appraisal makes four recommendations to amend the Draft document. These are:
- Encouraging sustainable construction and energy efficiency;
  - Consider the negative effects on wildlife of the loss of gardens/open space;
  - Review the policy on retaining trees and hedges to accommodate the replacement of trees/hedges with minimal biodiversity and amenity value with the planting of species with greater wildlife value
  - Raising the awareness of incorrect plumbing, in conjunction with the Environment Agency
- The Draft Residential Extensions Supplementary Planning Document takes account of these recommendations.

### Consultation

- 3.6 The Draft Residential Extensions Supplementary Planning Document will be published for a statutory period of six-weeks in accordance with Regulations 17 and 18 of The Town and Country Planning (Local Development) (England) Regulations, 2004. The Supplementary Planning Document is not subject to independent examination. To enable the Borough Council to adopt the Supplementary Planning Document, the Borough must consider all the responses to the consultation exercise and how they are addressing these in the document we intend to adopt. It is identified in the Local Development Scheme that the Supplementary Planning Document will be adopted by April 2006.

### Consultation Statement

- 3.7 Planning Policy Statement 12 and Regulation 17 of the Town and Country Planning (Local Development) (England) Regulations, 2004 requires the Borough Council to prepare a consultation statement on how the Authority has complied with the Statement of Community Involvement.

### Soundness

- 3.8 Planning Policy Statement 12 sets out nine tests that a Development Plan Document should meet if it is 'sound'. The underlying principles of 'soundness' are applicable to the preparation of Supplementary Planning Documents.

## **4 RESOURCE IMPLICATIONS**

- 4.1 There are no direct implications at this stage in the consultation process, though there might be additional impacts for staff resources during the consultation exercise to attend evening meetings.

## 5 CONSULTATIONS

- 5.1 Copies of the Consultation Statement, together with the draft and the prescribed tests of “soundness” (against which the draft will be judged) have been made available to members prior to the meeting since publication of the agenda:
- (a) by posting to the Council's website, and
  - (b) copies have been deposited in members' rooms.
- 5.2 The current timetable for preparing Draft Residential Extensions Supplementary Planning Document is as follows. The Draft Residential Extensions Supplementary Planning Document will be consulted upon between September and November 2005. Following the consideration of the issues put forward during this consultation period, it is anticipated that Council will adopt the document by April 2006.

## 6 OTHER MATERIAL CONSIDERATIONS

- 6.1 In terms of environmental sustainability, the Draft Residential Extensions Supplementary Planning Document has undergone Sustainability Appraisal. There are no risk management issues associated with the report.

## 7 OVERVIEW AND SCRUTINY IMPLICATIONS

- 7.1 None.

## 8 LIST OF APPENDICES

**Contact Officers:** Chris Myers  
**Telephone No:** (01388) 816166 ext 4328  
**Email Address:** [cmyers@sedgefield.gov.uk](mailto:cmyers@sedgefield.gov.uk)

**Ward(s):** All

**Key Decision Validation:** This is a Key Decision, as the decision made by Cabinet will be put forward to develop the policy framework.

### Background Papers

Planning Policy Statement 12: Local Development Frameworks  
Creating Local Development Frameworks: A Companion guide to PPS12  
The Town and Country Planning (Local Development) (England) Regulations, 2004



## Examination by Statutory Officers

	Yes	Not 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"/>

This page is intentionally left blank

# Item 9

**REPORT TO COUNCIL**

**30<sup>th</sup> SEPTEMBER 2005**

**REPORT OF CHIEF  
EXECUTIVE OFFICER**

## **ANNUAL OVERVIEW & SCRUTINY REPORT 2005**

### **SUMMARY**

This report presents the Annual Scrutiny Report to Members for approval.

### **RECOMMENDATION**

1 That the Annual Scrutiny Report be approved.

### **DETAIL**

In accordance with Paragraph 6.03 (c) of Part 2 of the Council's Constitution, Overview and Scrutiny Committees must report Annually to Council detailing their work over the previous year, and in relation to future work programmes and working methods.

The Annual Overview and Scrutiny Report 2005 is attached in accordance with the requirements of the Constitution.

### **Financial Implications**

None associated directly with this report.

### **Consultation**

None associated directly with this report.

### **Overview and Scrutiny Implications**

Overview & Scrutiny Committees have considered reports as detailed below in the preparation of the Annual Report.

**Contact Officer:** **D. Anderson**  
**Principal Democratic Services Officer**  
**Telephone No:** (01388) 816166 ext. 4109  
**E-mail Address:** [danderson@sedgefield.gov.uk](mailto:danderson@sedgefield.gov.uk)

**Ward(s)** Not Ward Specific

### **Background Papers**

Preparation of Annual Scrutiny Report, Overview & Scrutiny Committee 3, 12<sup>th</sup> July 2005  
Preparation of Annual Scrutiny Report, Overview & Scrutiny Committee 1, 6<sup>th</sup> September 2005  
Preparation of Annual Scrutiny Report, Overview & Scrutiny Committee 2, 13<sup>th</sup> September 2005

## Examination by Statutory Officers

	Yes	Not 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"/>

**SEDGEFIELD BOROUGH COUNCIL**

**ANNUAL OVERVIEW & SCRUTINY**  
**REPORT**

**2005**



# SEDGEFIELD BOROUGH COUNCIL OVERVIEW & SCRUTINY REPORT 2005

<b>Contents</b>	<b>Page No.</b>
Introduction and Foreword by Chief Executive	1
Introduction by Chairmen of Overview & Scrutiny Committees	3
What is Overview & Scrutiny?	5
Achievements During 2004/05	7
Work Programme 2005/06	11
Review of Working Methods	15
<b>Appendices</b>	
Schedule of Achievements	17





## Foreword by the Chief Executive Officer

---

The Overview & Scrutiny function plays a vital role in local democracy. It provides an internal check by holding the Cabinet to account for the decisions it makes and also helps to identify areas for improvement. Overview & Scrutiny Committees should be regarded as 'critical friends', offering constructive challenges based on evidence in order to improve decision-making and service delivery. Within the Council's 'community leadership' role, Overview & Scrutiny can also look at issues outside the direct remit of the Council which impact on the lives of its residents. The aim of Overview and Scrutiny can therefore be summarised as improving the quality of lives for those who live, work and visit Sedgefield Borough.



The past year has seen Overview & Scrutiny involved in a wide range of issues which are highlighted in the report under the headings of Holding the Executive to Account; Policy Development and Review; Performance Management and Improvement; and Scrutiny of External Organisations.

