

Annual Treasury Management Report 2011/12**Report by Gary Fairley, Head of Finance & Human Resources****1. Purpose of Report**

The purpose of the report is to inform members of the Treasury Management activity undertaken in 2011/12 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 on the activity during 2011/12 has been placed in the Members Library.

The main points arising from treasury activity in 2011/12 were:

- Total new long term borrowing taken in the year amounted to £26.8 million, sourced 100% from PWLB and thereby taking advantage of historically low PWLB rates;
- There was an increase in the use of temporary market borrowing from other UK Public Authorities in order to take advantage of market money rates which were frequently available throughout the year at less than base rate;
- The average rate of interest paid on external debt was maintained at 3.46% from 2010/11 to 2011/12, with a general trend downward throughout the year from a high of 3.75% in April 2011 to a low of 3.08% in March 2012;
- The average rate of return on investments was 1.49% in 2011/12, up from 1.01% in 2010/11, and exceeding the benchmark of 0.82% for the ninth year in succession;
- No debt rescheduling was undertaken during 2011/12;
- The loans fund rate decreased from 3.46% in 2010/11 (lowest mainland Authority in Scotland) to 3.29% in 2011/12, which is again expected to be one of the lowest when benchmarked against all mainland Authorities in Scotland.

3. Report Implications

3.1. Resource

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. Policy

Strategy

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.

Consultation

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

Equalities

There are no equality issues arising from this report.

Sustainability

There are no sustainability 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 Committee approve the Treasury Management Annual Report for 2011/12.

Date 04 September 2012

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