

EAST RENFREWSHIRE COUNCIL

CABINET

13 November 2014

Report by Chief Executive

Interim Treasury Management Report for 2014/15

PURPOSE OF REPORT

1. To advise the Cabinet on the treasury management activities for the first 6 months of 2014/15.

RECOMMENDATIONS

2. It is recommended that Members:-
 - (a) Note the interim Treasury Management Report 2014/15; and
 - (b) Recommend to the Council that the attached organisations for investment of surplus funds be approved (see Appendix II).

BACKGROUND

3. The treasury management policy statement requires the Chief Financial Officer to report every 6 months on the activities of the Treasury Management operation and on the exercise of the powers delegated to her.
4. In addition, in line with the CIPFA Code of Practice on Treasury Management 2011, the Cabinet is responsible for ensuring the effective scrutiny of treasury management activities.
5. The attached Interim Treasury Management Report for the financial year 2014/15 is submitted in accordance with these requirements.

TREASURY MANAGEMENT ACTIVITIES IN 2014/15

6. The interim report for period 1 April 2014 to 30 September 2014 is attached as Appendix I.

RECOMMENDATIONS

7. It is recommended that Members:-
 - (a) Note the interim Treasury Management Report 2014/15; and
 - (b) Recommend to the Council that the attached organisations for investment of surplus funds be approved (see Appendix II).

Report Author

Chief Financial Officer - Margaret McCrossan
Chief Accountant - Barbara Clark Tel 0141 577 3068
Email barbara.clark@eastrenfrewshire.gov.uk
Convener for Corporate Services - Ian McAlpine Tel: 0141 638 3860 (Home)
Tel: 07890 592671 (Mobile)
Report Date - 10 October 2014

Key Words

Treasury Management, Interest Rates, Prudential Indicators, investment.

EAST RENFREWSHIRE
INTERIM TREASURY MANAGEMENT REPORT 2014/15

Table 1

1. Actual External Debt (Prudential Indicator 8)

	Borrowing 01/04/14 £m	Average Interest %	Borrowing 30/09/14 £m	Average Interest %	Change in Year £m
<u>Long Term Borrowing</u>					
Public Works Loan Board	56.48	6.65	55.29	6.59	-1.19
LOBO (Lender Option Borrower Option)	14.40	4.60	14.40	4.60	0.00
PFI / PPP Finance Lease	84.89	7.24	83.30	7.25	-1.59
Total borrowing	155.77	6.78	152.99	6.76	-2.78
<u>Short Term Lending</u>					
Temporary Investments	-27.78	0.56	-24.80	0.60	2.98

2. The Council has not borrowed any additional funds from the Public Works Loan Board during this period. Repayments amounting to £1.19 million have been made to them.

3. The opening cash surplus of £ 27.78 million has decreased to £24.80 million due to both revenue and capital cash flows.

4. At 30 September 2014 the Council had 20.66% of its total borrowing outstanding in variable rate loans. During the period 01/04/14 to 30/09/14 the total borrowing outstanding in variable rate loans peaked at 20.66%. For the Council to gain a high level of stability in overall borrowing costs the Council's Treasury Policy Statement requires the exposure to variable rate loans to be less than 30% of the total borrowing outstanding.

5. The attached tables chart the following:

Table 2	the Council's debt maturity profile – which is in line with the Council's Treasury Policy Statement
Table 3	bank base rate movements
Table 4a and 4b	the Council's activity in the temporary market
Table 5	Interest rate movements in the temporary market

6. Prudential Indicators

In line with the agreed monitoring arrangements for the Prudential Indicators, listed below there is a table showing two prudential indicators comparing the approved indicator, as reported to the Council on 13 February 2014 along with the actual figures recorded at 30 September 2014, demonstrating that the Council are operating well within the limits set.

