

West Dunbartonshire Council
Report by the Executive Director of Corporate Services
Council – 28 September 2011

Subject : Treasury Management Annual Report 2010/2011

1. Purpose

- 1.1 The purpose of this report is to provide Members with an update on treasury management 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 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 should be passed to Members of the Audit and Performance Review Committee once noted by Council 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 2010/11. However, the Council did raise three new long term loans during the year due to the known repayment of a naturally maturing loan of £20.045m, and utilisation of the consent to borrow for equal pay of £4.413m.
- 3.4 Consideration was given to potential counterparty risk in light of the general economic climate and, therefore, short term investments have been utilised in the short term to finance the current capital programme with the aim of reducing both the level of investment balances held and the cost of carrying debt.
- 3.5 External borrowing has increased from £215.421m at the beginning of the year to £219.800m at the end of the year due to the utilisation of the consent to borrow (per 3.3).

- 3.6** The average interest rate on long-term debt increased from 4.95% to 5.15%. This is a minor increase due to known treasury management action regarding the replacement of naturally maturing debt where the replacement type and period of the new loans were undertaken to mitigate the impact of anticipated PWLB interest rate increases.
- 3.7** Investments have increased from £10.713m at the beginning of the year to £14.639m at the year-end in line with treasury management planned activity. The main contributing factors include work undertaken to restore the Council's reserves during 2010/11. The average interest rate on these investments as at 31 March 2011 decreased from 0.75% to 0.65%, due to market conditions and is in line with that anticipated within the 2010/11 budget.
- 3.8** 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

- 3.9** The Council appointed Butlers as the 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. However, during 2010/11 Sector Treasury Services Ltd completed an acquisition of ICAP Plc's treasury management consultancy services business (Butlers) which effectively means that Sector is now the Council's treasury advisers. The acquisition was referred to the Competition Commission by the Office of Fair Trading and a report is due by 14 September 2011
- 3.10** 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 was delivered to Members of the Strategic Finance Working Group during 2010/11 and a full training session will be arranged for all Members at a later date.

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, Health & Humans Rights Impact Assessment (EIA)

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

8. Strategic Assessment

8.1 The Council has identified four main strategic priorities for 2011/2012, namely Social & Economic Regeneration, Financial Strategy, Asset Management Strategy; and Fit for Purpose Services.

8.2 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.

9. Conclusions and Recommendations

9.1 Taking into account the increase in long term loans and the increase in investments the 2010/11 net debt position has increased. Due to the known replacement of a naturally maturing loan the Council's average interest rate on long term borrowing has increased slightly.

9.2 Year end prudential indicators as advised within the appendix are within the limits previously agreed by Council.

9.3 Members are requested to:

(a) Note the treasury management stewardship information within the report;

(b) Note the 2010/11 actual prudential indicators as advised within the report (Tables 2, 3, 4 and 5); and

(c) 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: 8 September 2011

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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.