

Report to:	Executive Cabinet Member Leader's Portfolio		
Date of meeting:	12 July 2022		
Report of:	Deputy Chief Executive	Report Number:	32601
Reporting Officer:	Sue Johnson Deputy Chief Executive	Telephone Number:	
Contact Officer:	Tony Glennon – Head of Finance - Corporate	Telephone Number:	1723
Report title:	Treasury Management Out-turn Report for Quarter 4 2021/22		
Not confidential			
This report does not contain information which warrants its consideration in the absence of the press or members of the public.			
Purpose:	The Treasury Management outturn report is a requirement of the Council's reporting procedures. It covers the treasury management activity during the fourth quarter of 2021/22 and the associated Prudential Indicators for 2021/22.		
Recommendations:	The Executive Cabinet Member is recommended to: <ul style="list-style-type: none"> Note the contents of the report 		
Decision:			
Background documents:			
Signed:	Executive Cabinet Member	Monitoring Officer	
Date:			

Consultation with other officers			
Finance	No	n/a	n/a
Legal	No	n/a	n/a
HR	No	n/a	n/a
Procurement	No	n/a	n/a
Climate Change	No	n/a	n/a
Equality Impact Assessment	No	n/a	n/a
(a) Pre-consultation reports			
Is there a need to consult on the proposals?		No	
Vision outcomes Please identify the appropriate Vision outcome(s) that this report relates or contributes to by putting a cross in the relevant box.		1. Start Well	X
		2. Live Well	X
		3. Age Well	X
		4. Prosperous	X
		5. Clean and Green	X
		6. Strong and Distinctive	X

1. **INTRODUCTION & BACKGROUND**

1.1. The report provides an update on the Treasury Management indicators approved at Budget Council in February 2021.

1.2. The overall objective of the Authority's Cash Management Strategy is to minimise costs and maximise returns, bearing in mind a prudent level of current and future risk. CIPFA's definition of Treasury Management is:

"The management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

1.3. The sources of long term borrowing available to the Authority are the Public Works Loan Board (PWLB) and the Money Markets.

2. **ISSUES**

2.1. As at the end of quarter four 2021/22 most indicators are within the limits approved at Budget Council, however there have been temporary breaches of Money Market Fund counterparty limits as a result of the exceptional circumstances caused by the Coronavirus pandemic.

3. **TREASURY MANAGEMENT OUTTURN REPORT**

3.1. **Borrowing (Debt)**

3.2. The External Long Term Borrowing at the 31st March 2022 is summarized below:

	Variable Rate	Fixed Rate	Total
	£000	£000	£000
Market Loans	0	60,000	60,000
PWLB	0	118,000	118,000

3.3. Appendix 1 shows the debt maturity profile graphically.

3.4. **Lending**

3.5. Members are aware that the Authority has strict guidelines governing which institutions it is prepared to lend money to. The current counterparty list based on the criteria approved by Council on 17th February 2021 is attached at Appendix 2, and details of investments outstanding at 31st March 2022 are attached at Appendix 3.

3.6. In response to the economic impacts of the COVID-19 lockdown measures the Authority received £68m of grant funding from UK government in April 2020 with further grants received throughout 2020/21 and into 2021/22. The bulk of these funds were specifically provided to make grants to local businesses registered for Business Rates. Given the short timescales between the Authority receiving this money and paying it to recipients, these funds were invested in existing same day settlement Money Market Funds; therefore temporarily the total amounts invested with these counterparties have exceeded the limits set at Budget Council in February 2021.

3.7. Base Rate

- 3.8. The Bank of England decreased the base rate from 0.25% to 0.10% on 19th March 2020. The base rate has subsequently been increased on 5 occasions beginning December 2021 and since 16th June 2022 has been set at 1.25%, with expectations of further increases during 2022.
- 3.9. As a consequence of the historically low bank base rate and the economic disruption & uncertainty caused by the COVID-19 pandemic, rates of return offered on investments reduced substantially during 2021/22. Fixed term investments were offering returns around 50% - 60% lower than those attainable during 2019-20 whilst some Money Market Funds were offering zero return on funds invested. Although rates of return have increased as the Bank of England base rate has increased, the low rates on offer during the majority of the year have inevitably impacted on the total return generated by investment activity during 2021/22.

3.10. Background Prudential Indicators

- 3.11. Under the terms of the Local Government Act 2003 and Regulation 2 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, the Authority set its Prudential Indicators for 2021/22 at the Council meeting on the 17th February 2021.
- 3.12. There are ten indicators: four relating to capital expenditure and affordability, two relating to capital expenditure and external debt and four relating to treasury management. The two indicators relating to external debt and the four relating to treasury management are covered by this report.

