

West Dunbartonshire Council
Report by the Executive Director of Corporate Services
Audit and Performance Review Committee – 12 January 2011

Subject : Treasury Management Annual Report 2009/2010

1. Purpose

- 1.1** The purpose of this report is to provide Members with an update on treasury management during 2009/10.

2. Background

- 2.1** In accordance with the Treasury Policy governing the Council's treasury management activities during 2009/10, the Executive Director of Corporate Services is required to provide an Annual Report to Members regarding the Treasury function.
- 2.2** 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.
- 2.3** The treasury management annual report was approved by Council on 29 September 2010 and it was agreed that a copy of this report should be passed to members of the Audit and Performance Review Committee to ensure further scrutiny takes place.

3. Main Issues

Treasury Management Stewardship Report

- 3.1** A copy of the report is attached (Appendix 1).
- 3.2** The report gives details of loans borrowed and loans repaid during the course of the year, interest rates and debt rescheduling which was undertaken.
- 3.3** The Council did not undertake any new long term borrowing for the approved capital plan during 2009/10. Consideration was given to potential counterparty risk in light of the general economic climate and, therefore, short term investments were utilised to reduce both the level investment balances held and the cost of carrying debt.
- 3.3.1** External borrowing has marginally reduced from £215.440m at the beginning of the year to £215.421m at the end of the year due to the repayment of small naturally maturing debt.
- 3.3.2** The average interest rate on long-term debt decreased from 5.38% to 4.95%. This is due to debt rescheduling undertaken during the year.

- 3.4** Investments have reduced from £27.731m at the beginning of the year to £10.713m at the year-end in line with treasury management planned activity (as noted in 3.3 above). The main contributing factors include expenditure on capital projects and payments related to single status. The average interest rate on these investments as at 31 March 2010 decreased from 0.98% to 0.75%, due to market conditions and is in line with that anticipated within the 2009/10 budget.
- 3.5** During 2009/10, the Treasury function undertook premature repayment and rescheduling of the Council debt portfolio, receiving a total discount of £0.217m and resulting in overall interest savings of £0.988m (£0.869m was recognised in 2009/10 with £0.119m to be realised during 2010/11), shared between the General Fund and the HRA.
- 3.6** All year end actual indicators advised within Appendix 1 of this report are within the limits previously reported to and set by Council.

Other Issues

- 3.7** The Council commenced a tendering exercise during 2009/10 for the appointment of treasury advisers. The previous advisors (who were Butlers) were successful in their tender bid and were re-appointed as treasury advisers for a period of three years from 1 May 2010 till 30 April 2013 with an option to extend for a further two years until 30 April 2015.
- 3.8** Consent to borrow for equal pay of £4.413m was granted by the Scottish Government in February 2010 and approved by Council on 28 April 2010. These funds have now been borrowed (details reported to Corporate and Efficient Governance Committee on 22 December 2010) and will be utilised for service restructuring.
- 3.9** Members noted within the Treasury Management Strategy 2010/11 - 2012/13 (as reported to Council in March 2010) that a briefing session on Treasury Management and Investments would be given to Members in line with the requirements of the revised CIPFA Treasury Management Code of Practice. A briefing has been prepared and will be delivered to Members at a future meeting of the Strategic Finance Working Group.

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** As the information contained within the report is for noting, no additional risk analysis was required.

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** Taking into account the minimal reduction in long term loans and the reduction in investments, the 2009/10 net debt position has increased, however, due to proactive debt management the Council's average interest rate on long term borrowing has decreased.
- 8.2** Year end prudential indicators, as advised within the appendix, are within the limits previously agreed by Council.
- 8.3** Members are requested to:
- (a) Note the treasury management stewardship information within the report, and
 - (b) Note the 2009/10 actual prudential indicators as advised within the report (Tables 2, 3, 4 and 5).

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Date: 8 December 2010

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Appendix:	Treasury Management Stewardship Report
Background Papers:	Loans register and portfolio; Debt rescheduling schedules; Prudential Indicators 2008/09 to 2011/12 and Treasury Management Strategy 2008/09 to 2011/12 (Council 25 February 2009).
Wards Affected:	No wards directly affected.