

**REPORT TO:** East Lothian Council

**MEETING DATE:** 28 February 2023

**BY:** Executive Director for Council Resources

**SUBJECT:** Treasury Management Strategy 2023-24 to 2027-28

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## **1 PURPOSE**

- 1.1 To seek the approval of Council of the Treasury Management and Investment Strategies for 2023-24 to 2027-28.

## **2 RECOMMENDATIONS**

2.1 Council is recommended to :

- i. Note that the General Services and HRA Capital investment plans for 2023-24 to 2027-28 are subject to consideration and approval by the previous agenda item considered by Council on 28 February 2023. Should there be any change to the approved figures, there will be a need to update the specific Boundaries and Limits set out below.
- ii. Approve the Treasury Management Strategy referenced within sections 3.6-3.19.
- iii. Approve the Investment Strategy referenced in sections 3.20-3.22.
- iv. Approve the repayment of loans fund advances using the methodology detailed in section 3.7.
- v. Approve the Operational Boundaries for external debt as detailed in section 3.15.
- vi. Approve the Authorised Limits for external debt as detailed in section 3.16.
- vii. Approve the delegation of authority to the Chief Financial Officer in conjunction with the Head of Finance to effect movement between

external borrowing and other long-term liabilities as detailed in section 3.19.

- viii. Note the detailed Treasury Management Strategy Statement which has been submitted to the Members' Library (Ref. 18/23, February 2023 Bulletin).

### **3 BACKGROUND**

- 3.1 Treasury management is defined as the management of the local authority's borrowing, investments and 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.
- 3.2 The Treasury Management Code of Practice requires the Council to approve a Treasury Management Strategy and an Investment Strategy in advance of each financial year.
- 3.3 This strategy is also supported by the Financial and Capital Strategies, which were approved by Council on 13 December 2022, and is intended to firmly place decisions around borrowing in the context of the overall longer-term financial position of the authority and to provide improved links between the revenue and capital budgets.
- 3.4 The full Treasury Management and Investment Strategy for the period 2023-24 to 2027-28 has been lodged in the Members' Library. This report outlines the key points from those strategies. The figures used are based on those reflected in the draft General Services and HRA capital budgets amendment being considered by Council at this meeting.
- 3.5 Each year a local authority must calculate the revenue costs that flow from capital financing decisions. This means that capital expenditure must be limited to a level that is affordable and within the projected income of the Council for the foreseeable future, taking into account the elements below:
- Increases in principal and interest charges caused by increased borrowing to finance additional capital expenditure, and
  - Any additional running costs from new capital projects.

#### **Treasury Management Strategy**

- 3.6 The table below provides details setting out the capital investment plans for 2023-24 to 2027-28, in line with the proposed General Services and HRA capital budgets. As a reminder, the actual capital expenditure incurred in 2021-22 and provisional estimates of total gross capital expenditure plans and how these are to be financed for 2022-23 are also detailed below. Not all of the projected expenditure will be funded by

borrowing, but any shortfall of other funding resources results in a borrowing need.

**Table 1**

| Capital expenditure £'000 | 2021/22 Actual | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate | 2027/28 Estimate | 5 Year Total Estimate |
|---------------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------------|
| General Services          | 64,689         | 90,514           | 98,917           | 95,641           | 45,733           | 44,529           | 64,182           | 349,001               |
| HRA                       | 30,841         | 40,604           | 33,964           | 42,812           | 46,964           | 28,704           | 23,211           | 175,655               |
| <b>Total</b>              | <b>95,530</b>  | <b>131,118</b>   | <b>132,881</b>   | <b>138,453</b>   | <b>92,697</b>    | <b>73,233</b>    | <b>87,393</b>    | <b>524,656</b>        |

