

West Dunbartonshire Council
Report by the Chief Officer - Resources
Audit Committee: 2 March 2022

Subject: Treasury Management Annual Report 2020/21

1. Purpose

- 1.1 The purpose of this report is to provide Members with the opportunity to further scrutinise the annual Treasury Management report which was previously reported to Council on 26 August 2021.

2. Recommendations

- 2.1 Members are requested to further consider the information provided within the Annual Report as appended to this report.

3. Background

- 3.1 In accordance with the Treasury Policy governing the Council's treasury management activities during 2020/21, the Chief Officer - 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 External borrowing (excluding PPP) has increased from £509.678m at the beginning of the year to £544.813m at the end of the year. This is due to new borrowing required to fund the capital programmes. Over the year as new debt has been borrowed and maturing debt replaced the average interest rate on loans held has reduced from 2.36% at 31 March 2020 to 1.92% at 31 March 2021 and this is lower than anticipated within the 2020/21 budget (with the average interest rate paid during 2020/21 being 2.11% in comparison to 2.25% in 2019/20).
- 4.4 Consideration was given to available interest rates, and mainly short term borrowing has been utilised to finance the current capital programme which has resulted in the reduction of interest rates held.

4.5 Investments have decreased from £19.389m at the beginning of the year to £17.475m at the year-end. The average interest rate on these investments held as at 31 March 2021 decreased from 0.74% to 0.02% due to market conditions affected by covid and this is lower than anticipated within the 2020/21 budget.

4.6 All 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) 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
- (b) 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 or other funding 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: 27 January 2022

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Appendix: Annual Report 2020/21 -Treasury Management and Actual Prudential Indicators

Background Papers: Loans register and portfolio;
Debt rescheduling schedules;
Prudential Indicators 2021/22 to 2030/31 and Treasury Management Strategy 2021/22 to 2030/31 (Council 4 March 2021); and
Treasury Management Annual Report 2019/20 (Council 30 September 2020)

Wards Affected: No wards directly affected.