	Operational Boundary For External Debt (Prudential Indicator 6)	Authorised Limit for External Debt (Prudential Indicator 7)
Approved	£180,926,000	£195,331,000
Actual	£152,994,000	£152,994,000

7. Approved Organisations for Investment

In line with normal practice the status of all Banks & Building Societies approved on the 24 September 2014 has been reviewed and no changes have been made to the current list of organisations for investment (see Appendix II). Investments are in the form of short term Sterling deposits and no other method of investment may be used without the Council's consent. As a result of the banking crisis and in line with prudent financial management, investment has been restricted to UK organisations with high credit ratings. Also, the maximum period of investment remains at 3 months (with the exception of the Bank of Scotland which is set at 364 days). These measures have been taken as a part of a risk managed process designed to protect the principal of the sums invested.

Credit ratings of organisations on the counter-party list are subject to continuous monitoring and review to ensure that subject to available professional advice, approved organisations remain sound for investment purposes.

In addition to the approved counter party list for temporary investment of surplus funds (see Appendix II), the Council's approved Treasury Management Strategy permits other vehicles for long term investment including investment in hub schemes.

8. Treasury Management Policy

All of the approved activities within the Council's Treasury Management Policy statement have been complied with (**Prudential Indicator 9**)

Long Term Debt Maturity Profile as at 30/09/14

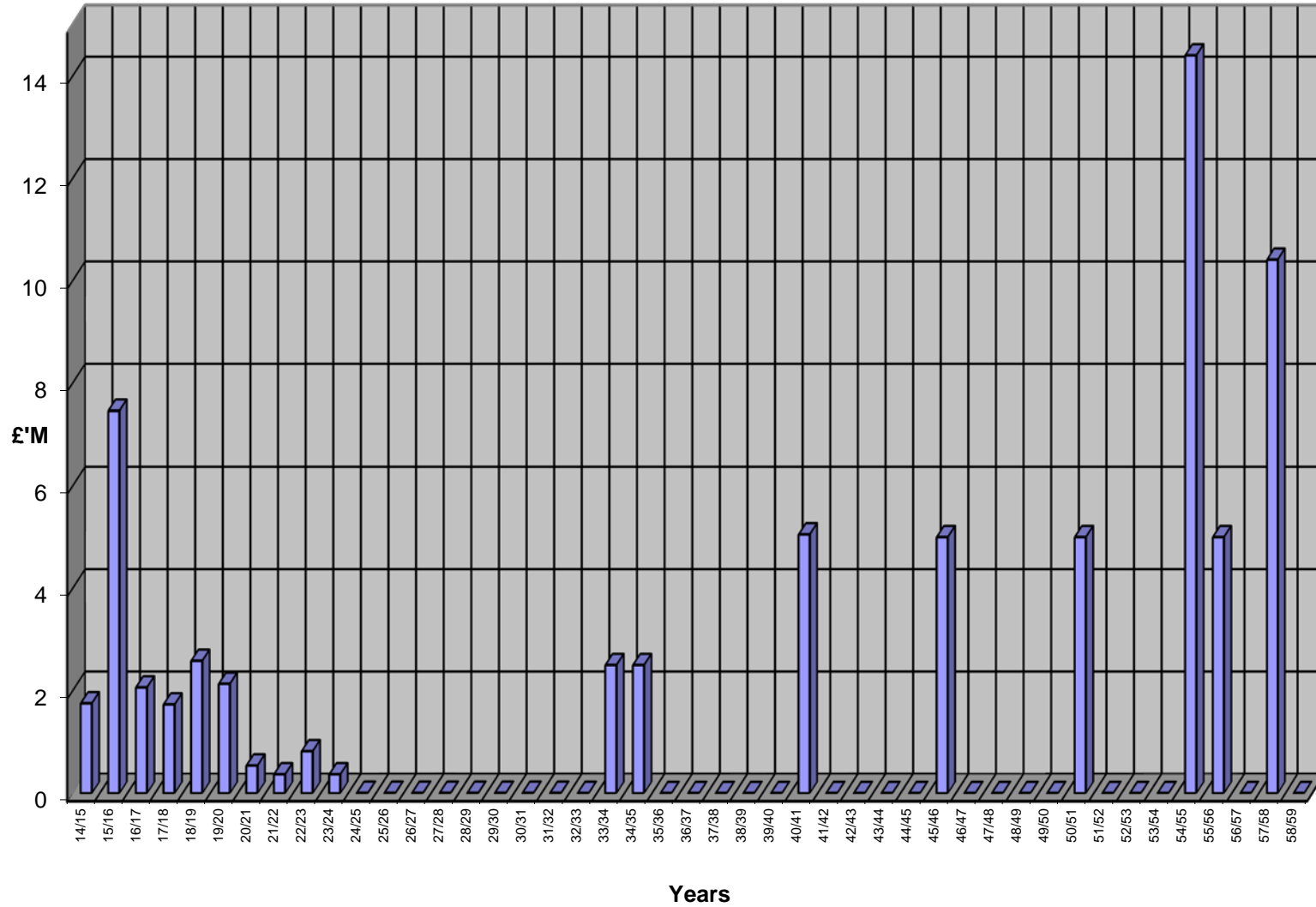
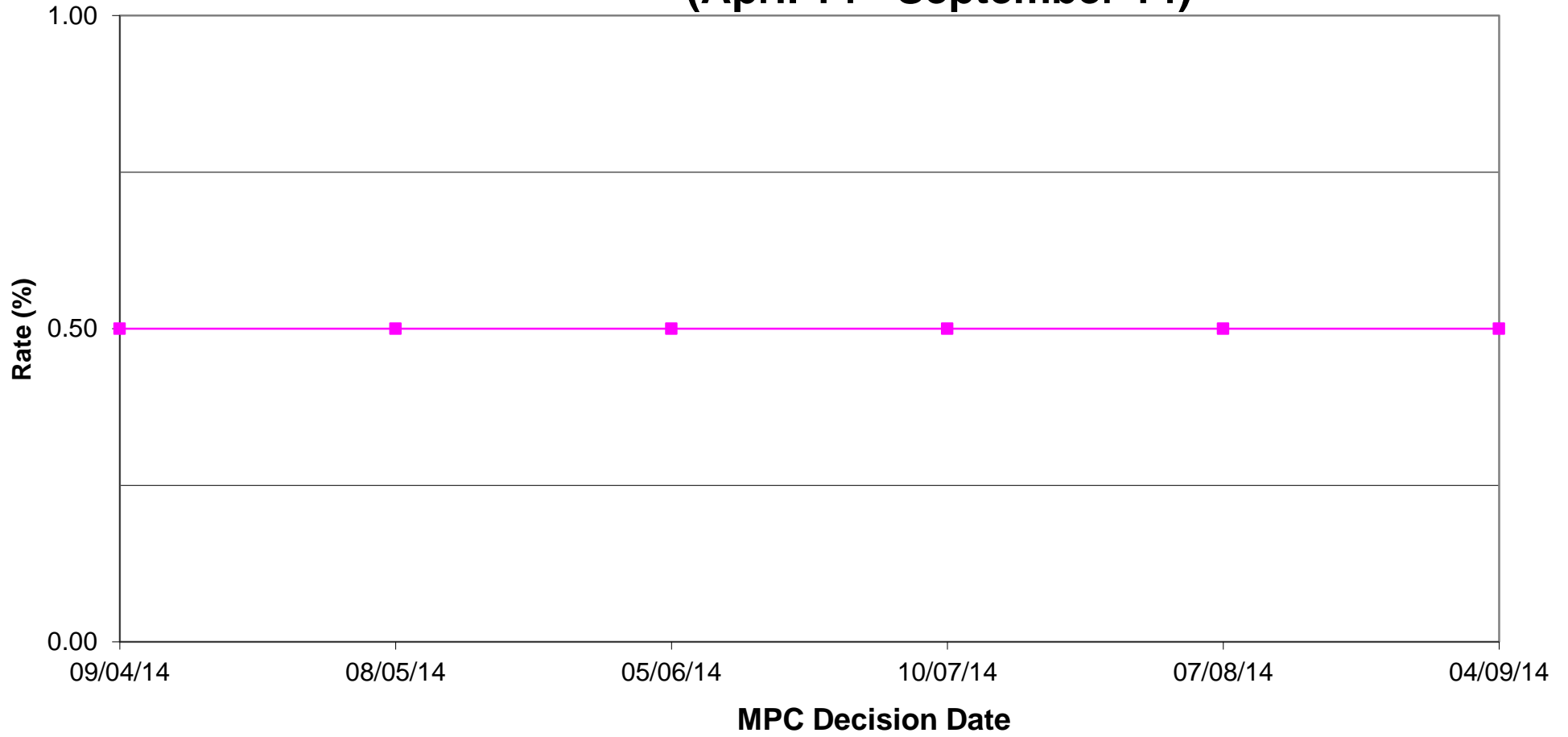
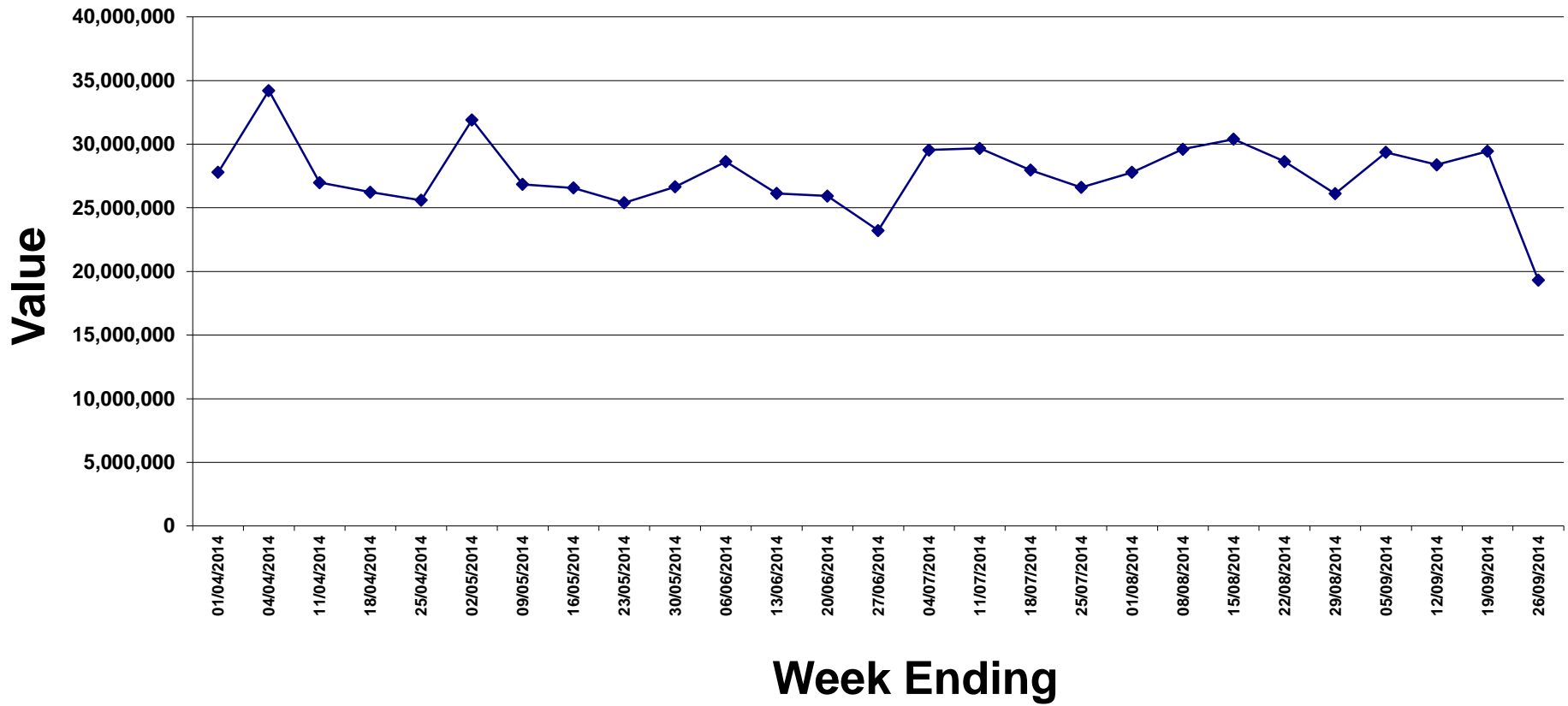