| Financing of capital expenditure £'000 | 2021/22 Actual | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate | 2027/28 Estimate | 5 Year Total Estimate |
|--|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------------|
| <b>General Services</b>                |                |                  |                  |                  |                  |                  |                  |                       |
| Capital grants                         | -14,463        | -39,571          | -17,351          | -39,539          | -20,286          | -34,718          | -42,441          | -154,335              |
| Capital receipts                       | -12,117        | -10,119          | -15,609          | -19,867          | -16,267          | -17,760          | -23,038          | -92,542               |
| CFCR                                   | -533           | 0                | 0                | 0                | 0                | 0                | 0                | 0                     |
| <b>General Services Total</b>          | <b>-27,114</b> | <b>-49,690</b>   | <b>-32,960</b>   | <b>-59,406</b>   | <b>-36,553</b>   | <b>-52,478</b>   | <b>-65,479</b>   | <b>-246,877</b>       |
| <b>HRA</b>                             |                |                  |                  |                  |                  |                  |                  |                       |
| Capital grants                         | -9,258         | -12,487          | -6,696           | -5,696           | -3,696           | -3,696           | -196             | -19,980               |
| Capital receipts                       |                | 0                | 0                | 0                | 0                | 0                | 0                | 0                     |
| CFCR                                   | -4,264         | -2,308           | -1,200           | -1,500           | -2,500           | -3,000           | -3,500           | -11,700               |
| <b>HRA Total</b>                       | <b>-13,522</b> | <b>-14,795</b>   | <b>-7,896</b>    | <b>-7,196</b>    | <b>-6,196</b>    | <b>-6,696</b>    | <b>-3,696</b>    | <b>-31,680</b>        |
| <b>Net financing need for the year</b> | <b>54,894</b>  | <b>66,633</b>    | <b>92,025</b>    | <b>71,851</b>    | <b>49,948</b>    | <b>14,059</b>    | <b>18,218</b>    | <b>245,899</b>        |

3.7 The net financing need for the year is financed by Loans Fund advances. The operation of the loans fund is regulated by statute: (The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 (the 2016 Regulations)) which came into force on 1 April 2016. The Council will apply the following strategy for loans fund advances, and this remains consistent with the Loans Fund Review principles previously approved by Council in June 2019:

- Any income/receipts applied in year are where possible aligned to shorter life assets or where appropriate to reduce loans fund advances. Any loans fund advances in year is matched to assets with longer economic lives.

## **General Services**

- Capital expenditure funded by loans fund advances from 2001 is reflected within the loans fund on an individual asset basis, rather than an overall pooled approach.
- Capital expenditure funded by loans fund advances incurred between 2001 and 2016 has been aligned to the asset life which was given at the time capital expenditure had been incurred (i.e. in line with depreciation charged through the Council's statutory accounts). These have been aligned to the asset lives provided for the rolling valuation programme as required by the Council's statutory accounting process.
- From 2016, in line with the statutory guidance, all asset lives have been reviewed and aligned to the estimated economic life of the asset.

## **HRA**

- Capital expenditure funded by loans fund advances incurred from 2001 has been reflected within the loans fund and categorised as new council housing, modernisation expenditure on existing properties and open market acquisitions.
- Capital expenditure funded by loans fund advances incurred between 2001 and 2012-13 has been aligned to the asset life which was given at the time capital expenditure has been incurred (i.e. in line with depreciation charged through the Council's statutory accounts).
- From 2013-14, there was a change to the approach required to value Council dwellings through the statutory accounts. As a result, all of the Council dwellings have been depreciated using a pooled approach and given the same life, regardless of each asset's age.
- It is not considered prudent and commensurate with the economic benefit of the asset life to match loans fund advances in such a way. As such, from 2013-14, all of the asset lives have been reviewed, and all HRA loans fund advances are now aligned to the estimated economic life of the asset.

3.8 For illustrative purposes, assuming projected expenditure is in line with approved plans and further extended to a 10 year period, the General Services and HRA expected loans fund balances are shown in tables 2 and 3 below.

**Table 2 - General Services**

| <b>General Services<br/>£'000</b> | <b>Opening<br/>Balance</b> | <b>Advances</b> | <b>Repayments</b> | <b>Closing<br/>Balance</b> |
|-----------------------------------|----------------------------|-----------------|-------------------|----------------------------|
| Year 1                            | 273,317                    | 55,845          | 6,560             | 322,602                    |
| Year 2-5                          | 322,602                    | 92,751          | 21,868            | 393,484                    |
| Year 6-10                         | 393,484                    | 24,104          | 30,093            | 387,495                    |
| Year 11-15                        | 387,495                    | 0               | 36,381            | 351,115                    |
| Year 15-20                        | 351,115                    | 0               | 42,173            | 308,941                    |
| Year 21-30                        | 308,941                    | 0               | 74,483            | 234,458                    |
| Year 31-40                        | 234,458                    | 0               | 54,381            | 180,077                    |
| Year 41-50                        | 180,077                    | 0               | 64,542            | 115,536                    |
| Year 51-60                        | 115,536                    | 0               | 83,594            | 31,942                     |
| Year 61-70                        | 31,942                     | 0               | 31,942            | 0                          |