Thanks are due to current and former Overview & Scrutiny Committee Chairmen, Vice-Chairmen and Members for the progress that has been made to date and also to Council officers for their contribution to the process.

**Norman Vaulks**  
Chief Executive Officer



## **Introduction by Chairmen of Overview & Scrutiny Committees**

We are pleased to present the Annual Overview & Scrutiny Report for 2005, which gives details of the achievements of the three Overview and Scrutiny Committees during 2004/05 and sets out what we hope to achieve in the forthcoming year.

We look forward to this next year and are confident that the Action Plan for 2005/06 will result in further developments to help strengthen the Overview & Scrutiny function so that it can make an increasingly positive contribution to the work of the Council.



**Councillor A. Gray**

Chairman of Overview & Scrutiny Committee 1



**Councillor J.E. Higgin**

Chairman of Overview & Scrutiny Committee 2



**Councillor V. Crosby**

Chairman of Overview & Scrutiny Committee 3



## WHAT IS OVERVIEW & SCRUTINY?

---

In May, 2002 Sedgefield changed the way it makes decisions in accordance with the Government's modernising agenda for local government. The aim was to make local government, and particularly its decision-making processes, more open and accountable to the people it serves. Local Authorities were also given greater powers of community leadership. The overview and scrutiny process is directly concerned with maximising the benefits of these changes.

Three Committees (**Overview and Scrutiny Committees 1, 2, and 3**) manage the process and are responsible for all overview and scrutiny functions on behalf of the Council. The Committees are organised to reflect the remit of the Cabinet's portfolio holders as follows:

- **Overview and Scrutiny Committee 1**
  - Resource Management
  - Performance Management
  - Welfare and Communications
  
- **Overview and Scrutiny Committee 2**
  - Culture and Recreation
  - Housing
  - Supporting People
  
- **Overview and Scrutiny Committee 3**
  - Regeneration
  - Environment
  - Community Safety

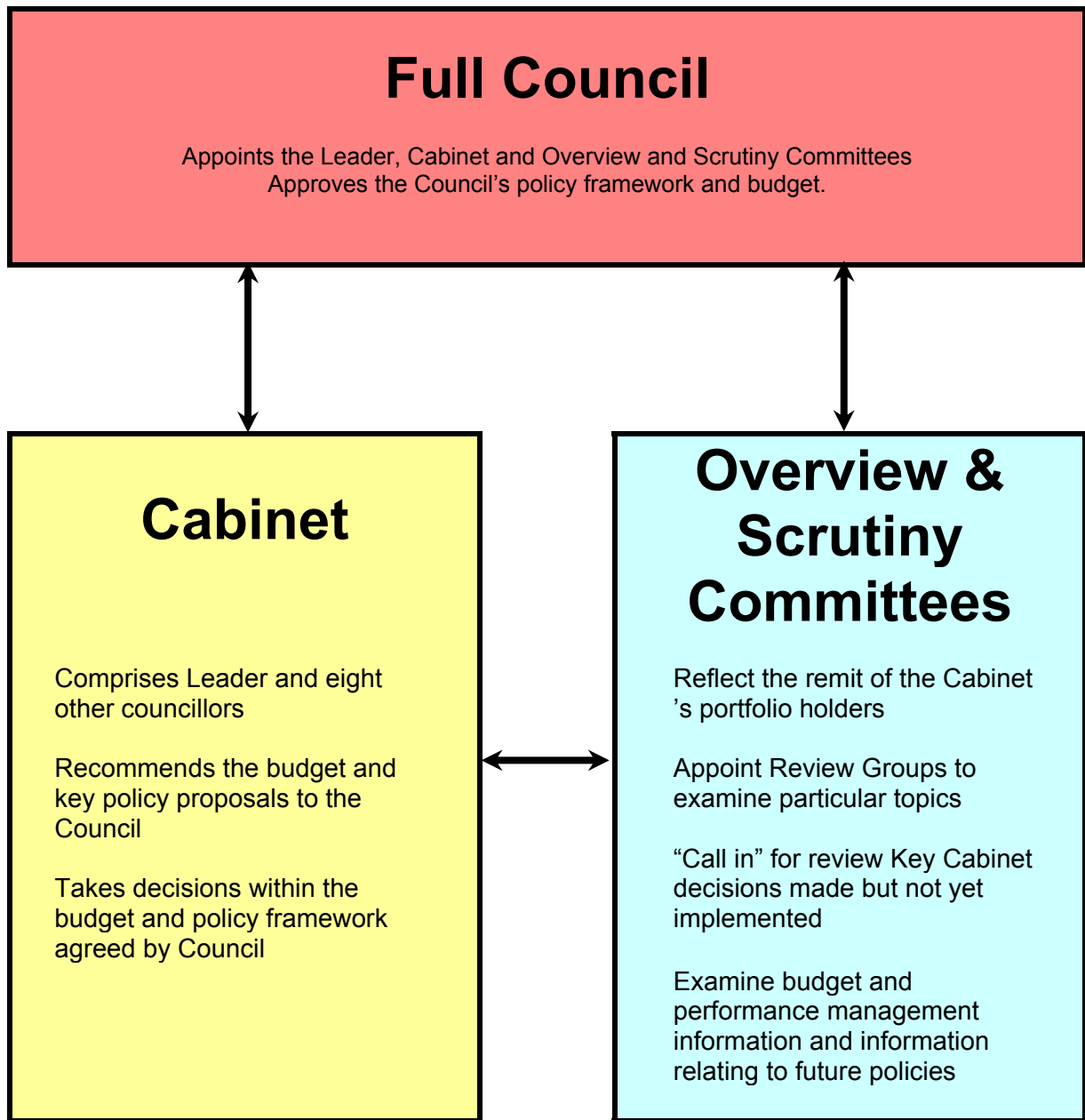
The Overview and Scrutiny committees, which are made up of all of those Council Members who are not Cabinet Members (excluding the Mayor). The membership of Overview and Scrutiny Committee 2 also includes two Council tenants' representatives as co-opted members.

The three committees have the potential to review, or scrutinise, the full range of Council services and activities. This can be done by the committees themselves or by smaller topic-based Review Groups. In addition the work of external agencies and bodies may also be examined. Durham County Council is responsible for carrying out the overview and scrutiny function relating to local health service provision. Two councillors are appointed to the County Council's Health Scrutiny Committee to represent the Borough and its residents. Minutes of that committee are reported to Overview and Scrutiny Committee 2 for information and comment.

A diagram showing the roles and relationship of Council, Cabinet and Overview & Scrutiny is shown on the following page.

