

<b>Report to:</b>	Executive Cabinet Member Leader's Portfolio		
<b>Date of meeting:</b>	15 November 2022		
<b>Report of:</b>	Chief Executive	<b>Report Number:</b>	32425
<b>Reporting Officer:</b>	Sue Johnson Chief Executive	<b>Telephone Number:</b>	
<b>Contact Officer:</b>	Tony Glennon – Head of Finance - Corporate	<b>Telephone Number:</b>	1723
<b>Report title:</b>	<b>Treasury Management Out-turn Report for Quarter 2 2022/23</b>		
<b>Not confidential</b>			
This report does not contain information which warrants its consideration in the absence of the press or members of the public.			
<b>Purpose:</b>	The Treasury Management outturn report is a requirement of the Council's reporting procedures. It covers the treasury management activity during the second quarter of 2022/23 and the associated Prudential Indicators for 2022/23.		
<b>Recommendations:</b>	The Executive Cabinet Member is recommended to: <ul style="list-style-type: none"> <li>Note the contents of the report</li> </ul>		
<b>Decision:</b>			
<b>Background documents:</b>			
<b>Signed:</b>	Executive Cabinet Member	Monitoring Officer	
<b>Date:</b>			

<b>Consultation with other officers</b>			
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
<b>(a) Pre-consultation reports</b>			
Is there a need to consult on the proposals?		No	
<b>Vision outcomes</b> 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 2022.

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 two 2022/23 all indicators are within the limits approved at Budget Council.

## 3. **TREASURY MANAGEMENT OUTTURN REPORT**

### 3.1. **Borrowing (Debt)**

3.2. The External Long Term Borrowing at the 30th September 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 16<sup>th</sup> February 2022 is attached at Appendix 2, and details of investments outstanding at 30<sup>th</sup> September 2022 are attached at Appendix 3.

### 3.6. **Base Rate**

3.7. The Bank of England decreased the base rate from 0.25% to 0.10% on 19<sup>th</sup> March 2020. The base rate has subsequently been increased on 7 occasions beginning December 2021 and since 22<sup>nd</sup> September 2022 has been set at 2.25%, with expectations of further increases during 2022/23.

### 3.8. **Background Prudential Indicators**

- 3.9. 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 2022/23 at the Council meeting on the 16<sup>th</sup> February 2022.
- 3.10. 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.

### 3.11. **Prudential Indicators for Capital Expenditure and External Debt**

- 3.12. 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?	£326.20m
What is the current borrowing (debt) position of the Council?	£178.00m
<b>Hence the indicator has not been exceeded during the year</b>	

- 3.13. 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?	£306.20m
What is the current borrowing (debt) position of the Council?	£178.00m
<b>Hence the indicator has not been exceeded during the year</b>	

### 3.14. **Prudential Indicators for Treasury Management**

- 3.15. 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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2022/23			
Interest rate exposures	Upper Limit per TM Strategy	Current Limit at Quarter 2	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%	70%	No
Investments - Variable Interest Rate Exposure	50%	30%	No

### 3.16. 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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**3.17.** 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 not been exceeded during the year.**

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	10,000,000	5.62%	0	80.00%
45 years to 50 years		0.00%	0	80.00%
50 years and above	20,000,000	11.24%	0	80.00%

**3.18. 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
<b>Hence this indicator has not been exceeded during the year</b>	

