

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE26 November 2020Report by Head of Accountancy (Chief Financial Officer)INTERIM TREASURY MANAGEMENT REPORT FOR 2020/21**PURPOSE OF REPORT**

1. To advise the Audit and Scrutiny Committee on the treasury management activities for the first 6 months of 2020/21.

RECOMMENDATIONS

2. It is recommended that Members:-

- a) Note the interim Treasury Management Report 2020/21;
- b) Recommend to the Council that the attached organisations for investment of surplus funds be approved (see Appendix II); and

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 2020/21 is submitted in accordance with these requirements.

TREASURY MANAGEMENT ACTIVITIES IN 2020/21

6. The interim report for period 1 April 2020 to 30 September 2020 is attached as Appendix I. The report reflects both routine activities and the additional challenges we have faced in the last six 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. In addition the Capital Financing Requirement has now been reviewed to include the Clyde Valley Waste Plant liability in line with the finalised annual accounts.

RECOMMENDATIONS

7. It is recommended that Members:-

- a) Note the interim Treasury Management Report 2020/21;
- b) Recommend to the Council that the attached organisations for investment of surplus funds be approved (see appendix II); and

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 2020/21**

Table 1

1. Actual External Debt

	Borrowing 01/04/20 £m	Average Interest %	Borrowing 30/09/20 £m	Average Interest %	Change in Year £m
<u>Long Term Borrowing</u>					
Public Works Loan Board	99.57	3.52	99.04	3.49	(0.53)
LOBO (Lender Option Borrower Option)	14.40	4.60	14.40	4.60	0.00
PFI / PPP Finance Lease	88.70	7.09	88.70	7.09	0.00
SALIX Energy Efficiency Loan	0.02	0.00	0.01	0.00	(0.01)
Total borrowing	202.69	5.16	202.15	5.15	(0.54)
<u>Short Term Lending</u>					
Temporary Investments	(73.82)	1.01	(71.37)	0.22	2.45

2. During the period no new borrowing was undertaken from the Public Works Loan Board and loans totalling £0.53 million matured.

3. The opening cash surplus of £ 73.82 million has decreased to £71.37 million due to both revenue and capital cash flows.

4. At 30 September 2020 the Council had 7.12% of its total borrowing outstanding in variable rate loans. This was also the peak of borrowing outstanding in variable rate loans during the period 01/04/20 to 30/09/20. 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 27 February 2020 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	£60,682,000	£56,985,000	Projected Capital Expenditure re-profiled from planned expenditure, reflecting the revised work schedules within both the Housing Capital and General Fund Programmes.
2. Capital Financing Requirement	£235,072,000	£231,132,000	Overall CFR is lower than the approved position due to reduced capital expenditure from that planned in the previous and current years offset by a reduction in anticipated capital receipts and the addition of the new Waste Recycling project finance lease introduced in 2019/20.
3. Operational Boundary for External Debt	£239,625,000	£230,347,000	Movement is due to the projected in year net debt repayment of £5.3m being made, in addition to the movement in the Capital Financing Requirement.
4. Authorised Limit For External Debt	£262,707,000	£252,859,000	Approved indicator included 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 £5.3m, in addition to the movement in the Capital Financing Reserve.
5. Gross Debt	£223,187,000	£203,064,000	Gross debt is lower than the approved position due to a reduction in the anticipated in-year borrowing offset by the addition the new Waste Recycling Project finance lease introduced in 2019/20 which has now been included in the projected year end figure.
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.	