Procedures in relation to the Overview and Scrutiny process are contained in the Council's Constitution and are explained in full in the Council's published "Overview and Scrutiny Guide".

## Relation between Council, Cabinet and Overview & Scrutiny Committees



## **ACHIEVEMENTS DURING 2004/05**

---

The Annual Scrutiny Report for 2004/05 set out an ambitious programme of work for each Overview & Scrutiny Committee, together with a number of proposed future developments and objectives for the function.

A schedule is attached at **Appendix 1** which identifies the 3 Committee's achievements during 2004/05. Particular attention is drawn to the following achievements which are presented in accordance with the four main aspects of Overview & Scrutiny.

- Holding the Executive to Account
- Policy Development & Review
- Performance Management and Improvement
- Scrutiny of External Organisations

### **Holding the Executive to Account**

No Key Decisions of Cabinet have been called-in during the past year, however Members have raised concerns about a number of issues which have resulted in the appropriate Cabinet Member attending a Committee meeting to respond to Overview & Scrutiny Committee's concerns. There have been a total of 18 attendances by Cabinet Members at Overview & Scrutiny Committees during 2004/05.

### **Policy Development and Review**

Review Groups have been established to undertake in-depth studies of:-

#### **Overview & Scrutiny Committee 1**

- Recruitment & Retention – This Review has looked at relative information and trends over a period of time and is in the final stages of concluding the review.
- Area Forums – This Review has examined the operation of the Council's Area Forums with a view to making recommendations to Cabinet to improve community engagement. The Group is in the final stages of concluding its studies and will be presenting its final report to the Overview & Scrutiny Committee in due course

#### **Overview & Scrutiny Committee 2**

- Value of Tourism – This Review had looked at the existing nature of tourism within the Borough, existing strategies and resources for marketing tourism and the potential for increasing tourism activity. The Review Group has also examined the role of the Council in delivering regional tourism strategies. The review has been concluded and the final report will be submitted to Overview & Scrutiny Committee 2 prior to consideration by Cabinet.

- Review of Arts Development – This Review has examined existing Arts provision in the Borough, the strategies and resources for promoting and developing Arts and the potential for developing further Arts facilities. The Working Group has prepared its final report, which will be considered in the near future.

### **Overview & Scrutiny Committee 3**

- Regeneration of Neighbourhoods with Older Private Sector Housing – This Review has assessed the impact of the Council’s approach to Private Sector Housing within the context of the regeneration of neighbourhoods. The Working Group has completed its review and will be presenting the final report in due course.
- StreetSafe – This Review has evaluated Sedgefield Borough Council’s role in the StreetSafe initiative and arrangements between partner organisations to support the Initiative and explore opportunities to improve arrangements where possible. The final report has been produced and will be submitted to Overview & Scrutiny Committee 3 in the near future.

In addition to this, Committees have considered a number of policy documents and forwarded comments to Cabinet in order assist in the policy development process. These have included:-

- Local Code of Corporate Governance
- Partnership Control Arrangements
- Large Scale Voluntary Transfer
- Supporting Independent Living
- Sedgefield District Advice and Information Centre
- A new Licensing Policy as a response to the Licensing Act 2003
- The formulation of a response to the Government Office North East in relation to the Draft Regional Spatial Strategy

### **Performance Management and Improvement**

The Overview & Scrutiny Committees play an important role in monitoring progress on Service Improvement Plans (SIP’s) agreed following a Best Value Review. Progress has been monitored on the following SIP’s:-

- Benefits
- Equity and Equality
- Housing Maintenance
- Human Resources
- Procurement

Members have also highlighted concerns with regard to certain services and have requested the relevant Cabinet Member and/or the Head of Service to attend a meeting in order to consider the particular service. Issues examined by the Committee include:-

- Outdoor Play Strategy
- Gymnastics Centre, Spennymoor Leisure Centre



- Bar Facilities in Leisure Centres
- Void Properties
- Shildon Running Track
- Homelessness Practice, Policies and Service Levels
- Performance of Grounds Maintenance
- Fly tipping
- Countryside Management
- Sustainable Communities

It is intended to supplement this area of work during 2005/06 by presenting a range of Performance Indicators to members relating to the portfolio responsibilities of each Committee. This is explained in more detail below.

### **Scrutiny of External Organisations**

A number of issues have been identified by Overview & Scrutiny Members which relate to services not provided by the Borough Council. These have included:-

- Sedgefield Primary Care Trust's Annual Report and also the Out of Hours Services. The Chief Executive of the PCT attended the meeting to give a presentation and respond to Members questions.
- Durham Constabulary's Business Plan for the South Area as it related to Sedgefield Borough.
- Proposal from the Durham Fire and Rescue Service relating to a private finance initiative to develop a new community fire station and life skills centre within the Borough.

### **Consideration of Cabinet's Budget Proposals**

The Overview & Scrutiny Committees gave detailed consideration to the Cabinet's budget proposals in accordance with the Budget and Policy Framework Procedure Rules. Each Committee considered the budget proposals as it related to their portfolio areas.

Following detailed examination Overview & Scrutiny Committees 1 and 3 agreed the Cabinets budget proposals. Overview & Scrutiny Committee 2 made recommendations to the Cabinet that resulted in amendments being made to the final budget.

### **Health Scrutiny**

Durham County Council, being the Council with responsibility for Social Services, has responsibility for the scrutiny of local health provision. The Borough Council are represented on the County Councils Health Scrutiny Sub-Committee by 2 Councillors, one of whom held the position of Vice-Chairman during 2004/5.

The Minutes of the Scrutiny Sub Committee are reported to Overview & Scrutiny Committee 2 so that Members can keep abreast of work undertaken in this area and contribute to the scrutiny of health through the Borough Council's representatives.

## **WORK PROGRAMME FOR 2005/06**

---

The Annual Scrutiny Report for 2004/05 set out an ambitious workload for the overview and scrutiny function. A great deal has been achieved during the year, however much remains to be done to ensure that the function continues to develop and achieve its potential.

The Overview & Scrutiny Committees have reviewed their Work Programmes at each meeting during the previous year and identified issues that Members wish to consider. This process will continue during the forthcoming year to ensure that Overview & Scrutiny continues to be Member led. A range of Performance Indicators will be presented to Members which will assist them in identifying and praising good performance as well as identifying service areas which are not meeting performance achievements.

In addition to the Committees own work programmes, consideration has also been given to the development of the Overview & Scrutiny function.

The Action Plan detailed below identifies a realistic and achievable work programme that will enable Members to fulfil the previous commitment to further develop the function.

