

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE25 November 2021Report by Head of Accountancy (Chief Financial Officer)INTERIM TREASURY MANAGEMENT REPORT FOR 2021/22**PURPOSE OF REPORT**

1. To advise the Audit and Scrutiny Committee on the treasury management activities for the first 6 months of 2021/22.

RECOMMENDATIONS

2. It is recommended that Members:-
 - a) Note the interim Treasury Management Report 2021/22; 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 2017, the Audit & Scrutiny Committee is responsible for ensuring the effective inspection of treasury management activities.
5. The attached Interim Treasury Management Report for the financial year 2021/22 is submitted in accordance with these requirements.

TREASURY MANAGEMENT ACTIVITIES IN 2021/22

6. The interim report for period 1 April 2021 to 30 September 2021 is attached as Appendix I. The report reflects both routine activities and the additional challenges we have faced in the last eighteen months. The Council's prudent treasury management position has allowed it to cope with additional cash flow demands arising from the ongoing Covid-19 pandemic.

RECOMMENDATIONS

7. It is recommended that Members:-

- a) Note the interim Treasury Management Report 2021/22; and
- b) Recommend to the Council that the attached organisations for investment of surplus funds be approved (see appendix II).

Report Author

Further information is available from Barbara Clark, Chief Accountant, 577 3068

Key Words

Treasury Management, Interest Rates, Prudential Indicators, investment.

EAST RENFREWSHIRE**INTERIM TREASURY MANAGEMENT REPORT 2021/22**

Table 1

1. Actual External Debt

	Borrowing 01/04/21 £m	Average Interest %	Borrowing 30/09/21 £m	Average Interest %	Change in 6 mths £m
<u>Long Term Borrowing</u>					
Public Works Loan Board	99.03	3.49	99.03	3.49	0.00
LOBO (Lender Option Borrower Option)	14.40	4.60	14.40	4.60	0.00
PFI / PPP Finance Lease	83.80	7.16	83.80	7.16	0.00
SALIX Energy Efficiency Loan	0.01	0.00	0.00	0.00	(0.01)
Total borrowing	197.24	5.13	197.23	5.13	(0.01)
<u>Short Term Lending</u>					
Temporary Investments	(71.93)	0.11	(69.90)	0.04	2.03

2. During the period no new borrowing was undertaken from the Public Works Loan Board and there was only a very small repayment of existing borrowing.

3. The opening cash surplus of £71.93 million has decreased to £69.90 million due to both revenue and capital cash flows.

4. At 30 September 2021 the Council had 7.30% of its total borrowing outstanding in variable rate loans. This was also the peak of borrowing outstanding in variable rate loans during the period 01/04/21 to 30/09/21. 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 5a and 5b 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 prudential indicators comparing the approved indicator, as reported to the Council on 15 March 2021, along with the projected outturn figures for the year end, demonstrating that the Council is operating well within the limits set.

Prudential Indicator	Approved indicator	Projected Outturn for the year end	COMMENT
1. Capital Expenditure	£59,785,000	£63,290,000	The movement is due to some of the 2020/21 capital projects being carried forward within both the Housing and General Fund Capital Programmes.
2. Capital Financing Requirement	£243,099,000	£238,710,000	The overall CFR is lower than the approved position due to reduced capital expenditure from that planned in the previous year, offset in part, by an increase in the current year's net expenditure .
3. Operational Boundary for External Debt	£247,783,000	£237,936,000	Movement is due to the projected in year net debt repayment of £5.46m being made, in addition to the movement in the Capital Financing Requirement.
4. Authorised Limit For External Debt	£272,375,000	£237,936,000	Approved indicator includes an allowance to cover any unusual temporary movements, it is anticipated that this will not be required during the year. The projected outturn figure also includes the projected net debt repayments of £5.46m, in addition to the movement in the Capital Financing Reserve.
5. Gross Debt	£222,594,000	£222,555,000	Gross debt has changed marginally from the approved position to reflect the new financial model for the Clyde Valley Waste Recycling Plant. The Projected Outturn assumes that the approved borrowing of £30m is taken before the end of the financial year.
6. Code of Practice For Treasury Management	The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes	All of the approved activities within the Council Treasury Management Policy Statement have been complied with.	