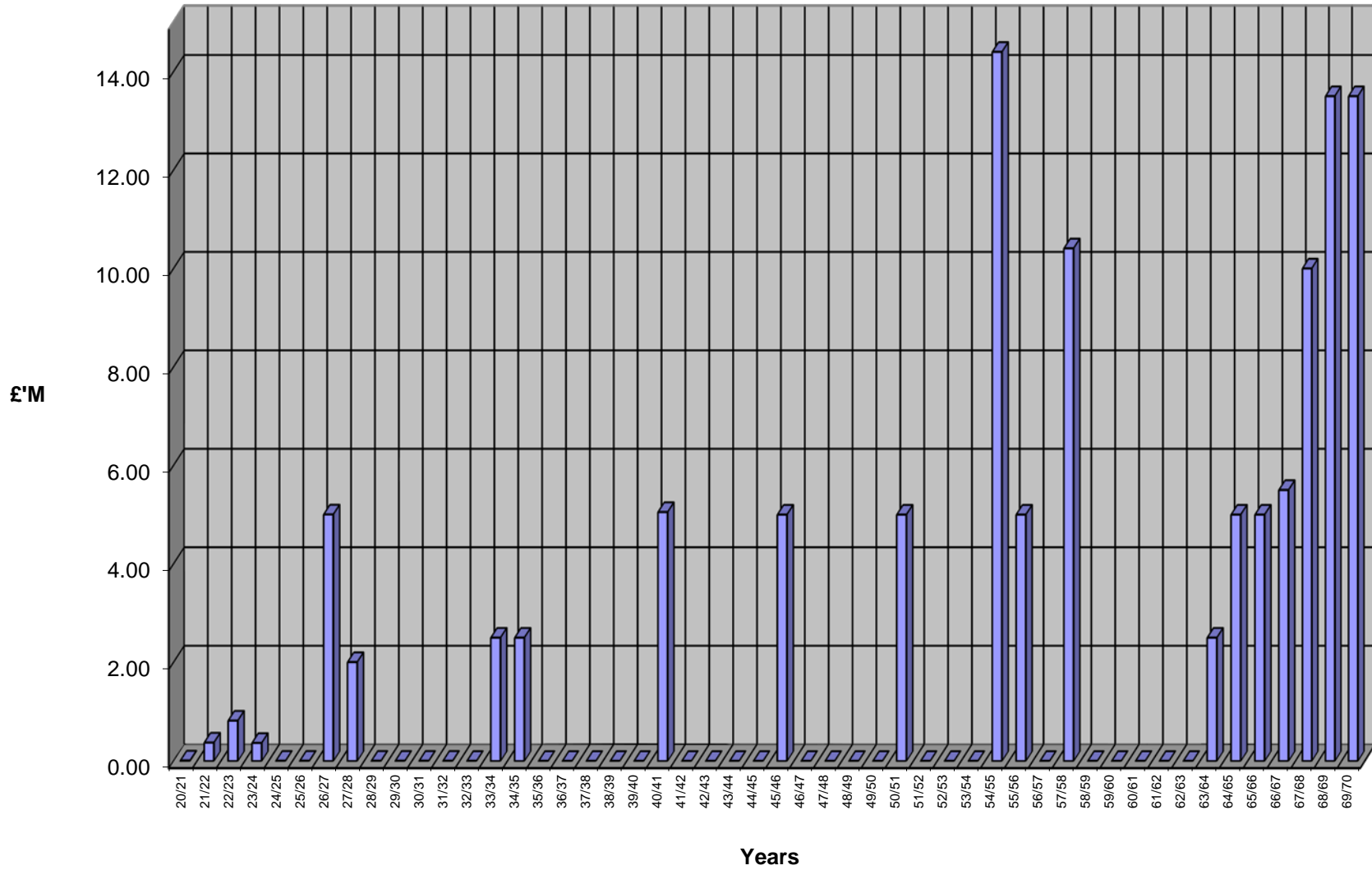
7. Approved Organisations for Investment

In line with normal practice the status of all Banks & Building Societies approved on the 9 September 2020 has been reviewed (see Appendix II). In this respect, the deposit limits have been increased with Bank of England and the overall total of permitted investment with the Money Market Funds has also been increased, this is to accommodate the new borrowing taken last year, taking advantage of historically low interest rates. All lending is in line with the permitted methods of investment which were approved by Council on 27 February 2020 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 30/09/20