### **Overview & Scrutiny Action Plan**

#### **1. Evaluation of Overview & Scrutiny**

Overview & Scrutiny has been in operation in Sedgefield Borough Council for 3 years and has developed and improved during that period. It is important that the effectiveness of the function is assessed so that further improvements can be identified.

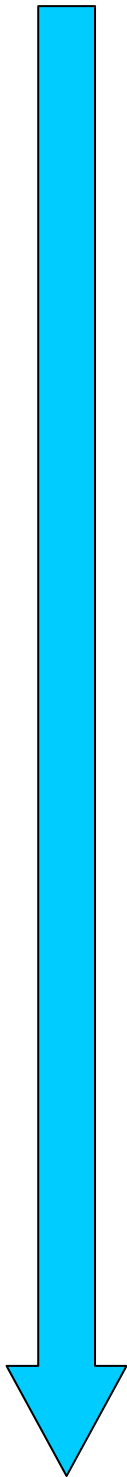
The Centre for Public Scrutiny (CfPS) have developed a self-assessment framework for the evaluation of overview and scrutiny. This framework is designed so that it can be tailored to suit the needs of the council being evaluated. It is proposed that this framework be used to evaluate the processes at Sedgefield Borough. Once completed the evaluation will provide a clear picture of how well overview and scrutiny operates and will produce a comprehensive set of priorities for improvement.

It is vital that Members take the lead in the evaluation and it is therefore proposed that a Member Workshop be arranged in order to undertake the assessment.

#### **2. Update Overview & Scrutiny Guide**

Once the evaluation has been completed it will be possible to update the Council's Overview & Scrutiny Guide, which was published in 2002, taking into account any changes in working practices identified by the assessment. The Guide will provide Members, Officers and the public with a clear understanding of the aims and objective of Overview & Scrutiny and how they are achieved in Sedgefield Borough.

**OVERVIEW & SCRUTINY  
ACTION PLAN**



**CURRENT REVIEWS**

**ANNUAL REPORT**

**EVALUATION OF  
OVERVIEW & SCRUTINY**  
  
Workshop using CfPS Self  
Evaluation Framework

**WEBSITE**

**SCRUTINY GUIDE**

**'General Publicity'**

**TRAINING**  
Members & Officers

**NEW REVIEWS**

### **3. Training**

Following the production of the Overview & Scrutiny Guide it will be possible to provide training for Members and Officers to ensure that everyone involved fully understands what the function is trying to achieve and how it can be best accomplished.

### **4. Development of a Scrutiny Website**

The development of a Scrutiny website will assist in raising public awareness and understanding of overview and scrutiny. It could also be used to highlight successes in improving services and tackling issues. The website will also play an important part in enabling public engagement and involvement with Overview & Scrutiny.

### **5. General Publicity**

In addition to the development of a website it is also intended to use the Council's community newspaper INFORM, and other media wherever possible, to promote public awareness and engagement in overview and scrutiny.

Following the publication of the Scrutiny Guide it is intended to include an article in INFORM to explain the purpose of Overview and Scrutiny, and how the public can get involved.

In addition it is intended to publicise the outcome of Overview & Scrutiny Reviews as wide as possible in order to widen knowledge, understanding and scrutiny successes.



## **REVIEW OF WORKING METHODS**

---

The operation of Overview & Scrutiny has developed and improved since its introduction in 2002. The evaluation of overview and scrutiny will undoubtedly result in the identification of further improvements to working methods. In the meantime the following is proposed.

### **Reporting of Performance Indicators**

An important aspect of the overview and scrutiny function is the monitoring of performance. It is intended that Performance Indicator (PI) information be reported to Overview and Scrutiny Committees on a regular basis to enable Members to monitor performance. Officers are currently considering how best to present the information to Members to enable them to effectively scrutinise performance without being overloaded with detail.

Overview & Scrutiny Committees may invite relevant Cabinet Members to meetings to enable Members to challenge performance where it is not achieving targeted outcomes. Members of Overview & Scrutiny Committees will be able to take the opportunity to highlight and acknowledge areas of achievement as well as highlighting areas for a future reports and/or reviews.





**OVERVIEW AND SCRUTINY COMMITTEE 1**

**ACHIEVEMENTS 2004/05**

<b>Date of meeting/ref</b>	<b>Subject</b>	<b>Recommendations</b>	<b>Achievement</b>
15 <sup>th</sup> June 2004 OSC(1)2/04	<p><b>Local Code of Corporate Governance - Annual Report and Review of Corporate Governance</b></p> <p>Consideration of a report detailing compliance with, content of and progress made against the Action Plans established to develop the Council's Corporate Governance arrangements</p>	<ol style="list-style-type: none"> <li>1. That following the review of compliance with content of and progress against the action plans established, the Local Code of Corporate Governance, as approved by Council in December, 2002 remain unchanged.</li> <li>2. That the Chief Executive continues to monitor through Management Team, progress against the Corporate Governance Action Plans and further reports be submitted to Overview and Scrutiny Committee 1 on an annual basis.</li> </ol>	<p>Overview and Scrutiny involved in monitoring and development of Corporate Governance</p> <p>Further monitoring to take place on an annual basis.</p>
15 <sup>th</sup> June 2004 OSC(1)3/04	<p><b>Internal Audit Service - Annual Report 2003/04</b></p> <p>Consideration of the work undertaken by internal audit throughout the year ended 31<sup>st</sup> March, 2004.</p>	<p>'That the report on Internal Audit Service work in 2003/04 be noted.'</p>	<p>Overview and Scrutiny members involved in monitoring work undertaken by Internal Audit and consider issues raised</p>
15 <sup>th</sup> June 2004 OSC(1)4/04	<p><b>Procurement Service Improvement Plan - Progress Update</b></p> <p>Consideration was given to a report detailing revisions to the Council's Procurement Service Improvement Plan and Procurement Strategy.</p>	<ol style="list-style-type: none"> <li>1. That the report be noted</li> <li>2. That the adoption of the roles and responsibilities for Overview and Scrutiny Committees, in respect of procurement be supported.</li> <li>3. That training on Procurement be welcomed.</li> <li>4. That Cabinet consider offering the same level of training on procurement to all Members.</li> </ol>	<p>Overview and Scrutiny involved in reviewing progress against Best Value Service Improvement Plan</p>

