

Annual Treasury Management Report 2012/13

Report by Head of Finance & Human Resources

1. Purpose of Report

The purpose of the report is to inform the Committee of the Treasury Management activity undertaken in 2012/13 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 2012/13*" on the activity during 2012/13 has been placed in the Members Library. The document can also be viewed online .Copies have also been provided to the Independent Chair and member of the Committee.

The main points arising from treasury activity in 2012/13 were:

- Total new long term borrowing taken in the year amounted to £40 million, sourced 100% from PWLB and thereby taking advantage of historically low PWLB rates;
- The average rate of interest paid on external debt was 3.20% in 2012/13, down from 3.46% in 2011/12;
- The average rate of return on investments was 2.09% in 2012/13, up from 1.49% in 2011/12, and exceeding the benchmark of 0.78% for the tenth year in succession;
- The internal loans fund rate decreased from 3.29% in 2011/12 (lowest mainland Authority in Scotland, see Appendix 1) to 3.03% in 2012/13, which is again expected to be one of the lowest when benchmarked against all mainland Authorities in Scotland;
- No debt rescheduling was undertaken during 2012/13.

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 Committee note the Treasury Management Annual Report for 2012/13.

Date 05 June 2013

Report Contact:

Gary Thomson 0131 271 3230 gary.thomson@midlothian.gov.uk

Background Papers

Annual Treasury Management Review 2012/13

Appendix 1

Loans Fund Rate Comparison 2011/12

| Authority | Loans Fund Rate Comparison | | |
|-----------------------------------|----------------------------|--------------|--------------|
| | Interest | Expenses | Loans Fund |
| | Rate | Rate | Rate |
| Scottish Local Authorities | | | |
| Midlothian | 3.25% | 0.05% | 3.29% |
| Perth & Kinross | 3.45% | 0.07% | 3.52% |
| Dumfries & Galloway | 3.60% | 0.05% | 3.64% |
| Falkirk | 3.64% | 0.10% | 3.74% |
| East Lothian | 3.75% | 0.03% | 3.78% |
| West Lothian | 4.10% | 0.06% | 4.16% |
| Inverclyde | 4.21% | 0.08% | 4.29% |
| Fife | 4.25% | 0.08% | 4.33% |
| East Renfrewshire | 4.28% | 0.08% | 4.36% |
| Aberdeen City | 4.42% | 0.03% | 4.45% |
| Renfrewshire | 4.50% | 0.05% | 4.56% |
| Dundee City | 4.63% | 0.07% | 4.70% |
| South Lanarkshire | 4.68% | 0.05% | 4.73% |
| Glasgow City | 4.71% | 0.03% | 4.74% |
| Angus | 4.69% | 0.06% | 4.75% |
| Aberdeenshire | 4.76% | 0.04% | 4.79% |
| Scottish Borders | 4.79% | 0.05% | 4.84% |
| Clackmannanshire | 4.80% | 0.10% | 4.90% |
| East Ayrshire | 4.89% | 0.08% | 4.97% |
| Highland | 4.96% | 0.03% | 4.99% |
| North Lanarkshire | 5.07% | 0.04% | 5.11% |
| Moray | 4.94% | 0.25% | 5.19% |
| East Dunbartonshire | 5.12% | 0.08% | 5.20% |
| Stirling | 5.31% | 0.08% | 5.39% |
| South Ayrshire | 5.34% | 0.08% | 5.42% |
| West Dunbartonshire | 5.48% | 0.04% | 5.52% |
| Argyll & Bute | 5.47% | 0.07% | 5.54% |
| Edinburgh City | 5.80% | 0.04% | 5.83% |
| North Ayrshire | tbc | tbc | tbc |
| Island Councils | | | |
| Comhairle Nan Eilean Siar | 6.35% | 0.06% | 6.41% |
| Orkney | 3.61% | 0.10% | 3.71% |
| Shetland | 1.84% | 0.08% | 1.92% |
| Maximum | 6.35% | 0.25% | 6.41% |
| Minimum | 3.25% | 0.03% | 3.29% |
| Average | 4.66% | 0.07% | 4.73% |
| Median | 4.71% | 0.06% | 4.75% |

The Loans Fund Rate combines the interest paid by the Council on money borrowed, with the interest earned by the Council on money invested, along with other charges such as internal interest allowed, premiums written off and treasury-related expenses to arrive at a weighted average "loans fund rate" figure for each authority, as noted in the final column above.