

West Dunbartonshire Council
Report by the Strategic Lead - Resources
Council: 28 August 2019

Subject : Treasury Management Annual Report 2018/19

1. Purpose

- 1.1** The purpose of this report is to provide Members with an update on treasury management during 2018/19.

2. Recommendations

- 2.1** Members are requested to:

- (a) Note the treasury management stewardship information within the report;
- (b) Note the 2018/19 actual prudential indicators as advised within the report (Tables 2, 3, 4 and 5);
- (c) Note the future repayment profile of loans fund advances as at 31 March 2019 (Table 8); and
- (d) Agree that a copy of this report is remitted the Audit Committee to ensure further scrutiny takes place.

3. Background

- 3.1** In accordance with the Treasury Policy governing the Council's treasury management activities during 2018/19, the Strategic Lead - Resources is required to provide an Annual Report to Members regarding the Treasury function.
- 3.2** One of the key clauses is that a responsible body is required to ensure effective scrutiny of the treasury management strategy and policies. Within West Dunbartonshire Council the body identified to fulfil this role is the Audit Committee.

4. Main Issues

Treasury Management Stewardship Report

- 4.1** A copy of the report is attached (Appendix 1).
- 4.2** The report gives details of loans borrowed and loans repaid during the course of the year, interest rates and debt rescheduling which was undertaken.
- 4.3** The Council undertook new borrowing of £201.337m for the approved capital plans and the replacement of naturally maturing debt during 2018/19.

- 4.4** Consideration was given to available interest rates, and mainly short term borrowing has been utilised in the short term to finance the current capital programme.
- 4.5** External borrowing has increased from £425.291m at the beginning of the year to £441.370m at the end of the year. This is due to new borrowing required to fund the capital programmes. As stated above maturing debt has been renewed and overall there was a reduction in the average interest rate on long-term debt from 2.56% to 2.51%.
- 4.6** Investments have decreased from £25.407m at the beginning of the year to £19.389m at the year-end. The average interest rate on these investments as at 31 March 2019 increased from 0.36% to 0.64% due to market conditions and is slightly higher than anticipated within the 2018/19 budget.
- 4.7** The actual year end figure in relation to the adjusted gross borrowing position is slightly higher than the revised indicator level which is due to the Council undertaking long term PWLB borrowing at the year end at competitive interest rates and final capital expenditure being less than forecast once accounting adjustments have been taken into account. All other year end actual indicators advised within Appendix 1 of this report are within the limits previously agreed by Council.

5. Option Appraisal

- 5.1** No option appraisal was required for this report.

6. People Implications

- 6.1** There are no personnel issues.

7. Financial and Procurement Implications

- 7.1** There are no financial or procurement implications.

8. Risk Analysis

- 8.1** Although this report provides a historic position in relation to treasury management there are three main risks associated with the formulation of prudential indicators and the treasury management strategy as detailed in Appendix 1. These risks are noted below; however the Council has robust monitoring processes in place and provides regular reports to Council and ensures further scrutiny by elected Members at the Audit Committee:
- (a) Capital receipts which affect the capital financing and borrowing requirement may not materialise and if this occurs then additional borrowing will be required in order to fund the financing requirement;

- (b) The risk of Counterparties default (i.e. loss of principal sum invested) must also be taken into account; however the Council has robust controls included within its treasury management and investment strategies that will assist in mitigating this risk; and
- (c) Capital inflation may increase capital expenditure levels, which in turn may affect the capital financing and borrowing requirement leading to an increase in borrowing, assuming no additional capital receipts are available.

9. Equalities Impact Assessment

9.1 No equalities impact assessment was required in relation to this report.

10. Environmental Sustainability

10.1 No assessment of environmental sustainability was required in relation to this report

11. Consultation

11.1 The views of Legal Services have been requested on this report and have advised there are neither any issues nor concerns.

12. Strategic Assessment

12.1 Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan.

12.2 Treasury management contributes to the Financial Strategy via the interdependency that exists between pro-active treasury management and the formulation of long term financial plans.

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Date: 1 August 2019

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Appendices: Appendix 1 - Annual Report 2018/19
Treasury Management and Actual Prudential Indicators

Background Papers: Loans register and portfolio;
Debt rescheduling schedules;
Prudential Indicators 2018/19 to 2028/29 and Treasury Management Strategy 2019/20 to 2028/29 (Council 27 March 2019); and
Treasury Management Mid year report 2018/19 (Council 19 December 2018)
Treasury Management Annual Report 2017/18 (Council 27 September 2018)

Wards Affected: No wards directly affected.