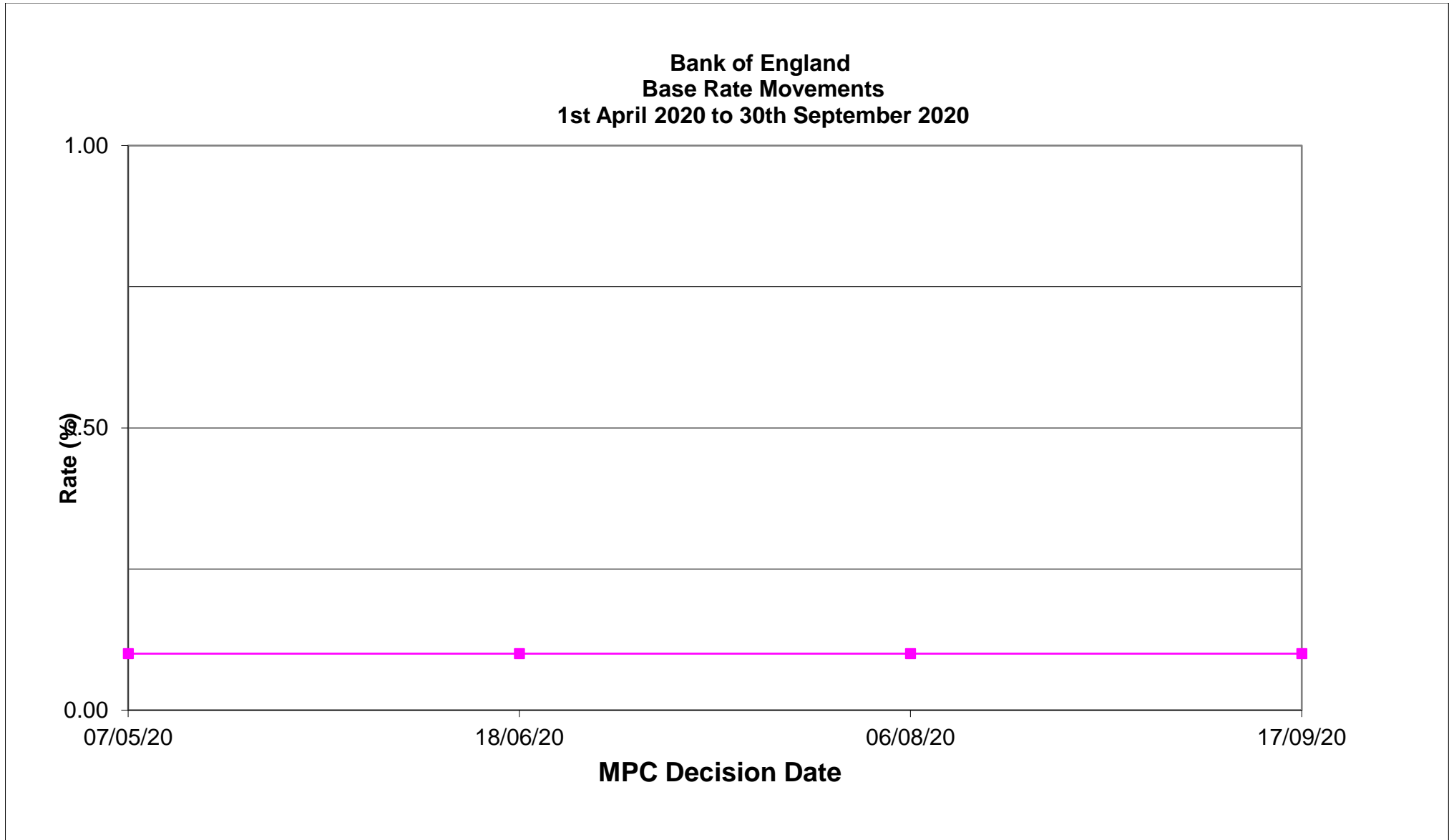