3.13. Prudential Indicators for Capital Expenditure and External Debt

- 3.14. Authorised Limit for external debt

What is this indicator?	This indicator takes specific elements of our Balance sheet per the CIPFA code and provides a maximum figure beyond which our external debt should not exceed.
What is the current maximum limit in the Council's Treasury Strategy?	£340.70m
What is the current borrowing (debt) position of the Council?	£178.00m
Hence the indicator has not been exceeded during the year	

- 3.15. Operational Boundary for external debt

What is this indicator?	This indicator acts as a warning sign that the authorised limit in the table above may be being reached. As such it is always lower and in Bolton's case is significantly lower.
What is the current maximum limit in the Council's Treasury Strategy?	£320.68m
What is the current borrowing (debt) position of the Council?	£178.00m
Hence the indicator has not been exceeded during the year	

3.16. Prudential Indicators for Treasury Management

3.17. Limits on fixed and variable interest rate exposures

What is this indicator?	The intention here is to restrain what we can do in terms of borrowing and investing in order that we manage risk and reduce the impact of any adverse movement in interest rates.
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2021/22			
Interest rate exposures	Upper Limit per TM Strategy	Current Limit at Quarter 4	Has the Indicator been Exceeded?
Borrowing - Fixed Interest Rate exposure	100%	100%	No
Borrowing - Variable Interest Rate exposure	50%	0%	No
Investments - Fixed Interest Rate Exposure	100%	64%	No
Investments - Variable Interest Rate Exposure	50%	36%	No

3.18. Maturity structure of long-term borrowing

What is this indicator?	This indicator looks at how our debt is spread over future years and when it is fully repaid. It is intended to ensure that we do not have too much debt maturing all at the same time which may lead to cash flow problems if we had to re-finance a lot of debt at the same time.
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3.19. Again we use the Council borrowing (debt) figure from section 2 and show when it will mature in the table below. We at no stage go below the lower limit or above the upper limit, hence the indicator has been met.

Time to Maturity	Principal to be repaid £'s	What proportion of Borrowing is this?	Lower Limit	Upper Limit
Under 12 months		0.00%	0	80.00%
12 months to 2 years		0.00%	0	80.00%
2 years to 5 years		0.00%	0	80.00%
5 years to 10 years		0.00%	0	80.00%
10 years to 15 years		0.00%	0	80.00%
15 years to 20 years		0.00%	0	80.00%
20 years to 25 years		0.00%	0	80.00%
25 years to 30 years		0.00%	0	80.00%
30 years to 35 years	30,000,000	16.85%	0	80.00%
35 years to 40 years	118,000,000	66.29%	0	80.00%
40 years to 45 years		0.00%	0	80.00%
45 years to 50 years	10,000,000	5.62%	0	80.00%

50 years and above	20,000,000	11.24%	0	80.00%
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3.20. **Total principal sums invested for periods longer than 364 days**

What is this indicator?	The intention here is to restrain what we can do in terms of investments in order that we manage risk and reduce the impact of any adverse movement in interest rates.
What is the current maximum limit in the Council's Treasury Strategy?	£15m
What is the current value of investments invested beyond 364 days	£0m
Hence this indicator has not been exceeded during the year	

3.21. **Current Counterparty limits**

3.22. Appendix 2 contains details of current investment with the Council's counterparties and existing upper limits for investing with them.

4. **OPTIONS**

4.1. Not applicable

5. **IMPACTS AND IMPLICATIONS:**

5.1 **Financial**

5.1.1 NONE

5.2 **Legal**

5.2.1 NONE

5.3 **HR**

5.3.1 NONE

5.4 **Climate Change**

5.4.1 NONE

5.5 **Other**

5.5.1 NONE

6. **EQUALITY IMPACT ASSESSMENT (EIA)**

- 6.1. Under the Equality Act 2010, the council has a general duty to have due regard to the need to:
1. **eliminate unlawful discrimination**, harassment, victimisation and any other conduct prohibited by the Act;
 2. **advance equality of opportunity** between people who share a protected characteristic and people who do not share it; and
 3. **foster good relations** between people who share a protected characteristic and people who do not share it.
- 6.2. It is important to consider how the proposals contained within this report may impact positively or negatively on protected characteristics. It has been determined that due to the nature of Treasury Management activities, it is not anticipated that the proposals within this report will have a differential impact on any of Bolton's diversity groups, including staff. A full EIA is therefore not required at this stage.