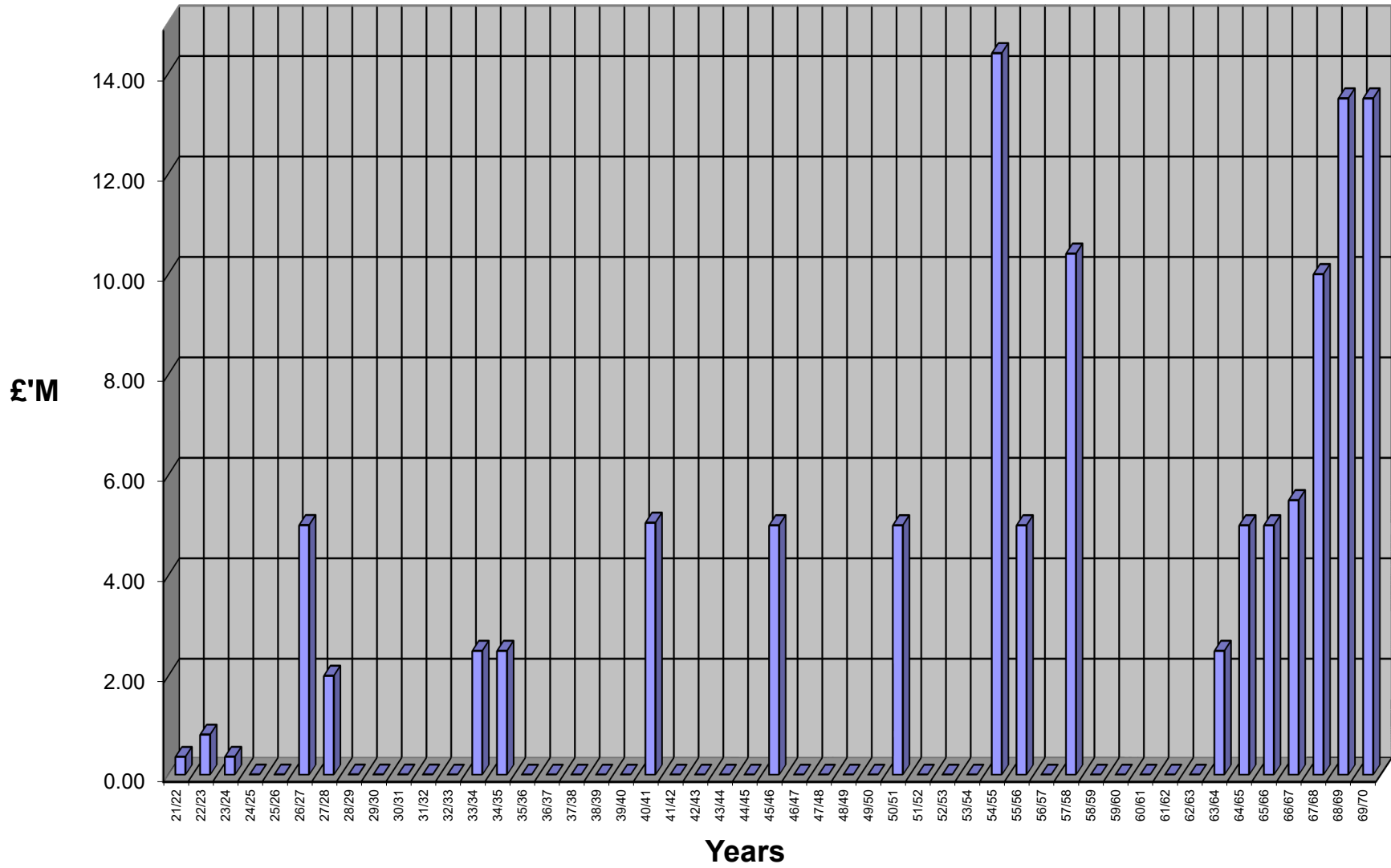
7. Approved Organisations for Investment