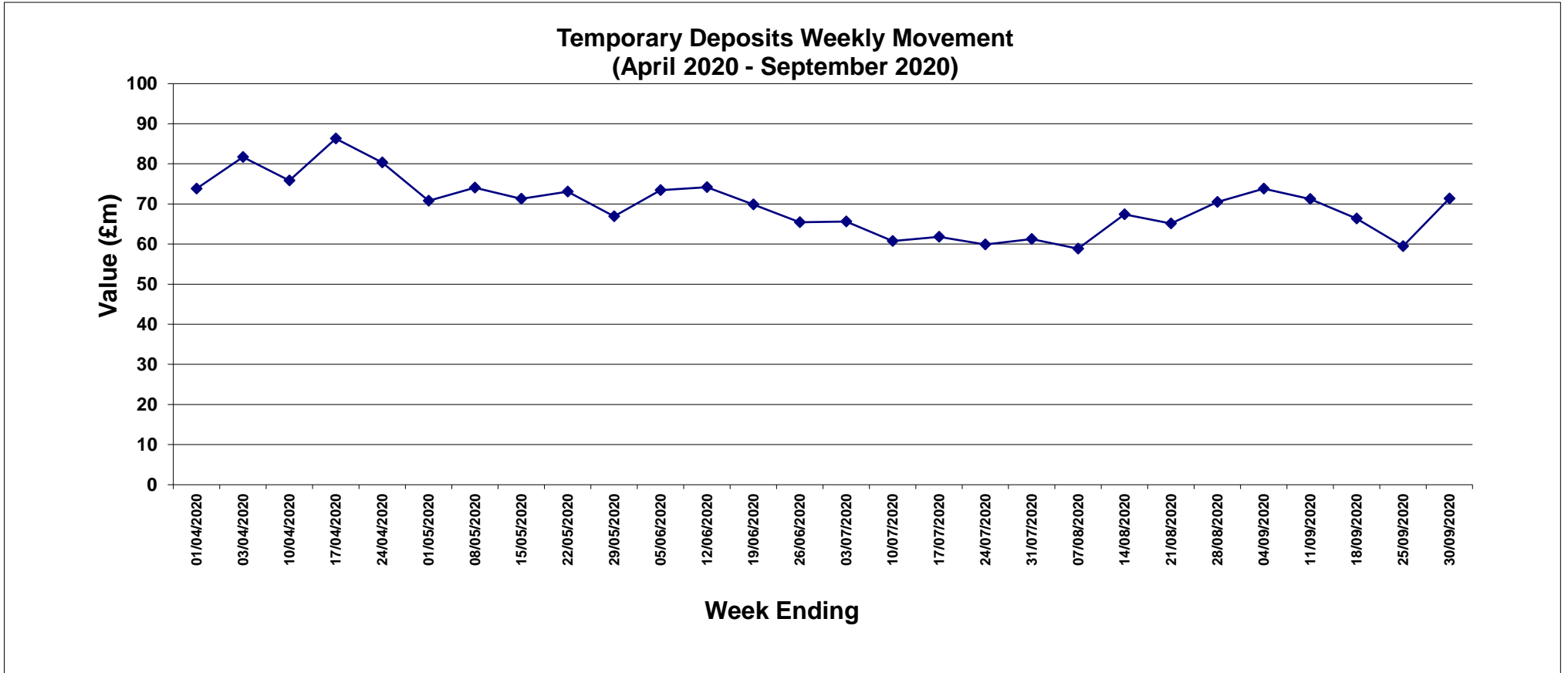
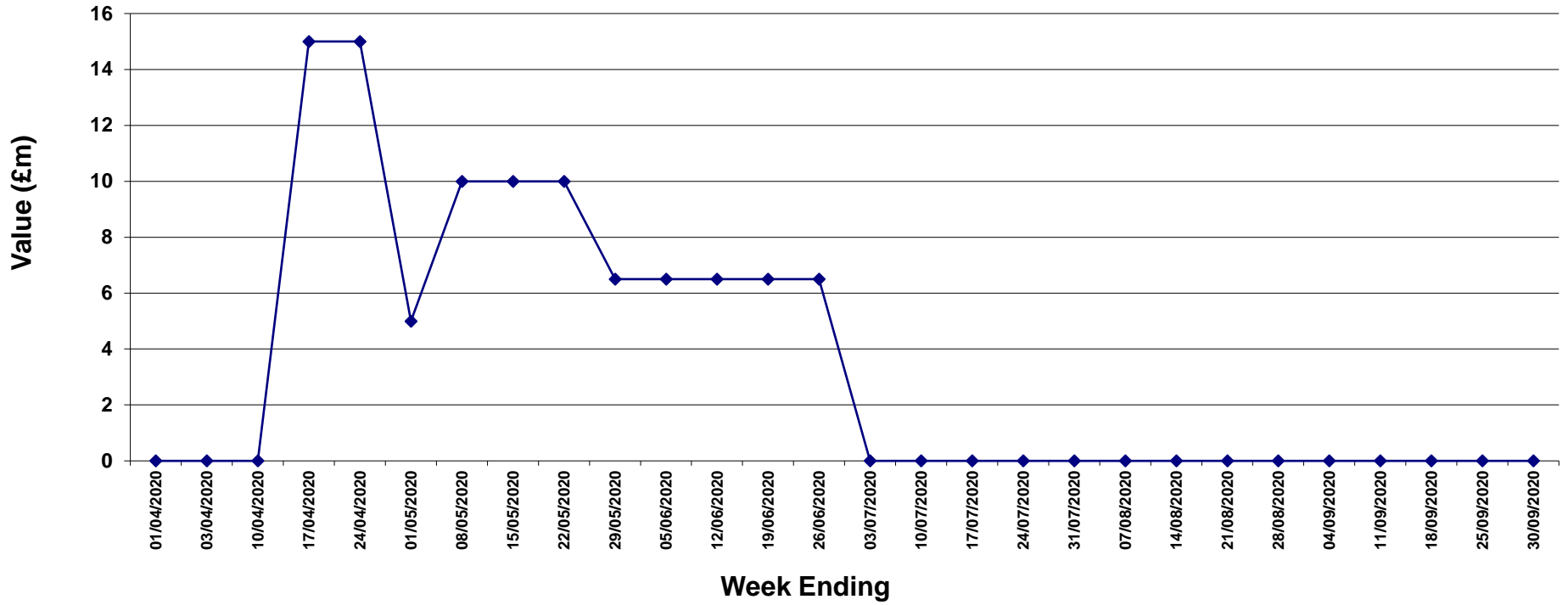
