

## **Annual Treasury Management Report 2013/14**

### **Report by Gary Fairley, Head of Finance & Integrated Service Support**

#### **1. Purpose of Report**

The purpose of the report is to inform members of the Treasury Management activity undertaken in 2013/14 and the year end position.

#### **2. Background**

The Council has adopted the Code of Practice for Treasury Management in Local Authorities published by the Chartered Institute of Public Finance and Accountancy and complies with its requirements which include an annual Treasury Management report on the previous financial year to be presented by 30 September in each year.

A detailed report "*Annual Treasury Management Review 2013/14*" on the activity during 2013/14 is attached as Appendix 1.

The main points arising from treasury activity in 2013/14 were:

- Total new long term borrowing taken in the year amounted to £10 million, sourced 100% from PWLB and thereby taking advantage of historically low PWLB rates;
- The average rate of interest paid on external debt was 3.68% in 2013/14, up from 3.20% in 2012/13 as a result of a switch from short-term market, to more secure longer-term, funding;
- The average rate of return on investments was 1.23% in 2013/14, exceeding the benchmark of 0.47% for the tenth year in succession;
- The internal loans fund rate increased from 3.03% in 2012/13 (lowest mainland Authority in Scotland, see Appendix 2) to 3.46% in 2013/14, which is again expected to be one of the lowest when benchmarked against all mainland Authorities in Scotland;
- Were the internal loans fund rate to have equated to the Scottish average of 4.57% (as per Appendix 2), this would have generated loan charges in 2012/13 of £17.0m. The Council's actual 2012/13 loan charges for General Services and HRA were £13.4m, representing a cash saving (compared to the Scotland average) of £3.6m in 2012/13;
- No debt rescheduling was undertaken during 2013/14.

### **3. Report Implications**

#### **3.1. Resources**

Although benefits from Treasury Management activity continue to accrue there are no direct financial implications or other resource issues arising from this report.

#### **3.2. Risk**

As the Council follows the requirements of CIPFA Code of Practice and the Prudential Code there are few risks involved in Treasury Management activities. Those risks that do exist are further controlled through written Treasury Management Practices which define the responsibilities of all staff involved.

#### **3.3. Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

#### **3.4 Impact on Performance and Outcomes**

The strategies adopted are an integral part of the corporate aim to achieve Best Value as they seek to minimise the cost of borrowing by exercising prudent debt management and investment. This in turn helps to ensure that the Council's capital expenditure is sustainable in revenue terms.

#### **3.5 Adopting a Preventative Approach**

The proposals in this report do not directly impact on the adoption of a preventative approach.

#### **3.6 Involving Communities and Other Stakeholders**

Although no external consultation has taken place, cognisance has been taken of professional advice obtained from Sector, the Council's appointed Treasury Consultants.

#### **3.7 Ensuring Equalities**

There are no equality issues arising from this report.

#### **3.8 Supporting Sustainable Development**

There are no sustainability issues arising from this report.

### **3.9 IT Issues**

There are no IT issues arising from this report.

## **4. Summary**

Treasury Management activity during the year has been effective in minimising the cost of borrowing and maximising investment income within the parameters set by the strategy for the year.

## **5. Recommendations**

It is recommended that the Council:-

- a) Note the Treasury Management Annual Report for 2013/14.

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**Background Papers**

Annual Treasury Management Review 2013/14