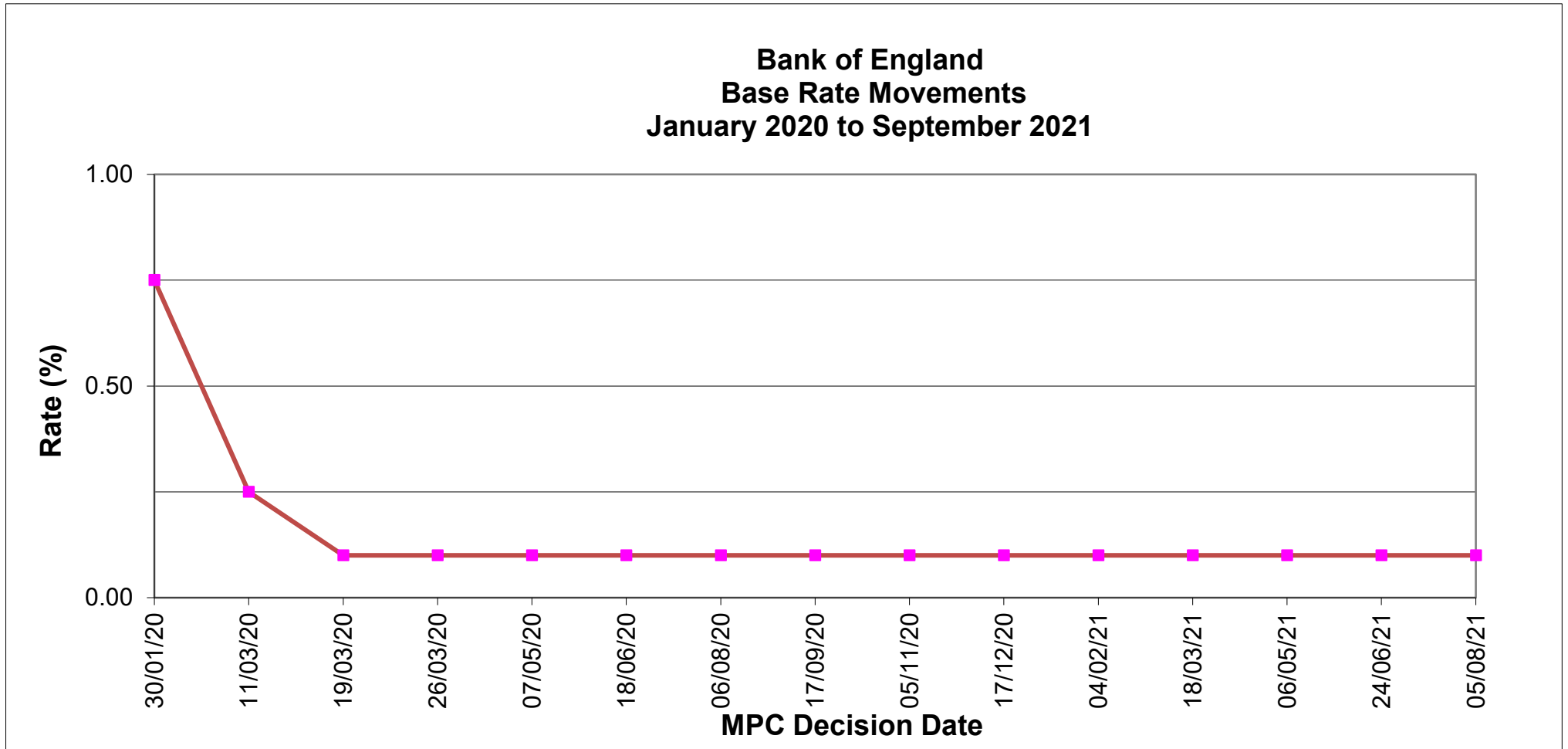
In line with normal practice the status of all Banks & Building Societies approved on the 8 September 2021 has been reviewed (see Appendix II). In this respect, the deposit limit increased for Bank of England from £25m to £30m. All lending is in line with the permitted methods of investment which were approved by Council on 15 March 2021 as part of the Treasury Management Strategy report.

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 was restricted to 6 months, with the exception of loans to the Bank of Scotland, in line with advice from our Treasury Advisers. These measures have been taken as a part of a risk managed process designed to protect the principal of the sums invested.