Table 3

Bank of England Base Rate Movements (April 14 - September 14)



Temporary Deposits Weekly Movement (April 14 - September 14)



Temporary Borrowing Weekly Movement (April 14 - September 14)

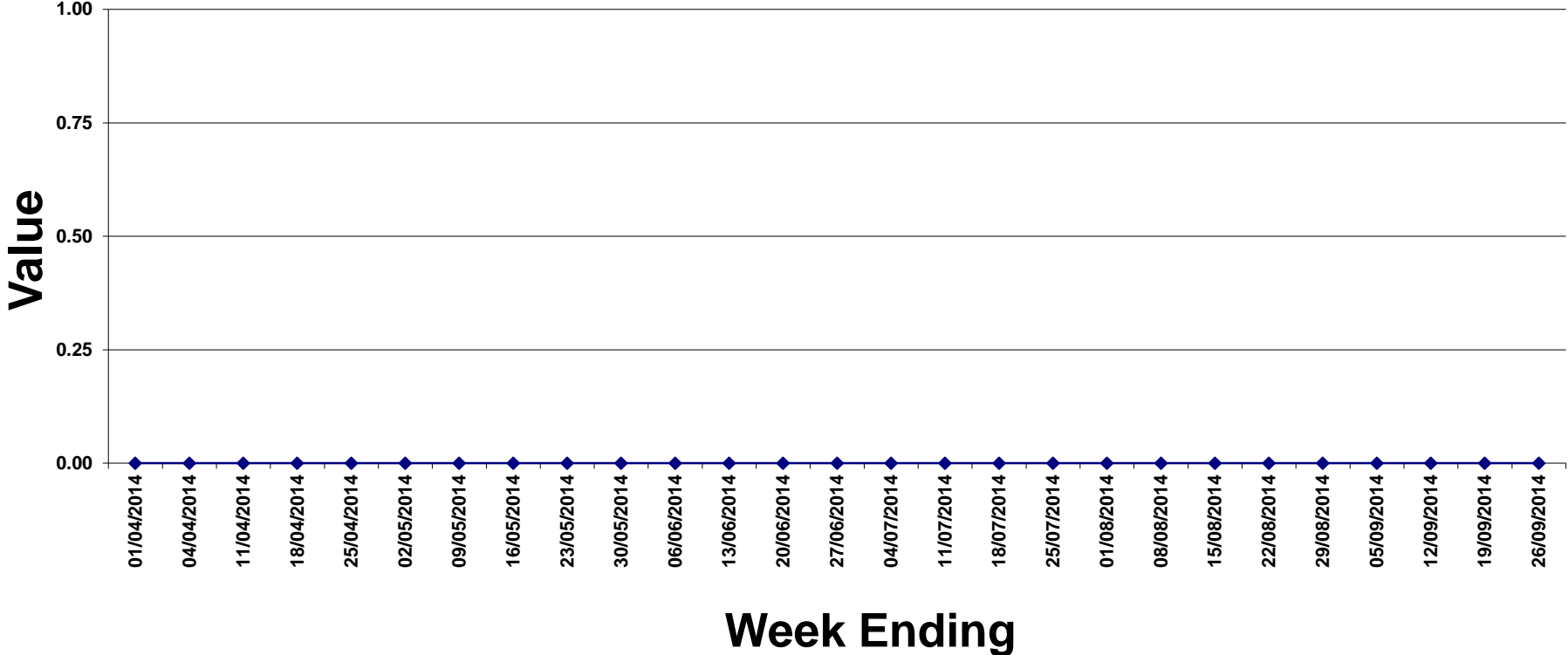
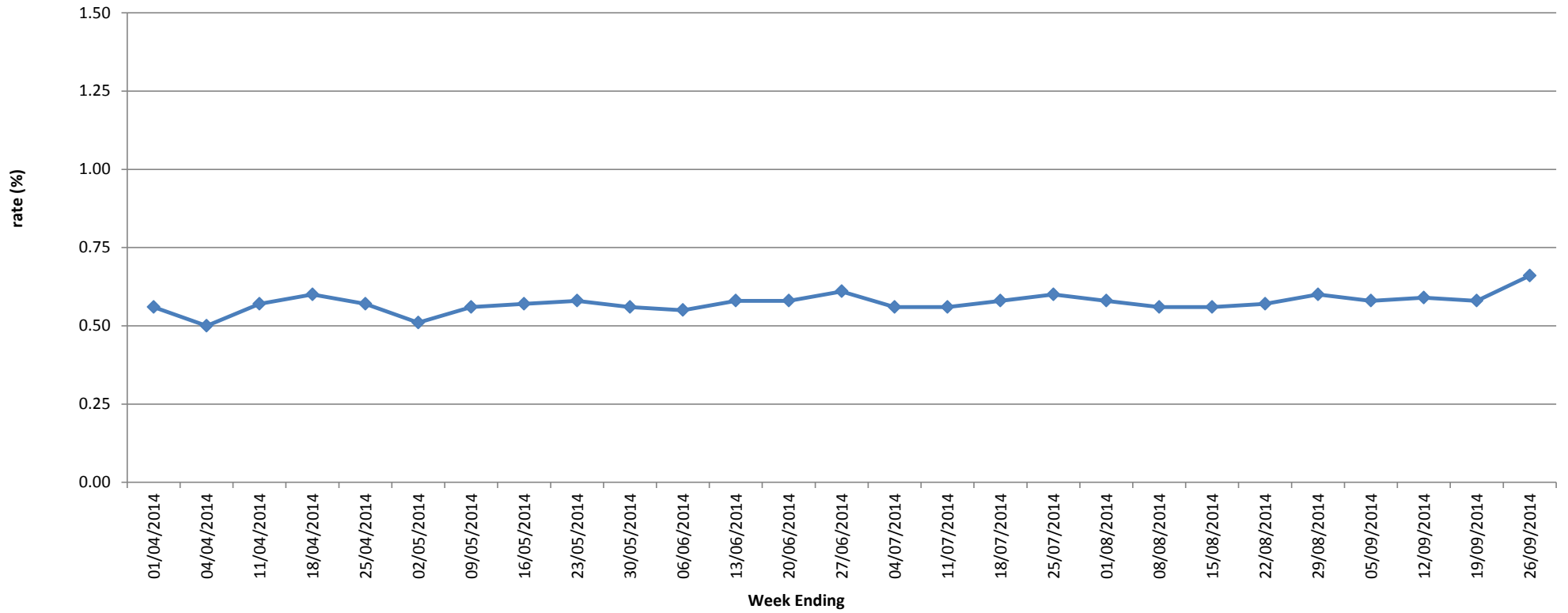