**Table 3 - HRA**

| <b>HRA £'000</b> | <b>Opening<br/>Balance</b> | <b>Advances</b> | <b>Repayments</b> | <b>Closing<br/>Balance</b> |
|------------------|----------------------------|-----------------|-------------------|----------------------------|
| Year 1           | 223,685                    | 33,983          | 4,972             | 252,697                    |
| Year 2-5         | 252,697                    | 114,490         | 25,994            | 341,193                    |
| Year 6-10        | 341,193                    | 52,761          | 41,768            | 352,185                    |
| Year 11-15       | 352,185                    | 0               | 42,938            | 309,247                    |
| Year 16-20       | 309,247                    | 0               | 39,114            | 270,133                    |
| Year 21-30       | 270,133                    | 0               | 63,656            | 206,477                    |
| Year 31-40       | 206,477                    | 0               | 60,237            | 146,240                    |
| Year 41-50       | 146,240                    | 0               | 61,070            | 85,169                     |
| Year 51-60       | 85,169                     | 0               | 64,841            | 20,328                     |
| Year 61-70       | 20,328                     | 0               | 20,328            | 0                          |

3.9 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The Council does not associate borrowing with particular items or types of expenditure. The authority has an integrated Treasury Management Strategy and has adopted the CIPFA Code of Treasury Management. The Council has at any point in time a number of cash flows both positive and negative. In day-to-day cash management, no distinction is made between revenue

cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the Council and not simply those arising from capital spending. Other than to manage short-term cash flows, the Council is not allowed to borrow for revenue purposes.

3.10 Table 4 below sets out the Capital Financing Requirement (CFR) and the movement in CFR for the Council across the 5 year strategy period from 2023-24 to 2027-28. The table also includes a reminder of the actual CFR in 2021-22 and current projections for 2022-23.

**Table 4 - CFR**

| £'000   | 2021/22<br>Actual | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate | 2025/26<br>Estimate | 2026/27<br>Estimate | 2027/28<br>Estimate |
|---|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Capital Financing Requirement (including PPP &amp; Finance Leases)</b> |                   |                     |                     |                     |                     |                     |                     |
| CFR - General Services  | 291,703           | 330,724             | 403,333             | 430,854             | 431,023             | 414,755             | 405,667             |
| CFR – HRA   | 219,522           | 240,509             | 265,974             | 295,781             | 330,196             | 345,187             | 357,242             |
| <b>Total CFR</b>  | <b>511,225</b>    | <b>571,223</b>      | <b>669,307</b>      | <b>726,635</b>      | <b>761,220</b>      | <b>759,941</b>      | <b>762,909</b>      |
| <b>Movement in CFR</b>  | <b>43,702</b>     | <b>60,009</b>       | <b>82,679</b>       | <b>57,328</b>       | <b>34,584</b>       | <b>-1,278</b>       | <b>2,968</b>        |
| <b>Movement in CFR represented by</b>                                     |                   |                     |                     |                     |                     |                     |                     |
| Net financing need for the year   | 54,381            | 66,663              | 92,025              | 71,851              | 49,947              | 14,059              | 18,217              |
| GS -Less loan fund repayments and other financing movements               | -6,273            | -1,802              | -3,947              | -8,714              | -9,010              | -8,319              | -7,789              |
| HRA - Less loan fund repayments and other financing movements             | -4,406            | -4,822              | -5,399              | -5,809              | -6,353              | -7,017              | -7,460              |
| <b>Movement in CFR</b>  | <b>43,702</b>     | <b>60,009</b>       | <b>82,679</b>       | <b>57,328</b>       | <b>34,584</b>       | <b>-1,278</b>       | <b>2,968</b>        |

3.11 Capital investment decisions should be made in accordance with the following fundamental principles of the Prudential Code:

- Service objectives e.g. achieving the Council Plan objectives
- Stewardship of assets e.g. asset management planning
- Affordability e.g. implications for Council Tax and Rent levels
- Value for money e.g. option appraisal
- Prudence and sustainability e.g. implications for external borrowing
- Practicality e.g. is the investment proposal practical given other competing pressures on the service involved

3.12 Prudential indicators are also required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the councils overall finances. Some of these are set out in more detail below.