Date of meeting/ref	Subject	Recommendations	Achievement
15 <sup>th</sup> June 2004 OSC(1)5/04	<b>Preparation of the Annual Overview and Scrutiny Report</b> Consideration was given to the work undertaken by Overview and Scrutiny Committee 1 during 2003/04.	1. That Members note the work undertaken during 2003/04. 2. That the proposed amendments to working methods as set out in the report be supported and be included in the Annual Scrutiny Report for approval by Council. 3. A Review Group be established to consider the operation of Area Forums 4. The Recruitment and Retention Review Group continue with its original membership.	Members leading the Overview and Scrutiny process – i.e. preparation of annual report, including review of previous years work, work programme for 2004/05 and amendment to working methods  The establishment of an Area Forum Review Group
15 <sup>th</sup> June 2004 OSC(1)6/04	<b>Recruitment and Retention - Scope and Remit</b> Members were updated on the progress being made on the review of the Recruitment and Retention	'That the scope and remit of the Recruitment and Retention Review as amended be approved.'	Monitoring progress of Scrutiny Reviews
31 <sup>st</sup> August 2004 OSC(1)8/04	<b>Feedback from Cabinet - Member Training – Procurement</b> Members were given feedback from Cabinet relating to the Member training on procurement	'That the information be noted.'	Feedback from Cabinet regarding recommendation of Overview and Scrutiny Committee
31 <sup>st</sup> August 2004 OSC(1)9/04	<b>Customer Service Centre</b> The Lead Member for Performance Improvement gave a presentation on the above	'That the information be received.'	Overview and Scrutiny Members receive information to enable them to carry out their Scrutiny role.
31 <sup>st</sup> August 2004 OSC(1)10/04	<b>Philips IPS 2000 Telephone System</b> The Lead Member for Performance Improvement gave a presentation on the above	That the information be received.	Consideration of an item raised by Members
31 <sup>st</sup> August 2004 OSC(1)11/04	<b>Scrutiny Review Groups</b> An update was given on the Scrutiny Review Groups	That the information be received	Monitoring progress of Scrutiny Reviews

Date of meeting/ref	Subject	Recommendations	Achievement
12 <sup>th</sup> October 2004 OSC(1)14/04	<b>Review of Partnership Control Arrangements</b> Consideration was given to a report prepared by the Audit Commission, regarding a Review of Partnership Control Arrangements within Sedgefield Borough Council.	That the report be noted	Consideration of an item raised by Members
12 <sup>th</sup> October 2004 OSC(1)15/04	<b>Human Resources Best Value Review Service Improvement Plan - Progress Update</b> Consideration was given to report setting out progress to date on the implementation of the Human Resources Service Improvement Plan	That progress made on the Human Resources Best Value Service Improvement Plan be noted.	Overview and Scrutiny involvement in reviewing progress against Best Value Performance Plan.
12 <sup>th</sup> October 2004 OSC(1)16/04	<b>Area Forums Scrutiny Review Group - Scope and Remit</b> Consideration of the scope and remit relating to the Area Forums Scrutiny Review.	That the scope and remit as outlined in the report be approved	Monitoring progress of Scrutiny Reviews
23 <sup>rd</sup> November 2004 OSC(1)19/04	<b>Internal Audit Service - Report for Half Year Ended 30th September 2004</b> Consideration of the work undertaken in the initial six-month period of the internal Audit Plan for 2004/05.	That the half yearly report be received and that a full year report be considered at the appropriate future meeting of this Committee.	Monitoring work undertaken by Internal Audit and consideration of issues raised.
23 <sup>rd</sup> November 2004 OSC(1)20/04	<b>Revised Policy and Procedures for Handling of Customer Complaints</b> Consideration of proposals to amend the corporate policy and procedures for the handling of customer complaints.	1. That the report be noted 2. That the Committee receives half yearly reports, detailing the number and type of complaints by service, average time to respond and satisfaction with complaints handling. That the information be noted	Overview and Scrutiny involvement in development of policy for handling of Customer Complaints
23 <sup>rd</sup> November 2004 OSC(1)21/04	<b>Overview and Scrutiny Review Groups</b> An update on current reviews	That the Committees work programme, as outlined in the report, be agreed.	Monitoring progress of Scrutiny Reviews
23 <sup>rd</sup> November 2004 OSC(1)22/04	<b>Work Programme</b> Work Programme considered	That the Modern.Gov system be welcomed	Members leading Overview & Scrutiny process, setting own work programme
11 <sup>th</sup> January 2005 OSC(1)25/04	<b>Modern.Gov</b> A demonstration of the Modern.Gov system.		Overview and Scrutiny involvement in development of electronic provision of information

Date of meeting/ref	Subject	Recommendations	Achievement
11 <sup>th</sup> January 2005 OSC(1)26/04	<b>Work Programme</b> Work Programme considered	That the Committees work programme, as outlined in the report, be agreed.	Members leading Overview & Scrutiny process, setting own work programme
25 <sup>th</sup> January 2005 OSC(1)28/04	<b>Budget Framework 2005/06</b> Consideration of Cabinets' budget proposals in respect of Resource Management, Performance Management and Welfare and Communication Portfolios	That the budget proposals in relation to Resource Management, Performance Management and Welfare and Communications for 2005/06 be approved.	Detailed scrutiny of Cabinet's proposed budget. Following detailed consideration Overview & Scrutiny Members agreed budget proposals.
15 <sup>th</sup> February 2005 OSC(1)31/04	<b>Customer Service Centre</b> The Customer Service Manager gave a presentation on the development of the Customer Service Centre.	That the development of the Customer Service Centre be supported	Overview and Scrutiny Members involved in service development
15 <sup>th</sup> February 2005 OSC(1)32/04	<b>Half Yearly Report on Complaints Received by Corporate Complaints Staff</b> Consideration of complaints/issues received by Corporate Complaints Staff in the period 1 <sup>st</sup> April 2004 to 30 <sup>th</sup> September 2004	1. That the half yearly report be noted and a full year Report for 2004/05 be considered at a future meeting. 2. That consideration be given to the proposal that in cases where appointments could not be met the tenant should be contacted.	Monitoring of corporate complaints and making recommendations to improve service
15 <sup>th</sup> February 2005 OSC(1)33/04	<b>Work Programme</b> Work Programme considered	That the Committees work programme as outlined in the report be agreed	Members leading Overview & Scrutiny process, setting own work programme
29 <sup>th</sup> March 2005 OSC(1)36/04	<b>Internal Audit Report 2005/06</b> Consideration was given to the Internal Audit Plan for the year commencing 1 <sup>st</sup> April 2005.	1. That the audit plan 2005/06 be approved 2. That half yearly progress reports be submitted to future meetings of Overview and Scrutiny Committee 1	Overview and Scrutiny members' involvement in development of internal Audit Plan.