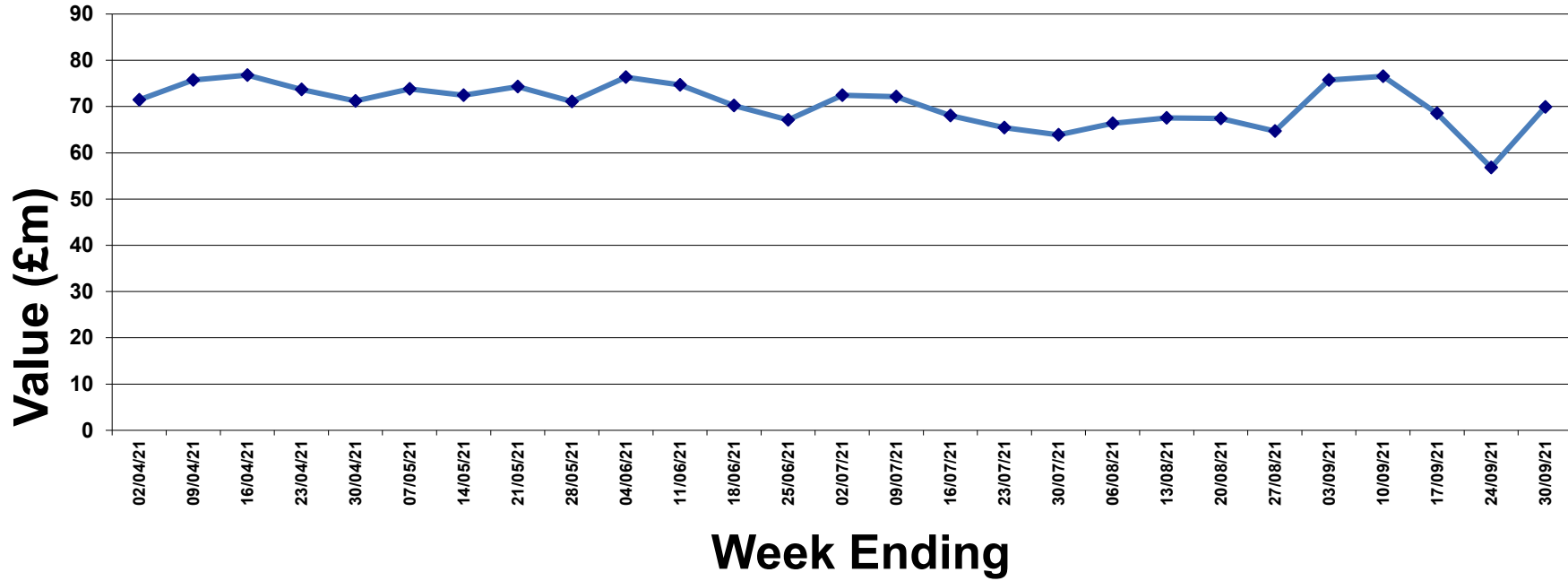
Credit ratings of organisations on the counter-party list are subject to continuous monitoring and review to ensure that subject to available professional advice, approved organisations remain sound for investment purposes.