7. **CONSULTATION**

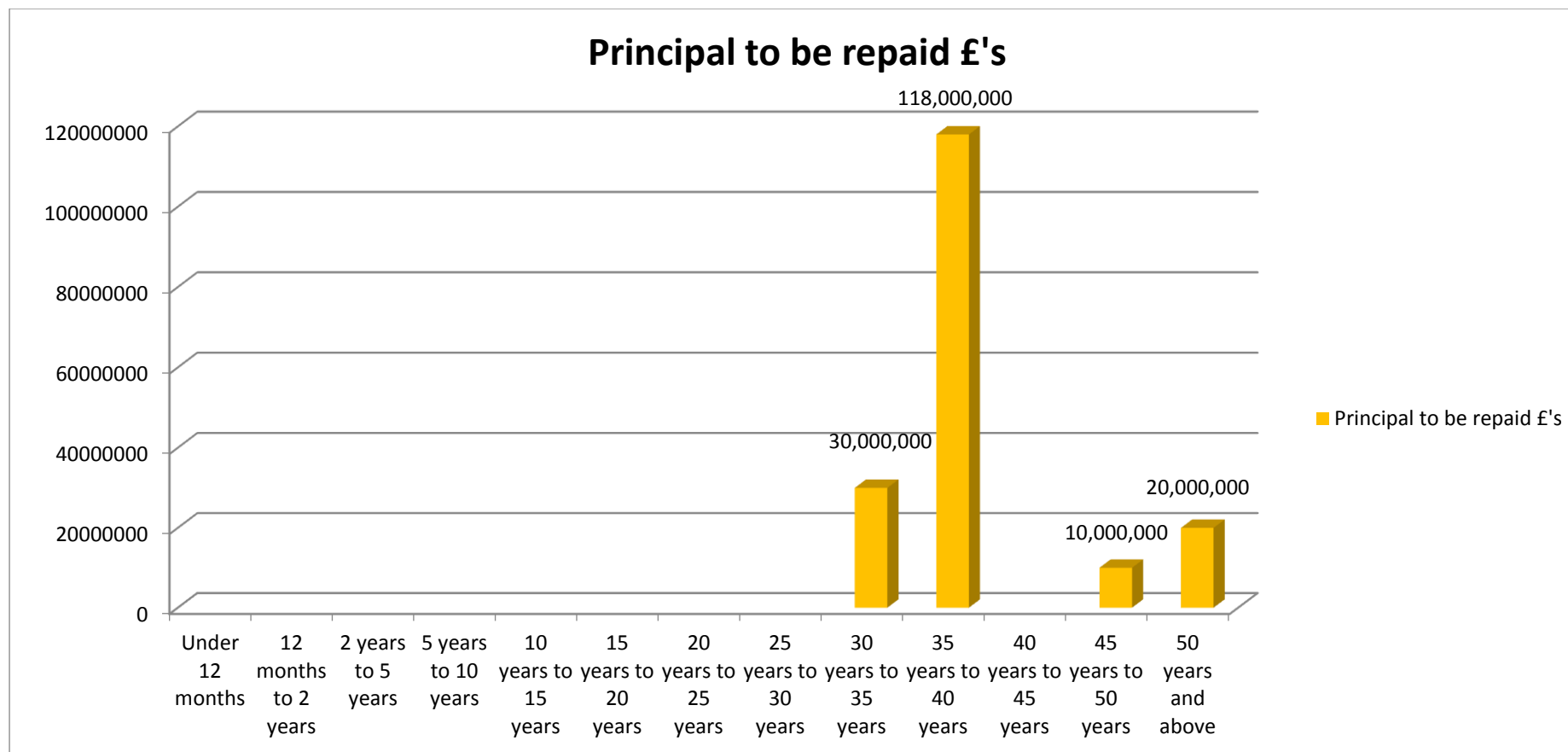
- 7.1. Not applicable

8. **VISION 2030**

- 8.1. Not applicable

9. **RECOMMENDATIONS**

- 9.1. The Executive Cabinet Member/Cabinet is recommended to:
- Note the contents of the report

Maturity Structure of Long Term Borrowing

Counterparty List

Bolton Council operates an Investment Policy which was approved by the Council on the 17th February 2021. This states with which organisations the Authority will invest short and long term surplus cash balances, the maximum exposure limits with any one borrower and the latest approved credit ratings applied to such organisations. The Current Counterparty list based upon the approved policy is:

	Fitch Rating		Moody's Ratings		S&P Ratings				
Name	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Time Limit	Money Limit	Current Investment (£m)
United Kingdom (Sovereign rating)		AA-		Aa3		AA			
Barclays Bank	F1	A+	P-1	A1	A-1	A	1 year	£20m	
Bolton at Home							90 days	£3m	
Coventry Building Society	F1	A-	P-1	A2			1 year	£30m	
UK Debt Management Office (which is an Executive Agency of HM Treasury)							6 months	No limit	
Goldman Sachs International Bank	F1	A+	P-1	A1	A-1	A+	1 year	£30m	30
HSBC Bank	F1+	AA-	P-1	A1	A-1	A+	1 year	£30m	
Lloyds Bank / Bank of Scotland	F1	A+	P-1	A1	A-1	A+	1 year	£30m	5
Local Authorities							3 years	£15m ea	44
Money Market Funds	AAA with a Fixed Net Asset Value (NAV)						Liquid	£20m ea	56.40
Nationwide Building Society	F1	A	P-1	A1	A-1	A+	1 year	£30m	
Santander UK Plc	F1	A+	P-1	A1	A-1	A	1 year	£30m	20
<i>Standard Chartered Bank</i>	<i>F1</i>	<i>A+</i>	<i>P-1</i>	<i>A1</i>	<i>A-1</i>	<i>A+</i>	<i>1 year</i>	<i>£30m</i>	
<i>Sumitomo Mitsui Banking Corporation Europe Ltd</i>	<i>F1</i>	<i>A</i>	<i>P-1</i>	<i>A1</i>	<i>A-1</i>	<i>A</i>	<i>1 year</i>	<i>£30m</i>	

Counterparties in Italics do not normally borrow from Local Authorities.

Appendix 3

Investments as of 31st March 2022

DATE RAISED	MATURITY DATE	BORROWER		INTEREST RATE %	AMOUNT
15/04/2011		GOLDMAN SACHS	Cash Equiv	0.4821	20,000,000
27/02/2012		MORGAN STANLEY	Cash Equiv	0.5459	20,000,000
12/03/2012		ABERDEEN ASSET	Cash Equiv	0.5067	16,350,000
01/09/2016		BARCLAYS BANK PLC	Cash Equiv	0.0500	50,000
08/04/2021	07/04/2022	GOLDMAN SACHS INTERNATIONAL BANK	Short Term	0.3800	5,000,000
14/06/2021	13/06/2022	GOLDMAN SACHS INTERNATIONAL BANK	Short Term	0.2900	10,000,000
28/09/2021	27/09/2022	BLACKPOOL COUNCIL	Short Term	0.1000	4,000,000
13/08/2021	12/08/2022	SANTANDER UK PLC	Short Term	0.3500	10,000,000
11/10/2021	10/10/2022	Rushmoor Borough Council	Short Term	0.1000	5,000,000
29/10/2021	28/10/2022	Aberdeenshire Council	Short Term	0.0900	5,000,000
05/10/2021	04/10/2022	LLOYDS BANK PLC	Short Term	0.0500	5,000,000
13/10/2021	12/10/2022	SANTANDER UK PLC	Short Term	0.3500	5,000,000
04/11/2021	03/11/2022	GOLDMAN SACHS INTERNATIONAL BANK	Short Term	0.9100	5,000,000
25/11/2021	24/11/2022	SANTANDER UK PLC	Short Term	0.5300	5,000,000
26/01/2022	25/01/2023	Thurock Council	Short Term	0.2500	10,000,000
01/03/2022	28/02/2023	Wokingham Borough Council	Short Term	0.2800	5,000,000
18/03/2022	17/03/2023	Wokingham Borough Council	Short Term	0.2800	5,000,000
01/02/2022	31/01/2023	GOLDMAN SACHS INTERNATIONAL BANK	Short Term	1.1900	5,000,000
04/02/2022	03/02/2023	GOLDMAN SACHS INTERNATIONAL BANK	Short Term	1.2150	5,000,000
24/03/2022	23/03/2023	MEDWAY COUNCIL	Short Term	1.1000	5,000,000
24/03/2022	23/03/2023	Wokingham Borough Council	Short Term	1.1000	5,000,000
					155,400,000

Cash Equivalent: £ 56,400,000 Short Term Investments: £ 99,000,000

The Weighted Average Life is approximately 32 weeks.