**3.19. Current Counterparty limits**

3.20. 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**

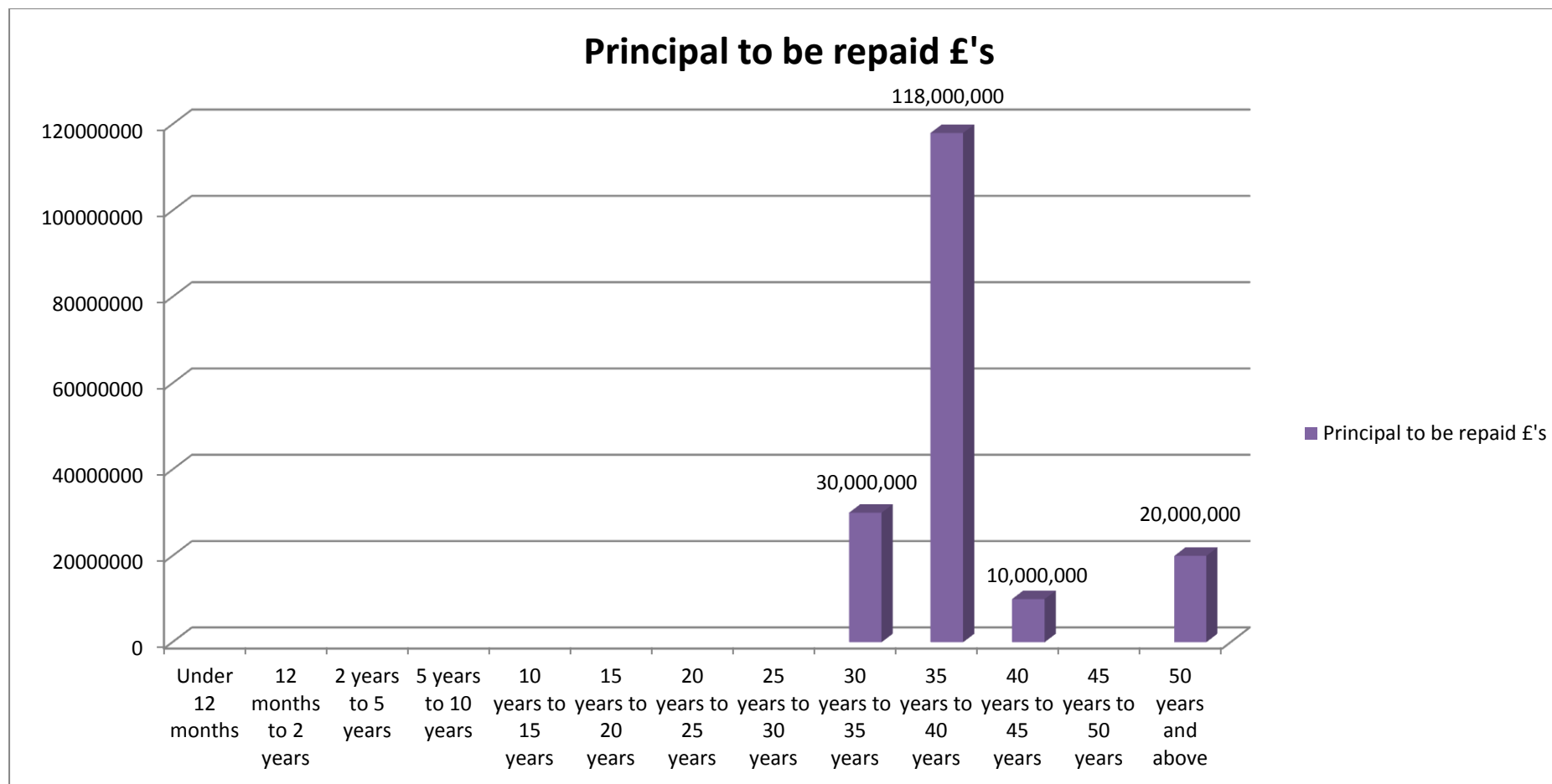
- 7.1. Not applicable

## 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 16th February 2022. 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:

	<b>Fitch Ratings</b>		<b>Moody's Ratings</b>		<b>S&amp;P Ratings</b>				
<b>Name</b>	<b>Short Term</b>	<b>Long Term</b>	<b>Short Term</b>	<b>Long Term</b>	<b>Short Term</b>	<b>Long Term</b>	<b>Time Limit</b>	<b>Money Limit</b>	<b>Current Investment (£m)</b>
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	£30m
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	£5m
Local Authorities							3 years	£15m each	£85m
Money Market Funds	AAA with a Fixed Net Asset Value (NAV)						Liquid	£40m each	£53.3m
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	£20m
<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 30<sup>th</sup> September 2022

Date Raised	Repayment Date	Borrower	Type	Interest Rate %	Amount (£s)
15/04/2011		Goldman Sachs	Cash Equivalent	1.9440	11,300,000
27/02/2012		Morgan Stanley	Cash Equivalent	2.0918	20,000,000
12/03/2012		Aberdeen Asset	Cash Equivalent	2.0410	21,950,000
01/09/2016		Barclays Bank Plc	Cash Equivalent	0.0500	50,000
05/10/2021	04/10/2022	Lloyds Bank Plc	Short Term	0.0500	5,000,000
11/10/2021	10/10/2022	Rushmoor Borough Council	Short Term	0.1000	5,000,000
13/10/2021	12/10/2022	Santander UK Plc	Short Term	0.3500	5,000,000
29/10/2021	28/10/2022	Aberdeenshire Council	Short Term	0.0900	5,000,000
04/11/2021	03/11/2022	Goldman Sachs International Bank	Short Term	0.9100	5,000,000
15/08/2022	15/11/2022	Santander UK Plc	Short Term	2.0800	10,000,000
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
01/02/2022	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
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
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
07/04/2022	06/04/2023	Goldman Sachs International Bank	Short Term	1.9450	5,000,000
12/04/2022	11/04/2023	Thurock Council	Short Term	1.5000	5,000,000
29/04/2022	28/04/2023	Windsor and Maidenhead	Short Term	0.4500	10,000,000
15/08/2022	15/05/2023	Police and Crime Commissioner for Merseyside	Short Term	1.3000	10,000,000
13/06/2022	12/06/2023	Goldman Sachs International Bank	Short Term	2.5150	10,000,000
24/06/2022	23/06/2023	West Dunbartonshire Council	Short Term	1.8000	10,000,000
30/09/2022	29/09/2023	Lancashire County Council	Short Term	2.1000	10,000,000
					<b>193,300,000</b>

Cash Equivalent: £ 53,300,000      Short Term Investments: £ 140,000,000

The Weighted Average Life is approximately 23 weeks.