- One of the main prudential indicators is the ratio of financing costs to net revenue streams which identifies the trend in the cost of capital against income. Actual 2021-22 figures, and estimates of the ratio of financing costs to net revenue stream for the current and future years are set out in the table 5 below.

**Table 5 – Ratio of financing costs to net revenue streams**

| £'000               | 2021/22<br>Actual | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate | 2025/26<br>Estimate | 2026/27<br>Estimate | 2027/28<br>Estimate |
|---------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| GS Revenue Stream   | 279,553           | 276,375             | 297,453             | 305,389             | 311,231             | 319,080             | 325,520             |
| GS Financing Costs  | 15,250            | 8,111               | 13,000              | 19,258              | 19,941              | 19,008              | 18,190              |
| General Services    | 5.62%             | 2.93%               | 4.37%               | 6.31%               | 6.41%               | 5.96%               | 5.59%               |
|                     |                   |                     |                     |                     |                     |                     |                     |
| HRA Revenue Stream  | 36,194            | 276,375             | 297,453             | 305,389             | 311,231             | 319,080             | 325,520             |
| HRA Financing Costs | 10,494            | 11,582              | 13,585              | 14,747              | 16,466              | 18,006              | 18,789              |
| HRA                 | 28.99%            | 33.37%              | 36.24%              | 36.76%              | 38.31%              | 39.18%              | 38.79%              |

- The reduction in the General Services 2022-23 ratio reflects an assumption showing the impact of use of fiscal flexibilities in relation to loans fund principal repayments, which will form part of the outturn report to Council in June 2023. If the flexibility is not applied both the financing costs and the ratio will increase. The ratio also reflects the size of the capital investment budgets to support the infrastructure requirements associated with current and future growth plans.

The phased payback of the 2022-23 fiscal flexibility is also included from 2023-24.

- The HRA ratio reflects the large planned investment in new council housing programme, which is mainly financed through borrowing. This borrowing has to be repaid with interest and this leads to increased financing costs.
- The incremental impact of capital investment decisions on council tax and housing rent levels are set out in Tables 6 and 7 below.

**Table 6 - Impact on Council Tax**

|                              | 2021/22<br>Actual | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate | 2025/26<br>Estimate | 2026/27<br>Estimate | 2027/28<br>Estimate |
|------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Services Debt £'000  | 257,927           | 309,114             | 372,651             | 401,755             | 403,784             | 389,611             | 382,427             |
| Band D Equivalents           | 51,577            | 58,548              | 61,235              | 62,739              | 63,997              | 64,904              | 65,927              |
| Debt per Band D Equivalent £ | £5,001            | £5,280              | £6,086              | £6,404              | £6,309              | £6,003              | £5,801              |

**Table 7 - Impact on Rent**

|                         | 2021/22<br>Actual | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate | 2025/26<br>Estimate | 2026/27<br>Estimate | 2027/28<br>Estimate |
|-------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| HRA debt £'000          | 219,522           | 245,305             | 265,974             | 295,781             | 330,196             | 345,187             | 357,242             |
| Number of HRA dwellings | 9,010             | 9,204               | 9,283               | 9,444               | 9,608               | 9,681               | 9,701               |
| Debt per dwelling £     | £24,364           | £26,652             | £28,652             | £31,319             | £34,367             | £35,656             | £36,825             |

3.13 The Council's treasury portfolio position at 31 March 2022 and forward projections are shown in Table 8 below. The table shows the actual external debt (the treasury management operations) against the underlying capital borrowing need (the Capital Financing Requirement – CFR) highlighting any over or under borrowing.

**Table 8 – Treasury Portfolio**

| £'000                              | 2021/22<br>Actual | 2022/23<br>Estimate | 2023/24<br>Estimate | 2024/25<br>Estimate | 2025/26<br>Estimate | 2026/27<br>Estimate | 2027/28<br>Estimate |
|------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>External Debt</b>               |                   |                     |                     |                     |                     |                     |                     |
| Debt at 1 April                    | 365,549           | 477,448             | 493,592             | 573,341             | 616,035             | 663,912             | 666,391             |
| Expected change in Debt            | 59,212            | 16,143              | 79,749              | 42,694              | 47,877              | 2,480               | 3,098               |
| Other long-term liabilities (OLTL) | 35,356            | 33,779              | 32,214              | 30,687              | 29,104              | 27,245              | 25,148              |
| Expected change in OLTL            | -1,577            | -1,565              | -1,527              | -1,583              | -1,860              | -2,096              | -1,902              |
| Actual gross debt at 31 March      | 458,540           | 525,806             | 604,028             | 645,139             | 691,156             | 691,539             | 692,735             |
| The Capital Financing Requirement  | 511,228           | 586,632             | 669,311             | 726,639             | 761,224             | 759,945             | 762,913             |
| Under / (over) borrowing           | 52,688            | 60,827              | 65,283              | 81,500              | 70,067              | 68,406              | 70,178              |