Table 5

Temporary Deposits Interest Rate Movements (April 14 - September 14)



EAST RENFREWSHIRE COUNCIL

ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS

Banking Group	Individual Counterparty	Limits	
		Deposit	Transaction
Bank of England	Debt Management Office	£5m	£5m
HSBC Bank plc		£2m	£2m
Lloyds Banking Group:	Bank of Scotland	£10m	£10m
Royal Bank of Scotland Group:	Royal Bank of Scotland	£5m	£5m
Barclays Banking Group	Barclays Bank	£2m	£2m
National Australia Group	Clydesdale bank	£0	£0
Building Societies			
Nationwide		£2m	£2m
Local Authorities			
All Local Authorities including Police & Fire		£2m	£2m
Money Market Funds			
Maximum limit of £5m per fund		£15m	£5m

Credit Ratings

	Fitch				Moody's		S&P		
	LT	ST	Viability	Supp	LT	ST	FSR	LT	ST
Minimum Criteria (unless Government backed)	A	F1	bbb-	3	A3	P-1	C-	A	A-1

(please note credit ratings are not the sole method of selecting counterparty)

Limit

Investment of surplus funds is permitted in each of the above organisations, with the limits set on an individual basis by the Chief Financial Officer.

The limit may only be exceeded or another organisation approved with the written permission of the Chief Financial Officer.

Deposit Periods

The maximum period for any deposit is currently set at 3 months, with the exception of the Bank of Scotland which is set at 364 days. These limits can only be exceeded with the written permission of the Chief Financial Officer.