## OVERVIEW AND SCRUTINY COMMITTEE 2

### ACHIEVEMENTS

Date of meeting/ref	Subject	Recommendations	Outcome
29 <sup>th</sup> June 2004 OSC(2).2/04	<p><b>Preparation Of Annual Scrutiny Report</b> Consideration was given to the work undertaken by Overview and Scrutiny Committee 2 during 2003/2004.</p>	<p>1. That Members note the work undertaken during 2003/04.</p> <p>2. That the proposed amendments to working methods as set out in the report be supported and be included in the Annual Scrutiny Report for approval by Council.</p> <p>3. That reviews be carried out on: - - Cultural Facilities Within the Borough - The Leisure Agenda</p> <p>4. That the Value of Tourism to Sedgefield Borough be the next topic to be reviewed.</p>	<p>1. Members leading the Overview and Scrutiny process – i.e. preparation of annual report, including review of previous years work, work programme for 2004/05 and amendment to working methods.</p> <p>2. The establishment of two Review Groups.</p>
29 <sup>th</sup> June 2004 OSC(2).3/04	<p><b>Proposals For Future Review</b> Queries raised by Members regarding the usage and financial position of Shildon Running Track.</p>	<p>Cabinet Member for Culture and Recreation together with the Director of Leisure Services by invited to attend the next meeting of Overview and Scrutiny Committee 2 to give details on the operation of Shildon Running Track.</p>	<p>Members leading the Overview and Scrutiny process and requesting attendance by the Cabinet Member and Director.</p>
14 <sup>th</sup> September 2004 OSC(2).5/04	<p><b>Supporting Independent Living</b> Consideration was given to a report of the Policy Review Group detailing the outcome of the Review of Supporting Independent Living.</p>	<p>That the report be submitted to Cabinet for consideration.</p>	<p>Overview and Scrutiny involvement in development of policy.</p>
14 <sup>th</sup> September 2004 OSC(2).8/04	<p><b>Shildon Running Track</b> Consideration was given to a report regarding Shildon Stadium 2000</p>	<p>That the Shildon Stadium 2000 was an excellent facility, which should continue to be supported by the Council.</p>	<p>As a result of information received Members were satisfied with action being taken by officers.</p>

Date of meeting/ref	Subject	Recommendations	Achievement
26 <sup>th</sup> October 2004 OSC(2).11/04	<b>LSVT Progress Update</b> The Director of Neighbourhood Services gave a presentation on the above.	That the information be received.	Overview and Scrutiny Members monitor progress on LSVT.
26 <sup>th</sup> October 2004 OSC(2).12/04	<b>Equity and Equality Improvement Plan – Progress update</b> Consideration was given to a report of the Head of Service Improvement detailing progress on the above.	1. That the progress report and the completion of the Equity and Equality Service Improvement Plan be noted. 2. That a Corporate Equality Plan, incorporating an Action Plan to achieve Level 2 of the Equalities Standard, be considered by Cabinet and be monitored by Overview and Scrutiny Committee 2 in accordance with the Council's corporate performance management arrangements.	Monitoring progress of Service Improvement Plan.
26 <sup>th</sup> October 2004 OSC(2).13/04	<b>Scope and Remit of Review Groups</b> Consideration of the scope and remit relating to: - - Cultural Facilities Within the Borough - The Value of Tourism	That the Scope and Remit of the two Review Groups as outlined in the report be approved.	Members leading the Overview and Scrutiny process approving the Scope and Remit for two Scrutiny Reviews.
26 <sup>th</sup> October 2004 OSC(2).15/04	<b>Proposals For Future Review</b> Queries raised by Members regarding the progress of the Play Strategy.	That the Head of Policy and Development be invited to a future meeting to discuss the Play Strategy.	Members leading the Overview and Scrutiny process raising concerns and requesting the attendance of the T. Guest at the meeting held on 18 <sup>th</sup> January 2005.
30 <sup>th</sup> November 2004 OSC(2).18/04	<b>Sedgefield and District Advice and Information Service</b> Consideration was given to a report of the Chief Executive Officer regarding the above Service.	That the Council continues to fund the Sedgefield and District Advice and Information Service as it provided value for money and a valuable service to residents of the Borough.	Overview and Scrutiny consulted on level of funding of the Sedgefield and District Advice and Information Service.
30 <sup>th</sup> November 2004 OSC(2).19/04	<b>Homelessness – Practice, Policies and Service Issues</b> The Director of Housing and the Housing Strategy Manager gave a presentation in respect of the above.	That the Committee is satisfied with the Council's policies and procedures for assisting people who were homeless or at risk of homelessness.	As a result of information received Members were satisfied with action being taken by officers.

Date of meeting/ref	Subject	Recommendations	Achievement
30 <sup>th</sup> November 2004 OSC(2).20/04	<b>Benefits Service Improvement Plan – Service Update</b> Consideration was given to a report detailing progress on the above.	That the Committee is satisfied with the progress being made.	Monitoring progress on Service Improvement Plan.
30 <sup>th</sup> November 2004 OSC(2)21/04	<b>Work Programme</b> Work programme considered.	1. That Sedgfield Advice and Information Service be deleted from the list of topics for future review. 2. That the remainder of the Work Programme be approved.	Members leading Overview and Scrutiny process and setting own work programme.
18 <sup>th</sup> January 2005 OSC(2).25/04	<b>Sedgfield Primary Care Trust</b> N. Porter, Chief Executive of the Sedgfield Primary Care Trust gave a presentation regarding the Out-of-Hours Service and the Annual Report.	'That the information be received'	Scrutiny of external organisations.
18 <sup>th</sup> January 2005 OSC(2).26/04	<b>Development Of Outdoor Play Strategy</b> Following request from Members in attendance a briefing note regarding the development of an Outdoor Play Strategy was presented.	'That the information be received'	As a result of information received Members were satisfied with action being taken by officers.
18 <sup>th</sup> January 2005 OSC(2).27/04	<b>Work Programme</b> Work Programme considered. <b>Members requested further information on additional spend</b> on the Regional Gymnastics Centre	Work Programme Agreed  Director of Leisure Services be invited to attend a future meeting of Overview and Scrutiny Committee 2 to answer questions relating to additional spend on the Regional Gymnastics Centre.	Members leading Overview and Scrutiny process and setting own work programme and requesting attendance by a Director to respond to Members concerns regarding an issue.