- 3.14 The key treasury management indicator of prudence is that external borrowing should not exceed the CFR for the preceding year (2021-22) plus additional CFR in the current (2022-23) and two following years (2023-24 and 2024-25).

|    | <b>2022/23<br/>Estimate<br/>Gross Debt</b> | <b>2021/22<br/>Actual<br/>CFR</b> | <b>2022/23<br/>Estimate<br/>CFR<br/>Increase</b> | <b>2023/24<br/>Estimate<br/>CFR<br/>Increase</b> | <b>2024/25<br/>Estimate<br/>CFR<br/>Increase</b> | <b>CFR Total</b> |
|----|--|-----------------------------------|--|--|--|------------------|
| £m | 525  | 511                               | 75   | 83   | 57   | 726              |

This year is projected to be within this indicator - External Debt £525m and CFR £726m. At the close of the 2021-22 financial year, the Council was well within this indicator, as the CFR for the actual year was £511 million and external borrowing was £458 million.

### **Boundaries for Debt**

- 3.15 In line with the requirements, the Council is asked to approve limits beyond which external debt is not normally expected to exceed in the proceeding 5 years of the strategy. The operational boundaries for gross external debt are set out in Table 9 below.

**Table 9 – Operational Boundary**

| <b>Operational<br/>boundary<br/>£'000</b> | <b>2022/23<br/>Estimate</b> | <b>2023/24<br/>Estimate</b> | <b>2024/25<br/>Estimate</b> | <b>2025/26<br/>Estimate</b> | <b>2026/27<br/>Estimate</b> | <b>2027/28<br/>Estimate</b> |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Debt                                      | 554,418                     | 638,624                     | 697,535                     | 733,979                     | 734,797                     | 739,667                     |
| Other long<br>term<br>liabilities         | 32,209                      | 30,682                      | 29,099                      | 27,240                      | 25,143                      | 23,241                      |
| <b>Total</b>                              | <b>586,627</b>              | <b>669,306</b>              | <b>726,634</b>              | <b>761,219</b>              | <b>759,940</b>              | <b>762,908</b>              |

- 3.16 Furthermore, the Council must set maximum levels of borrowing by way setting Authorised Limits for its gross external debt for the strategy period. Table 10 below sets out the maximum authorised limits for the next five years. These limits separately identify borrowing from other long-term liabilities such as finance leases.

