

West Dunbartonshire Council
Report by the Executive Director of Corporate Services
Council – 15 December 2010

Subject : Treasury Management Mid Year Report 2010/2011

1. Purpose

- 1.1** The purpose of this report is to provide Members with an update on treasury management and prudential indicators during 2010/11.

2. Background

- 2.1** In accordance with the Treasury Policy governing the Council's treasury management activities during 2010/11, the Executive Director of Corporate Services is required to provide a Mid Year Report to Members regarding the Treasury function.
- 2.2** The mid year report covers the period 1 April 2010 to 30 September 2010 and details the current position (where appropriate) and revises the 2010/11 estimates where required.
- 2.3** Members agreed within the Treasury Management Strategy 2010/11 - 2012/13 (as reported to Council in March 2010) to nominate the Audit and Performance Review Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.
- 2.4** The treasury management mid year report should be passed to members of the Audit and Performance Review Committee once noted by Council to ensure further scrutiny take places.

3. Main Issues

- 3.1** A copy of the report is attached (Appendix 1).
- 3.2** The report gives details of key changes to the Council's capital activity (the prudential indicators), the economic outlook, the actual and proposed treasury management activity (borrowing and investment) and the risk approach to treasury management (the treasury management indicators).
- 3.3** The revised estimate for capital expenditure during 2010/11 (Table A) has increased by £9.590m from the original estimate due to 2009/10 income and slippage totalling £5.173m which was identified to be carried into 2010/11, and consent to borrow for equal pay of £4.413m which was granted by the Scottish Government in February 2010 and approved by Council on 28 April 2010.

- 3.4** The revised estimate for year end debt (Table C) has reduced by £2.442m from the original estimate due to the fact that no new borrowing was undertaken during 2009/10 which resulted in a reduced balance at the start of the year offset by the consent to borrow for equal pay as discussed in 3.3 above.
- 3.5** During the first half of 2010/11 no debt rescheduling exercises have been undertaken; however, the Council has taken advantage of longer term borrowing rates of 2.680% and 3.980% to replace naturally maturing debt totalling £20.045m (Table H).
- 3.6** A proposed revision to the counterparty criteria is noted at section 4.5.4 of the report and relates to Eligible Institution status.
- 3.7** The average return on Investment income to 31 August 2010 is 0.65% (Table M) which is higher than the local measures of yield investment benchmark that was approved in March 2010.

4. People Implications

- 4.1** There are no people implications.

5. Financial Implications

- 5.1** There are no financial implications.

6. Risk Analysis

- 6.1** The main risk is that capital receipts which affect the capital financing and borrowing requirement will not materialise and borrowing will require to be increased as a result.

7. Equalities Impact Assessment

- 7.1** No significant issues were identified in a screening for potential equality impact of this report.

8. Conclusions and Recommendations

- 8.1** The mid year report details the current treasury management and prudential indicator position (where appropriate) and revises the 2010/11 estimates where required.
- 8.2** Members are requested to:
- (a) Note the treasury management and prudential stewardship information within the report
 - (b) Approve the amendment to the counterparty criteria as discussed within the report at section 4.5.4

- (c) Approve the 2010/11 revised estimates of treasury and prudential indicators as advised within the report (Tables A, B, C, D, E, G and N), and
- (d) Instruct that a copy of this report is passed to Members of the Audit and Performance Review Committee to ensure further scrutiny takes place.

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Date: 23 November 2010

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Appendix: Treasury Management Mid Year Report

Background Papers: Loans register and portfolio;
Debt rescheduling schedules;
Prudential Indicators 2009/10 to 2012/13 and Treasury Management Strategy 2010/11 to 2012/13 (Council 24 March 2010).

Wards Affected: No wards directly affected.