Date of meeting/ref	Subject	Recommendations	Achievement
26 <sup>th</sup> January 2005 OSC(2).29/04	<b>Budget Framework 2005/06</b> Consideration of Cabinets' budget proposals in respect of Culture and Recreation, Housing and Supporting People portfolios	<ol style="list-style-type: none"> <li>1. That Cabinet reconsider the following budget proposals:               <ol style="list-style-type: none"> <li>a) The decision to close the swimming pool at Thornhill Gardens, Shildon.</li> <li>b) The decision to discontinue operation of the Mobile Skate Park.</li> </ol> </li> <li>2. That Council continues to fund the Sedgfield and District Advice and Information Service at the current level.</li> <li>3. That subject to recommendations 1 and 2 above, the budget proposals in relation to Culture and Recreation, Housing and Supporting People portfolios for 2005/6 be otherwise supported.</li> </ol>	Detailed Scrutiny of Cabinet's proposed budget. Following detailed consideration Overview and Scrutiny Members made recommendations to Cabinet to amend proposed budget.
1 <sup>st</sup> March 2005 OSC(2).32/04	<b>Spennymoor Leisure Centre – Gymnastics Centre</b> Following a request from Members, the Director of Leisure Services attended the meeting to answer Members questions regarding the additional contract costs.	That the actions of the officers be supported.	As a result of information received Members were satisfied with action being taken by officers.
1 <sup>st</sup> March 2005 OSC(2).33/04	<b>Bar Facilities Within Leisure Centres</b> Following a request from Members, the Director of Leisure Services attended the meeting to answer Members questions regarding the future of bar facilities in each of the Leisure Centres.	<ol style="list-style-type: none"> <li>1. That the information be noted.</li> <li>2. A further report be submitted to the Committee setting out the results of the analysis of the effect of the introduction of the no-smoking policy, together with options for reinvesting in the Bar areas in order to maximise profitability.</li> </ol>	Consideration of an issue raised by Members. Further information was to be presented at a future meeting.
1 <sup>st</sup> March 2005 OSC(2).34/04	<b>Work Programme</b> Work Programme considered.	Work Programme agreed	Members leading Overview and Scrutiny process, setting own work programme.



Date of meeting/ref	Subject	Recommendations	Achievement
17 <sup>th</sup> March 2005 OSC(2).37/04	<b>LSVT Stage 1 Offer Document</b> The Director of Neighbourhood Services, Director of Resources, Director of Housing, The Solicitor to the Council, Cabinet Member for Housing, the Leader of the Council and officers from Sunderland Housing Group attended the meeting to answer questions in relation to LSVT.	That the Stage 1 Offer Document be approved.	Overview and Scrutiny involvement in LSVT process.
12 <sup>th</sup> April 2005 OSC(2).40/04	<b>Housing Maintenance Service Improvement Plan – Progress Update</b> Consideration was given to a report of the Head of Housing Property Services detailing progress on the above.	That the Committee was satisfied with the progress being made.	Monitoring of Best Value Service Improvement Plan.
12 <sup>th</sup> April 2005 OSC(2).41/04	<b>Void Properties</b> Consideration was given to a report of the Director of Housing detailing progress on the above.	That the Committee was satisfied with the above.	As a result of information received Members were satisfied with action being taken by officers.
12 <sup>th</sup> April 2005 OSC(2).42/04	<b>Work Programme</b> Work Programme considered.	Work Programme agreed.	Members leading Overview and Scrutiny process, setting own work programme.



**OVERVIEW AND SCRUTINY COMMITTEE 3**

**ACHIEVEMENTS 2004/05**

<b>Date of meeting/ Min ref</b>	<b>Subject</b>	<b>Recommendations</b>	<b>Achievements</b>
13 <sup>th</sup> July 2004 OSC(3).4/04	Preparation of the Annual Scrutiny report Consideration was given to the work undertaken by Overview and Scrutiny Committee 3 during 2003/04.	<ol style="list-style-type: none"> <li>1. That Members note the work undertaken during 2003/04.</li> <li>2. That the proposed amendments to working methods as set out in the report be supported and be included in the Annual Scrutiny Report for approval by Council.</li> <li>3. A Review Group be undertaken of Regeneration of Neighbourhoods with older Private Sector Housing and that the following Members sit on the Review Group: <i>Councillors : G.C. Gray, Mrs. B.A. Clare, R.A. Patchett, Mrs. C. Sproat and B.M. Ord together with 2 co-opted Members from Overview and Scrutiny Committee 2.</i></li> <li>4. That a review be undertaken of the Street Safe Initiative and that the Review Group consist of the following members <i>Councillors Mrs. L. Smith, A. Smith, J.P. Moran, D. A. Brown, M.T.B. Jones, V. Crosby and Mrs. C. Potts.</i></li> </ol>	<p>Members leading Overview &amp; Scrutiny process – i.e. preparation of Annual Report, including review of previous year's work, work programme for 2004/5 and amendment to working methods.</p> <p>Establishment of 2 Review Groups</p>
13 July 2004 OSC(3).5/04	Proposals for review from Members of the Committee Concerns were expressed by Members in relation to the operational performance of the Grounds Maintenance Contract.	That the Cabinet Member for Environment be invited to the next meeting of Overview and Scrutiny Committee 3 to discuss concerns in relation to the operational performance of the Grounds Maintenance Contract	Members leading O&S process raising concerns and requesting attendance by Cabinet Member

Date of meeting/ref	Subject	Recommendations	Achievement
28 <sup>th</sup> September 2004 OSC(3).7/04	Durham Constabulary – South Area Business Plan 2004/5 Chief Superintendent Banks from Durham Constabulary attended the meeting to inform and consult Members in relation to the Durham Constabulary south area business plan including the aims and revised structure of the constabulary	That the aims etc outlined in the Durham Constabulary south area business plan be supported and that members welcomed working closely with Durham Constabulary in the future to help achieve those aims.	Scrutiny of external organisations  Overview and Scrutiny Members satisfied with Durham Constabulary's Business Plan.
28 <sup>th</sup> September 2004 OSC(3).8/04	Local Development Framework The Head of Planning Services attended the meeting to inform Members of the new Local Development Frameworks that replaced the old style Local Plans under the Planning and Compulsory Purchase Act 2004.	That the information be noted	Overview & Scrutiny Members receive information to enable them to carry out their scrutiny role.
28 <sup>th</sup> September 2004 OSC(3).9/04	Scope and Remit of StreetSafe Initiative Review Group and Regeneration of Neighbourhoods with Older Private Sector Housing Review Group Members were updated on the progress being made on the reviews in relation to StreetSafe Initiative and Regeneration of Neighbourhoods with older Private Sector Housing	That the scope and remit of StreetSafe Initiative and Regeneration of Neighbourhoods with older Private Sector Housing Review Groups as outlined in the report be approved.	Members leading Overview & Scrutiny process approving the Scope and Remit for 2 Scrutiny Reviews. .