Long Term Debt Maturity Profile as at 30/09/21

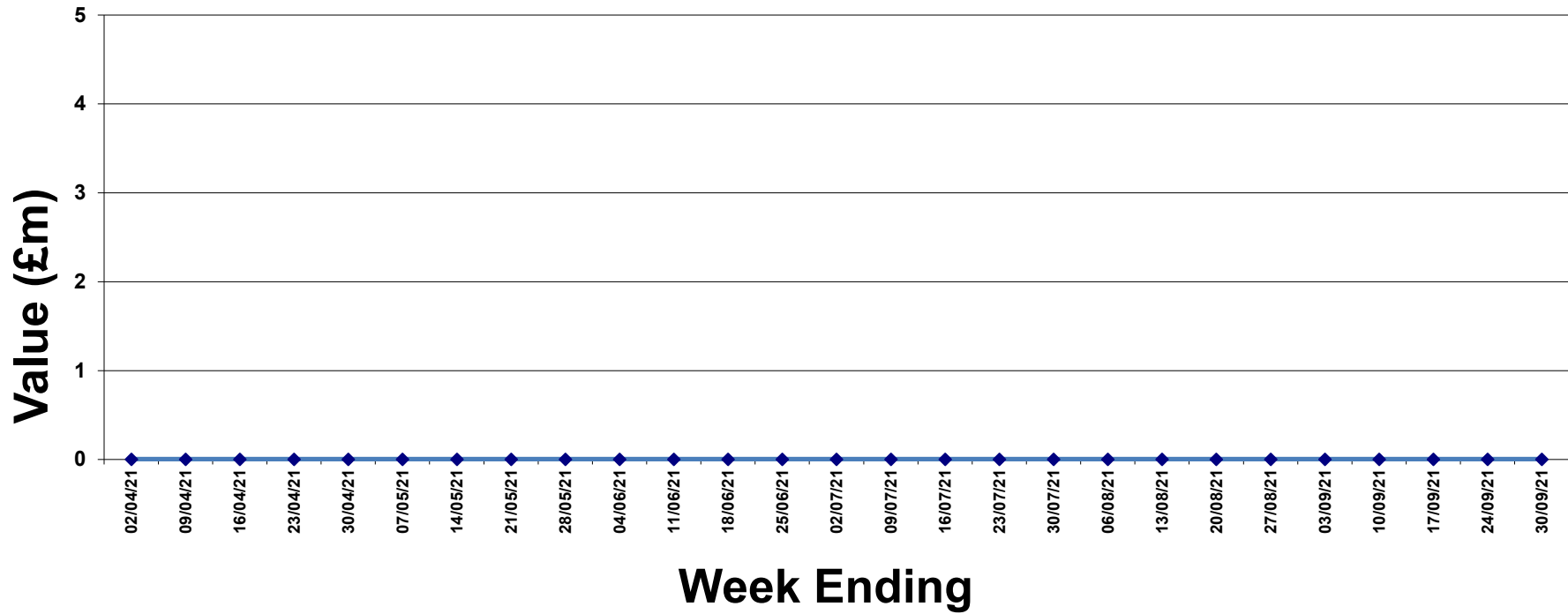




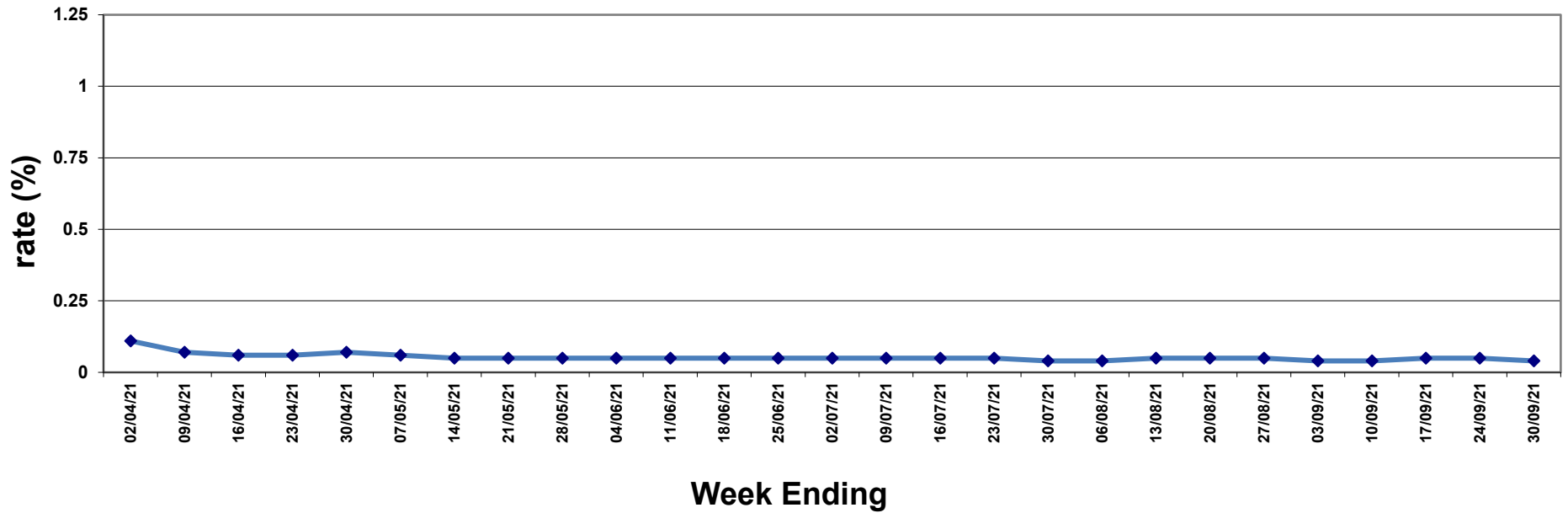
Temporary Deposits Weekly Movement (April 2021 - September 2021)



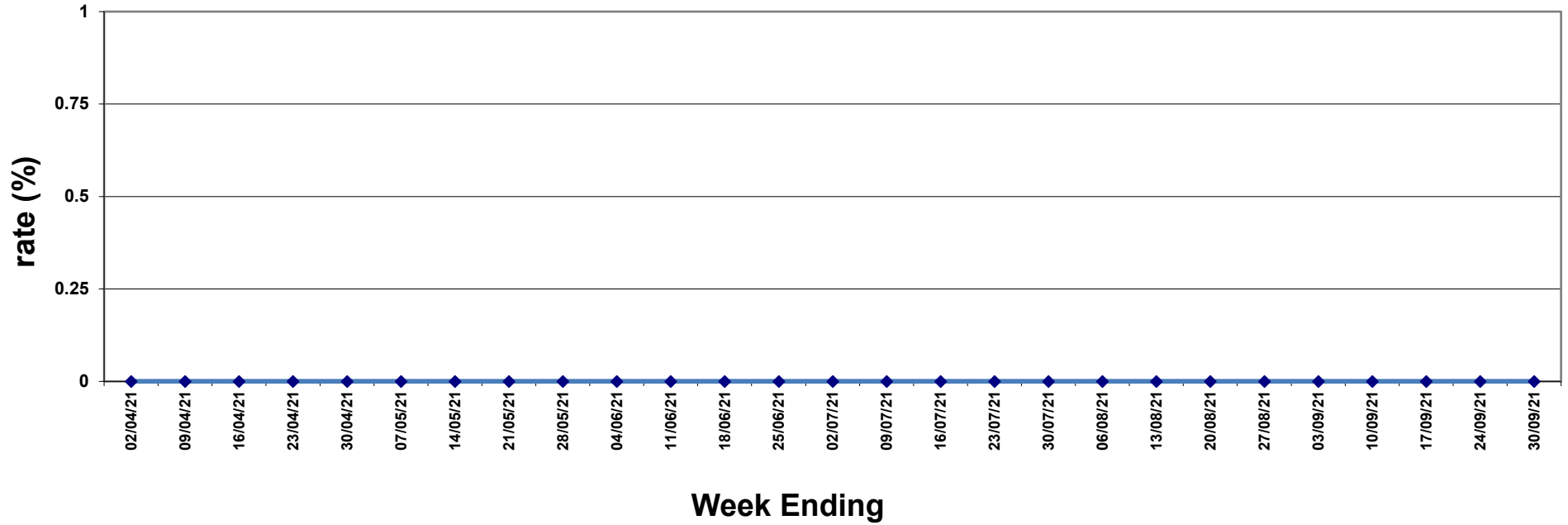
Temporary Borrowing Weekly Movement (April 2021 - September 2021)



Temporary Deposit Interest Rate Movements (April 2021 - September 2021)



Temporary Borrowing Interest Rate Movements (April 2021 - September 2021)



BLANK PAGE

ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS

Banking Group	Individual Counterparty	Limits	
		Deposit	Transaction
Bank of England	Debt Management Office	£30m	£30m
	UK Treasury Bills	£5m	£5m
Barclays Banking Group	Barclays Bank	£5m	£5m
Goldman Sachs International Bank		£5m	£5m
HSBC		£5m	£5m
Lloyds Banking Group:	Bank of Scotland	£12.5m	£12.5m
Royal Bank of Scotland Group:	Royal Bank of Scotland National Westminster Bank PLC	£5m	£5m
Santander Group	Santander UK PLC	£7.5m	£7.5m
Standard Chartered Bank		£5m	£5m
Clydesdale Bank		£0m	£0m
Building Societies			
Nationwide		£5m	£5m
Local Authorities			
All Local Authorities including Police & Fire		£5m	£5m
Money Market Funds			
Maximum limit of £10m per fund		£60m	£10m

Credit Ratings

	Fitch		Moody's		S&P	
	LT	ST	LT	ST	LT	ST
Minimum Criteria (Unless Government backed)	A-	F1	A3	P-1/P-2	A	A-1/A-2

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

Limit

Investment of surplus funds is permitted in each of the above organisations, limits can 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 based on the LINK Suggested Duration matrix with a maximum of 6 months. The exception to this is deposits with the Bank of Scotland which is set at 365 days. These limits can only be exceeded with the written permission of the Chief Financial Officer.

Hub scheme deposit periods are dependent on the lifetime of the associated scheme.

BLANK PAGE