

West Dunbartonshire Council
Report by the Chief Officer - Resources
Audit Committee: 9 November 2022

Subject : Treasury Management Annual Report 2021/22

1. Purpose

- 1.1** The purpose of this report is to provide Members with an update on treasury management during 2021/22.

2. Recommendations

- 2.1** Members are requested to consider the information provided within the Annual Report as appended to this report and note this report has been referred to the Audit Committee from Council for further scrutiny.

3. Background

- 3.1** In accordance with the Treasury Policy governing the Council's treasury management activities during 2021/22, 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) and this has been based upon the draft Financial Statements as at 31 March 2022.
- 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. It also notes the use of a Scottish Government covid flexibility allowing for a loans fund principle holiday, which was made in 2021/22 by the Council.
- 4.3** External borrowing (excluding PPP) has increased from £544.813m at the beginning of the year to £574.570m 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 1.92% at 31 March 2021 to 1.91% at 31 March 2022.

- 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 £17.475m at the beginning of the year to £11.440m at the year-end. The average interest rate on these investments held as at 31 March 2022 increased from 0.02% to 0.42%.
- 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.

Laurence Slavin
Chief Officer - Resources
Date: 9 November 2022

Person to Contact: Jackie Nicol Thomson,
Finance Business Partner
Council Offices, Church Street
Email: Jackie.NicolThomson@west-dunbarton.gov.uk

Appendix: Annual Report 2021/22 - Treasury Management and Actual Prudential Indicators

Background Papers: Loans register and portfolio;
Debt rescheduling schedules;
Prudential Indicators 2022/23 to 2031/32 and Treasury Management Strategy 2022/23 to 2031/32 (Council 22 March 2021);
Mid-Year Monitoring Report 2021/22 - Treasury Management and Prudential Indicators (Council 22 December 2021);
Treasury Management Annual Report 2020/21 (Council 26 August 2021); and
Local Government Finance Circular 5/2022 - statutory repayment of debt – short term financial flexibility: guidance

Wards Affected: No wards directly affected.