Date of meeting/ref	Subject	Recommendations	Achievement
9 <sup>th</sup> November 2004 OSC(3)12/04	Licensing Act 2003 Statement of Licensing Policy Members of the Committee considered a report of the Director of Neighbourhood Services dealing with the transfer of responsibility for Liquor Licensing to local authorities and the implications for Sedgefield Borough and members were given the opportunity to ask questions or raise concerns on a draft policy which had been submitted to Cabinet and Licensing Committee 2 .	That members comments be noted That the information be noted.	Overview & Scrutiny involvement in development of new Licensing Policy.
9 <sup>th</sup> November 2004 OSC(3)13/04	Overview and Scrutiny Reviews Members were updated on the progress being made on the reviews in relation to StreetSafe Initiative and Regeneration of Neighbourhoods with older Private Sector Housing	That the information be received	Monitoring progress of Scrutiny Reviews
9 <sup>th</sup> November 2004 OSC(3)14/04	Items for future Consideration Members considered items to be placed on future agendas	Agreed that following items be placed on future agenda:- Grass cutting Fly tipping Countryside management	Members leading Overview & Scrutiny, raising concerns for future debate and consideration.
14 <sup>th</sup> December 2004 OSC (3)17/04	Countryside Management – update Countryside Officer gave presentation at the meeting on countryside management initiatives	That a site visit be held to various schemes and that all members of the Council be invited to attend	Consideration of an issue raised by Members. Overview & Scrutiny Members' receive information to enable them to carry out their scrutiny role and request a visit to various initiatives in order to further enhance their knowledge of the service.
14 <sup>th</sup> December 2004 OSC (3)18/04	Work Programme Consideration of report of Chairman of the Committee setting out current work programme for discussion.	That the work programme be approved	Members leading Overview & Scrutiny process, setting own work programme.

Date of meeting/ref	Subject	Recommendations	Achievement
14 <sup>th</sup> December 2004 OSC (3)18/04	Regeneration of Neighbourhoods with Older Private Sector Housing Review Group – Membership revision considered	That Councillor Mrs J Gray be appointed to the Regeneration of Neighbourhoods with Older Private Sector Housing Review Group to replace Councillor Mrs B Clare and that Mrs B Clare be a member of the StreetSafe Initiative Review Group	Amendment to membership of Review Groups.
27 <sup>th</sup> January 2005 OSC(3).19/04	Budget Framework 2005/06 Consideration of Cabinet's budget proposals in respect of Regeneration, Environment and Community Safety portfolios	That the budget proposals in relation to Environment, Regeneration and Community Safety Portfolios for 2005/06 be approved.	Detailed scrutiny of Cabinet's proposed budget. Following detailed consideration Overview & Scrutiny Members agreed budget proposals.
1st February 2005 OSC(3).24/04	View Shaping the North East – Regional Spatial Strategy Consultation Draft Members considered a consultation draft Regional Spatial Strategy responses on which were to be forwarded to the Government Office for the North East	That the draft responses outlined in the appendix to the report be recommended to the Cabinet as the formal response of the Council to the North East Assembly's consultation.	Overview & Scrutiny consulted on Regional Spatial Strategy. Members' comments forwarded to Cabinet meeting on 3 <sup>rd</sup> February 2005
1st February 2005 OSC(3).25/04	Private Finance Initiative to develop new community fire stations and a regional life skills centre As part of a consultation process Members were given a presentation by the Chief Fire Officer in relation to proposals for new fire stations at Spennymoor and Bishop Auckland.	That the proposals be supported without prejudice to future planning applications.	Scrutiny of external organisations Overview & Scrutiny Members consulted regarding the development of new community fire station and regional life skills centre. Comments forwarded to Cabinet meeting on 3 <sup>rd</sup> February 2005
1st February 2005 OSC(3).26/04	Work Programme Consideration of report of Chairman of the Committee setting out current work programme for discussion.	That the work programme be approved	Members leading Overview & Scrutiny process, setting own work programme.
15 <sup>th</sup> March 2005 OSC(3).29/04	Grass Cutting Head of Environmental Services and Cabinet Member for the Environment were at the meeting to give a presentation and answer queries on the grass cutting Service	That the Monitoring of the Grounds Maintenance Contract continues on a monthly basis. Grass cutting operatives be instructed to report overhanging tree branches and any other issues which would prevent them undertaking their duties.	Consideration of issue raised by Members. As a result the Head of Environmental Services agreed to review a number of working practices.

Date of meeting/ref	Subject	Recommendations	Achievement
15 <sup>th</sup> March 2005 OSC(3).30/04	Fly Tipping Head of Environmental Services and Cabinet Member for the Environment were at the meeting to give a presentation and answer queries in relation to fly tipping	That the action undertaken by the Head of Environmental Services with regard to fly tipping and enforcement be endorsed	Consideration of an issue raised by Members. As a result of information received Members were satisfied with action being taken by officers.
15 <sup>th</sup> March 2005 OSC(3).31/04	Work Programme Consideration of report of Chairman of the Committee setting out current work programme for discussion.	That the work programme be approved	Members leading Overview & Scrutiny process, setting own work programme.
26 <sup>th</sup> April 2005 OSC(3).34/04	Sustainable Communities Gordon Lennon, the Technical Services Manager and Karin Johnson, Sustainability Officer were present at the meeting to inform Members of progress on initiatives in relation to services impacting on the development of sustainable communities including waste management, countryside management, energy management and travel plans	<ol style="list-style-type: none"> <li>1. That the Committee expresses support for the work undertaken, including the partnership which is to be explored with the PCT with regard to washable nappies.</li> <li>2. That a site visit be held to the digester plant at Thornley.</li> <li>3. That an update be given at a future meeting on waste management.</li> </ol>	Consideration of issue raised by Members. Information received to enable Members to carry out their scrutiny role. Visit to be arranged to a digester plant to enhance members' knowledge.
26 <sup>th</sup> April 2005 OSC(3).35/04	Work Programme Consideration of report of Chairman of the Committee setting out current work programme for discussion.	That the work programme be approved	Members leading Overview & Scrutiny process, setting own work programme.

This page is intentionally left blank



By virtue of paragraph(s) 1 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 1 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank