

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE10 November 2022Report by Head of Accountancy (Chief Financial Officer)INTERIM TREASURY MANAGEMENT REPORT FOR 2022/23**PURPOSE OF REPORT**

1. To advise the Audit and Scrutiny Committee on the treasury management activities for the first 6 months of 2022/23.

**RECOMMENDATIONS**

2. It is recommended that Members:-

- a) Note the interim Treasury Management Report 2022/23; 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 2022/23 is submitted in accordance with these requirements.

**TREASURY MANAGEMENT ACTIVITIES IN 2022/23**

6. The interim report for period 1 April 2022 to 30 September 2022 is attached as Appendix I.

**RECOMMENDATIONS**

7. It is recommended that Members:-

- a) Note the interim Treasury Management Report 2022/23; 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 2022/23**

Table 1

**1. Actual External Debt**

	<b>Borrowing 01/04/22 £m</b>	<b>Average Interest %</b>	<b>Borrowing 30/09/22 £m</b>	<b>Average Interest %</b>	<b>Change in 6 mths £m</b>
<u>Long Term Borrowing</u>					
Public Works Loan Board	103.67	3.39	113.22	3.32	9.55
LOBO (Lender Option Borrower Option)	14.40	4.60	14.40	4.60	0.00
PFI / PPP Finance Lease	78.71	7.17	78.71	7.17	0.00
<b>Total borrowing</b>	<b>196.78</b>	<b>4.99</b>	<b>206.33</b>	<b>4.88</b>	<b>9.55</b>
<u>Short Term Lending</u>					
Temporary Investments	(78.43)	0.47	(96.50)	2.05	(18.07)

2. During the period new borrowing of £10m was taken from the Public Works Loan Board and there was only a very small repayment of existing borrowing.

3. The opening cash surplus of £78.43 million has increased to £96.50 million due to both revenue and capital cash flows.

4. At 30 September 2022 the Council had 6.98% of its total borrowing outstanding in variable rate loans. The peak of borrowing outstanding in variable rate loans during the period 01/04/22 to 30/09/22 was 7.34%. 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 3 March 2022, along with the projected outturn figures for the year end, demonstrating that the Council is operating well within the limits set.

<b>Prudential Indicator</b>	<b>Approved indicator</b>	<b>10 Projected Outturn for the year end</b>	<b>COMMENT</b>
1. Capital Expenditure	£83,202,000	£73,664,000	The movement is due to the reprofiling of capital projects in both 2021/22 and 2022/23 within the Housing and General Fund Capital Programmes, moving spend on various projects to later years.
2. Capital Financing Requirement (CFR)	£281,723,000	£246,957,000	The overall CFR is lower than the approved position due to reduced capital expenditure from that planned in both the previous and the current years, as a result of the reprofiling of the Housing and General Fund Capital Programmes.
3. Operational Boundary for External Debt	£286,988,000	£246,195,000	The approved indicator reflects the opening position for the year and the Outturn indicator reflects the closing position. The movement is therefore due to the projected in year net debt repayment of £6.03m being made, in addition to the movement in the Capital Financing Requirement.
4. Authorised Limit For External Debt	£318,230,000	£246,195,000	The approved indicator includes an allowance, over and above the Operational Boundary, to cover any unusual temporary movements. It is anticipated that this additional allowance will not be required during the year.
5. Gross Debt	£256,515,000	£227,515,000	The Projected Outturn reflects the under-borrowing position in 2021/22 and assumes that only £36m of the £55m approved borrowing will be taken in the current year.
6. Gross Borrowing to CFR (Under)/Over (£m)	(£25.208)	(£19.442)	The reduced under borrowing position is due to the reprofiling of both the Housing and General Fund capital programmes.
7. Financing to Net Revenue Stream Non – HRA HRA	7.2% 34.0%	7.1% 31.2%	The reduced percentages reflect increased income from that projected.
8. HRA - Ratio of Debt to Revenue	380.4	309.7	The reduced ratio reflects a combination of reduced debt and increased Income from that projected.
9. HRA – Debt Per Dwelling £	17,165	15,099	The reduced ratio reflects a combination of reduced debt and an increased number of dwellings from that projected.
10. 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.	

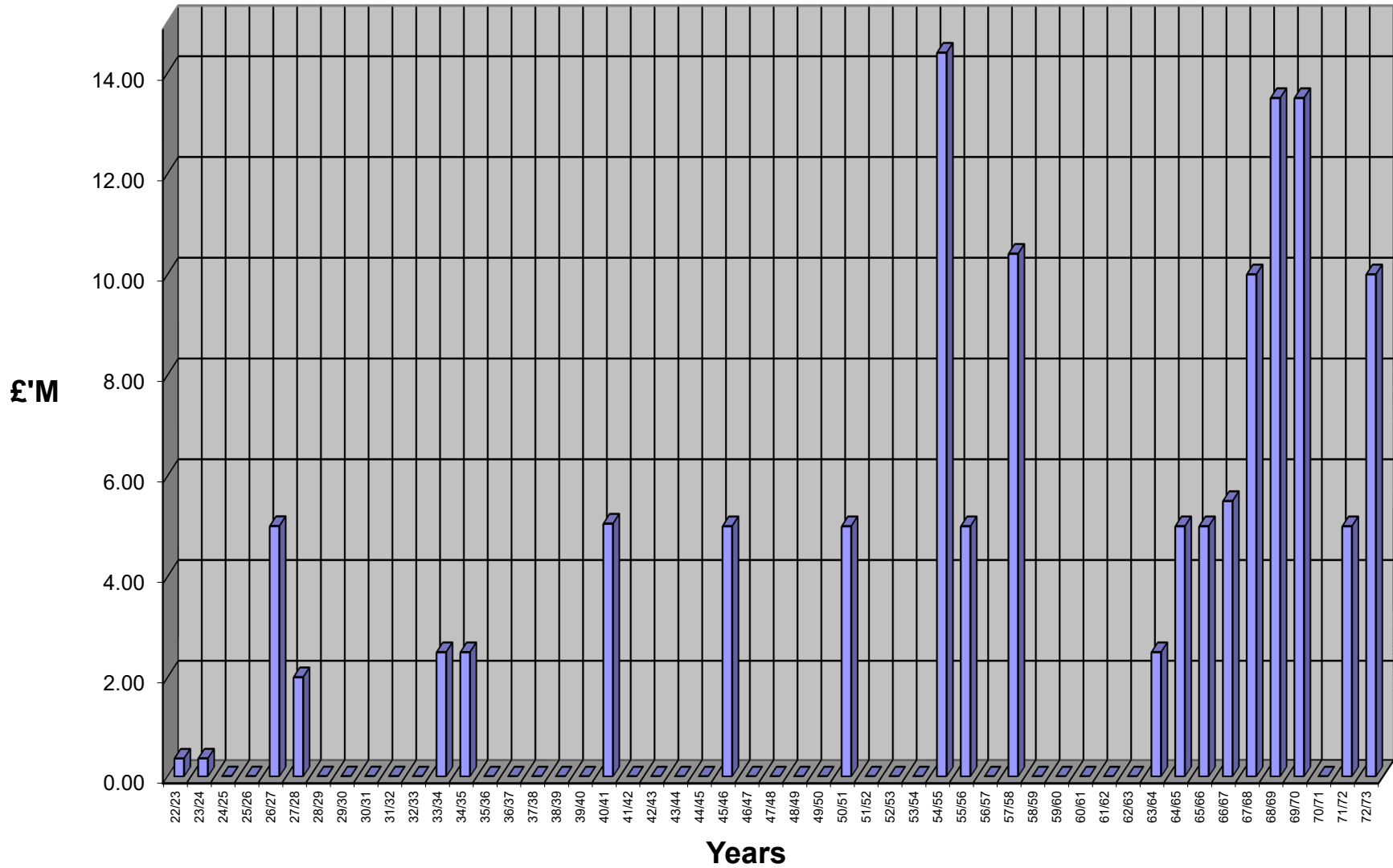
**7. Approved Organisations for Investment**

In line with normal practice the status of all Banks & Building Societies approved on the 11 August 2022 has been reviewed (see Appendix II). In this respect, the deposit limit decreased for Lloyds Banking Group from £12.5m to £10m along with the maximum deposit term from 12 months to 6 months and the deposit limit for Standard Chartered Bank has increased to £10m from £5m. In addition HSCB has been added with a deposit limit of £5m. All lending is in line with the permitted methods of investment which were approved by Council on 3 March 2022 as part of the Treasury Management Strategy report.

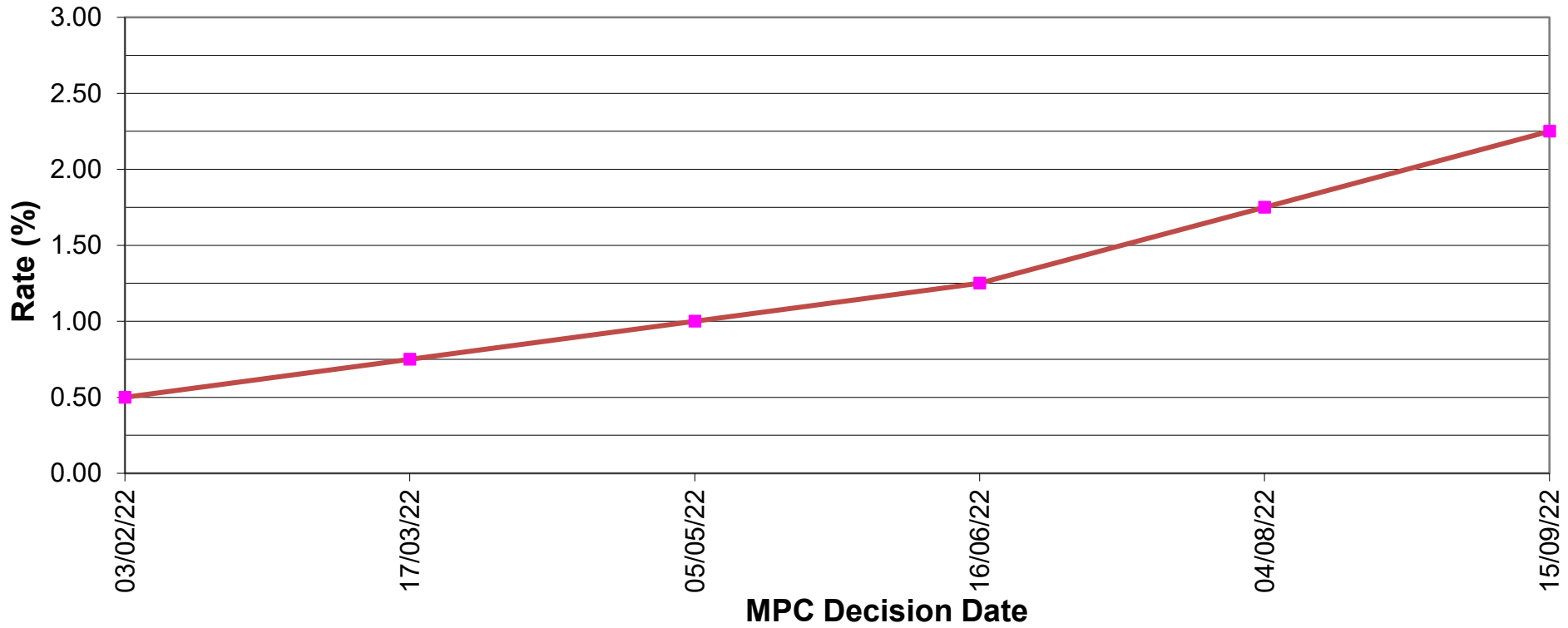
As a result of the banking crisis and in line with prudent financial management, investment has been restricted to UK organisations with high credit ratings. Also, the maximum period of investment was restricted to 6 months, in line with advice from our Treasury Advisers. These measures have been taken as a part of a risk managed process designed to protect the principal of the sums invested.

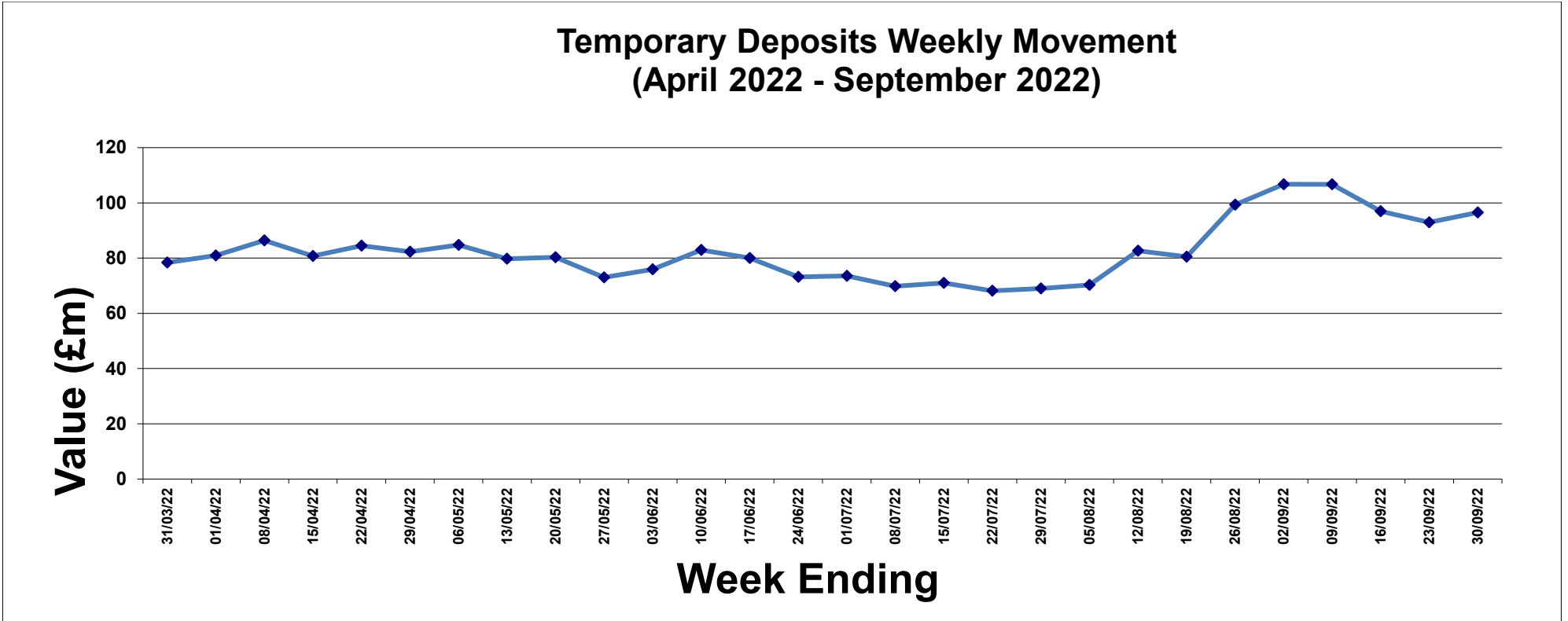
Credit ratings of organisations on the counter-party list are subject to continuous monitoring and review to ensure that subject to available professional advice, approved organisations remain sound for investment purposes.