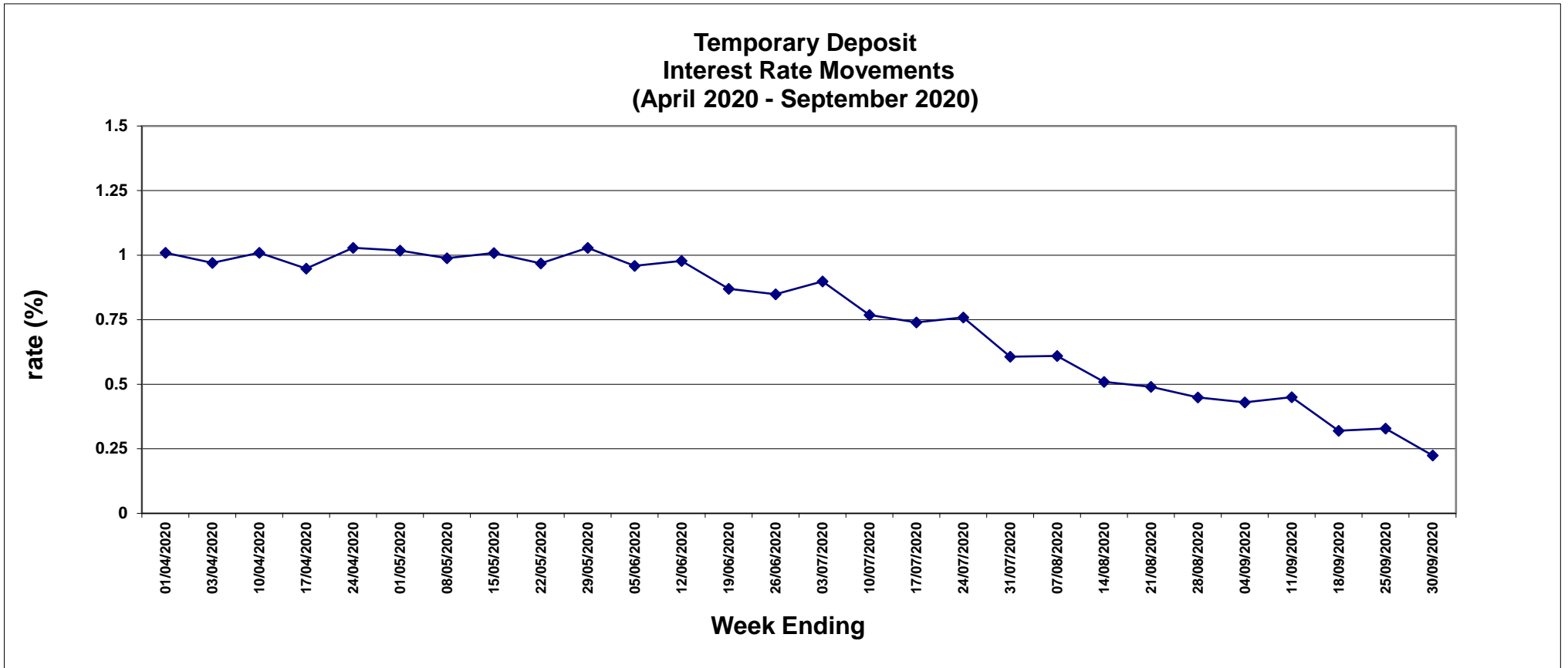