### Long Term Debt Maturity Profile as at 30/09/22

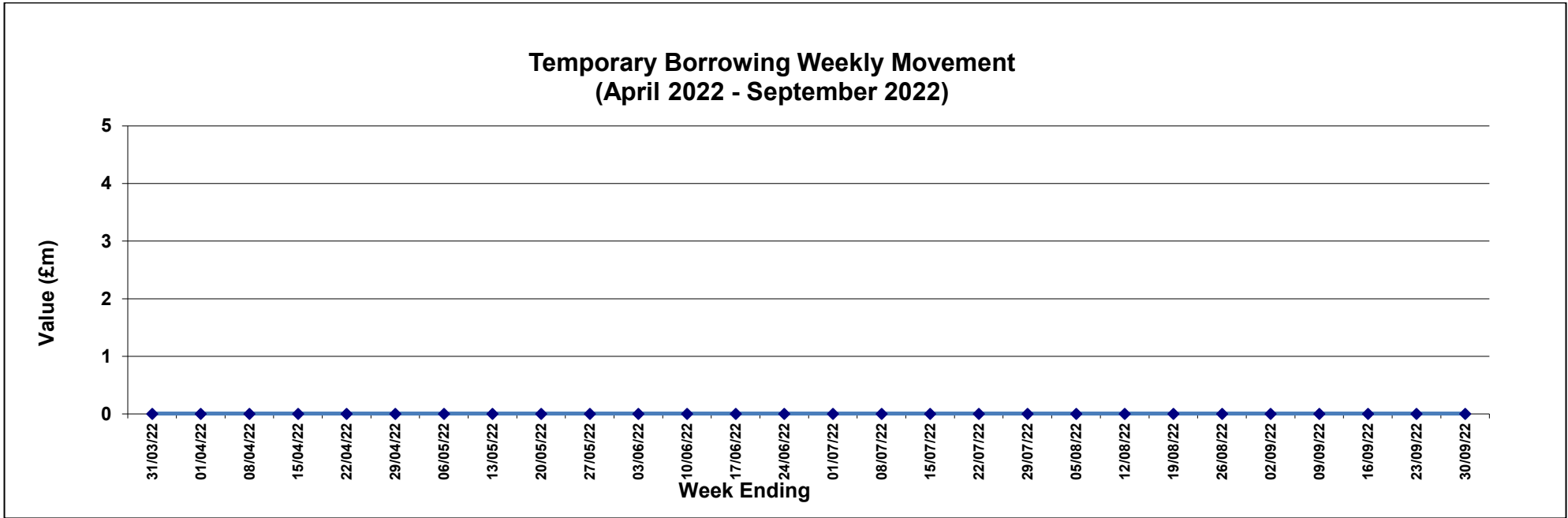


**Bank of England  
Base Rate Movements  
January 2022 to September 2022**

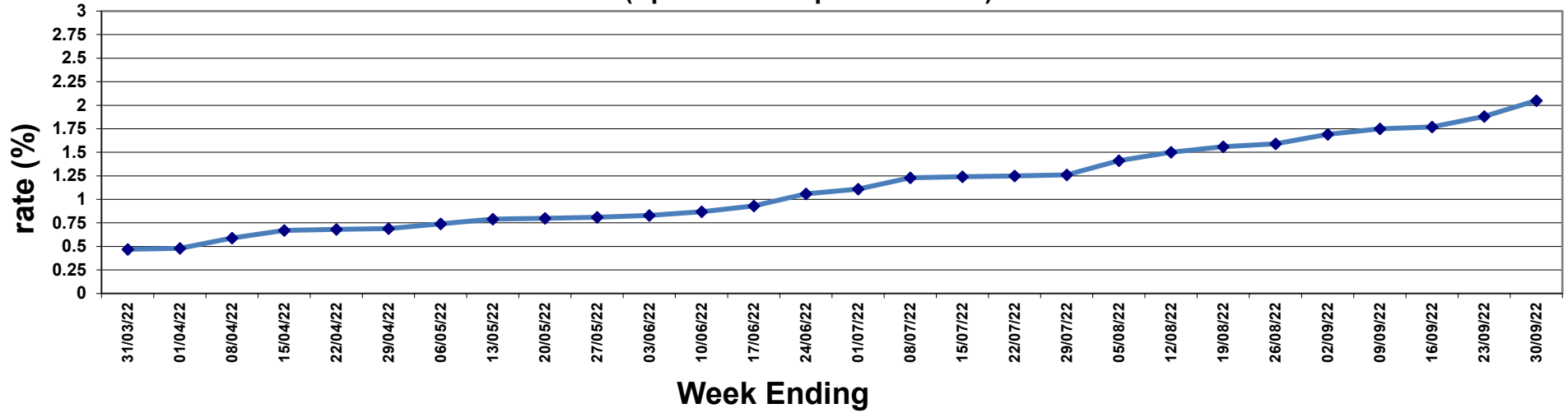


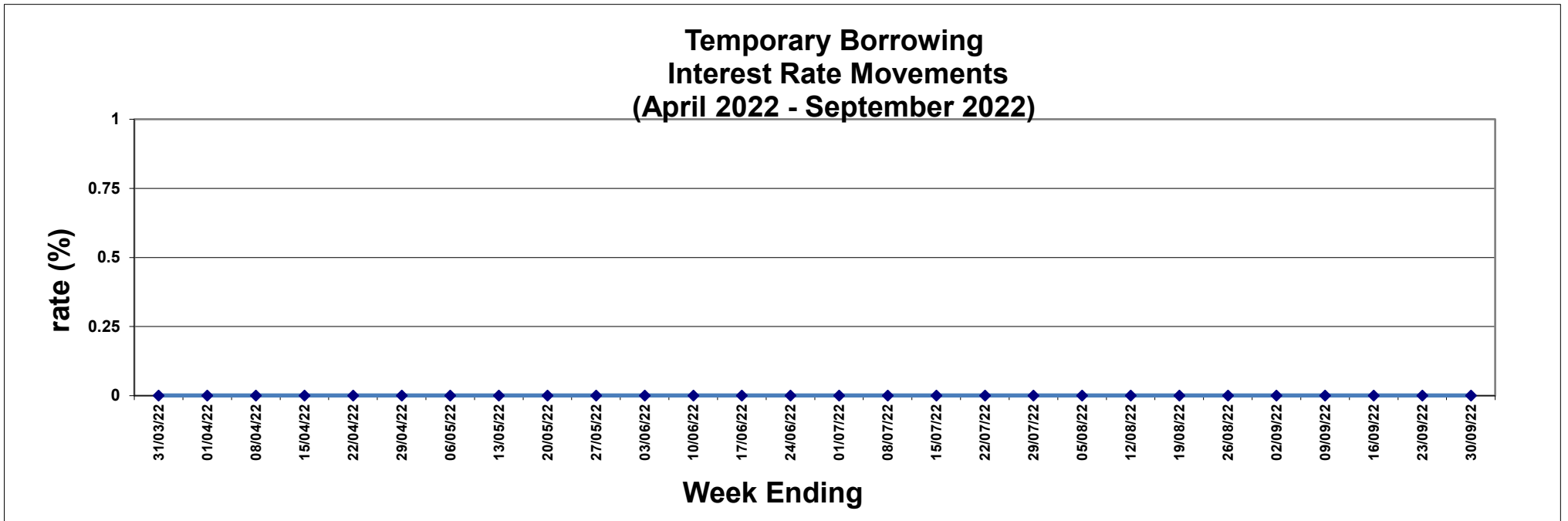






### Temporary Deposit Interest Rate Movements (April 2022 - September 2022)





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		£10m	£10m
HSBC		£5m	£5m
Lloyds Banking Group:	Bank of Scotland	£5m	£5m
	Lloyds Bank Corporate Mkt (NRF)	£5m	£5m
Royal Bank of Scotland Group:	Royal Bank of Scotland	£5m	£5m
	National Westminster Bank PLC		
Santander Group	Santander UK PLC	£10m	£10m
Standard Chartered Bank		£10m	£10m
Clydesdale Bank		£5m	£5m
<b>Building Societies</b>			
Nationwide		£10m	£10m
<b>Local Authorities</b>			
All Local Authorities including Police & Fire		£5m	£5m
<b>Money Market Funds</b>			
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. 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