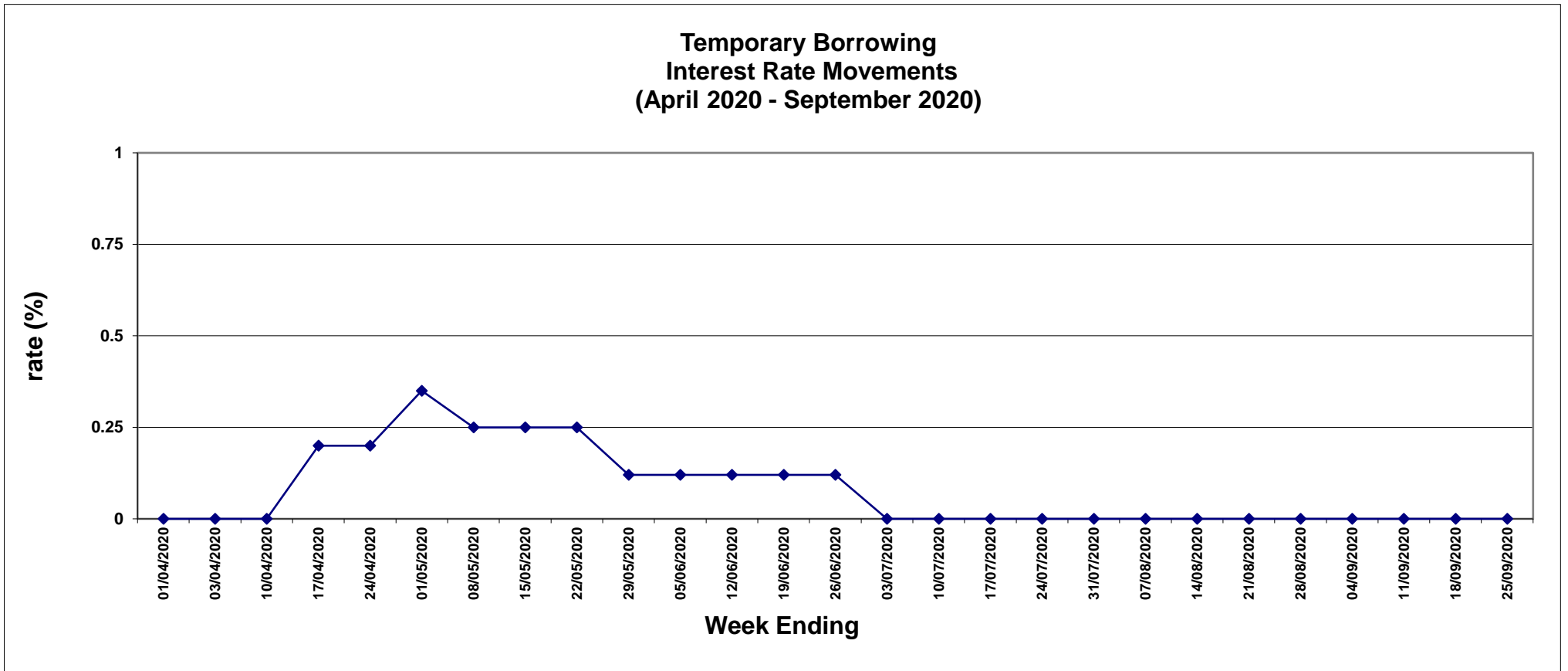
Table 4a



Temporary Borrowing Weekly Movement
(April 2020 - September 2020)







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ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS

Banking Group	Individual Counterparty	Limits	
		Deposit	Transaction
Bank of England	Debt Management Office	£10m	£10m
	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	£5m	£5m
	National Westminster Bank PLC		
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 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.

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