**Table 10 – Authorised Limits**

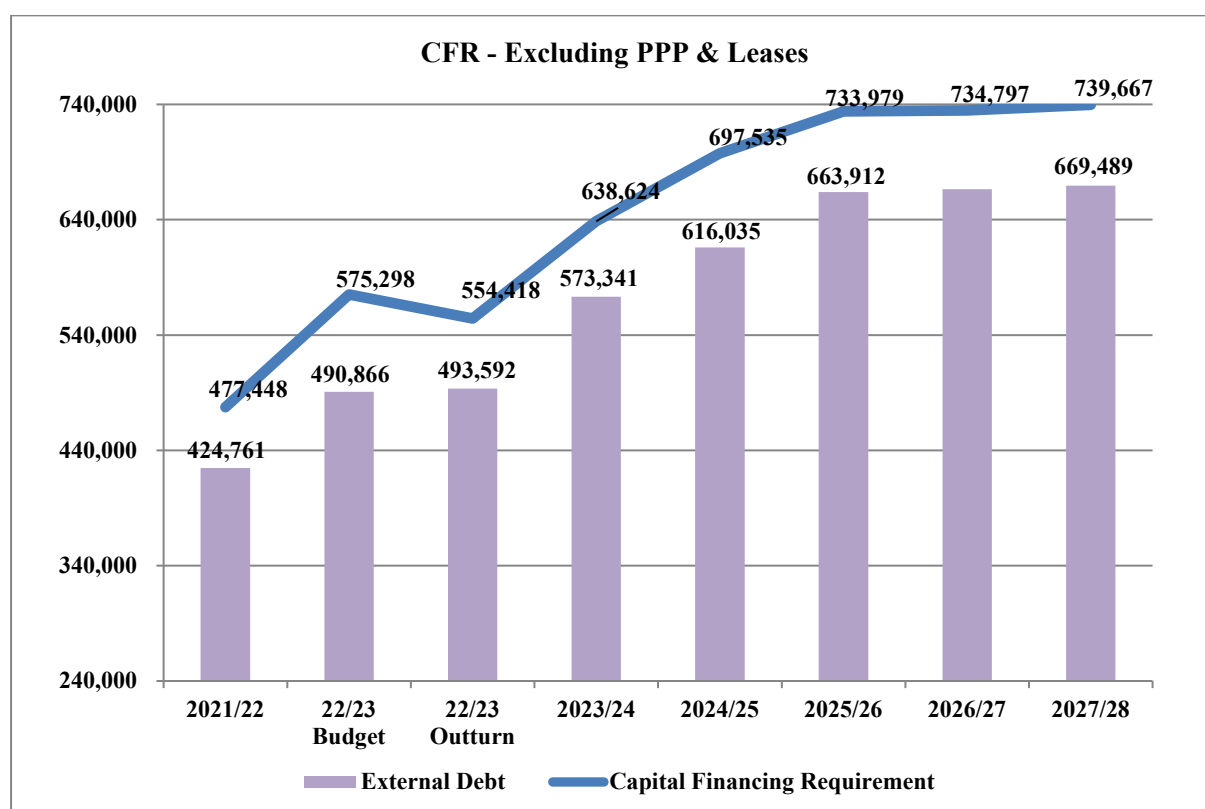
| <b>Authorised<br/>limit<br/>£'000</b> | <b>2022/23<br/>Estimate</b> | <b>2023/24<br/>Estimate</b> | <b>2024/25<br/>Estimate</b> | <b>2025/26<br/>Estimate</b> | <b>2026/27<br/>Estimate</b> | <b>2027/28<br/>Estimate</b> |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Debt                                  | 609,000                     | 680,000                     | 765,000                     | 777,000                     | 795,000                     | 809,000                     |
| Other long<br>term<br>liabilities     | 33,000                      | 31,000                      | 30,000                      | 28,000                      | 26,000                      | 24,000                      |
| <b>Total</b>                          | <b>642,000</b>              | <b>711,000</b>              | <b>795,000</b>              | <b>805,000</b>              | <b>821,000</b>              | <b>833,000</b>              |

3.17 These authorised limits are consistent with the Council's current commitments, and approved budget for capital expenditure and financing. The limits are based on the estimate of the most likely, prudent but not worst-case scenario which includes sufficient headroom over and above this to allow for the operational management of unusual cash flows, such as debt restructuring, or timing issues with expected capital income. Any revision required to the authorised limit must be approved by Council. External debt is prohibited beyond the authorised limit.

3.18 A summary of the CFR excluding PPP and leases against the planned external debt is set out in Table 11 and the graph shown below.

**Table 11**

| £'000                         | 2021/22 | 2022/23 Budget | 2022/23 Midyear | 2022/23 Outturn | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|-------------------------------|---------|----------------|-----------------|-----------------|---------|---------|---------|---------|---------|
| Authorised Limit              | 550,000 | 556,000        | 556,000         | 609,000         | 680,000 | 765,000 | 777,000 | 795,000 | 809,000 |
| Operational Boundary          | 491,056 | 507,635        | 507,635         | 554,418         | 638,624 | 697,535 | 733,979 | 734,797 | 739,667 |
| Capital Financing Requirement | 432,169 | 507,635        | 505,805         | 586,632         | 669,311 | 726,639 | 761,224 | 759,945 | 762,913 |
| External Debt                 | 365,549 | 469,365        | 453,075         | 525,806         | 604,028 | 645,139 | 691,156 | 691,539 | 692,735 |



3.19 In line with existing financial regulations, the Council has delegated authority to the Chief Financial Officer in conjunction with the Head of Finance to effect movement between borrowing and long-term liabilities

within the total authorised limits and operational boundaries approved. Any such movement would be reported to Council / Cabinet via the Members Library and as part of Treasury Management update reports.

### **Investment Strategy**

- 3.20 The Council’s Investment strategy is developed in line with Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010) and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes, 2021 edition, (“the CIPFA TM Code”).
- 3.21 The Investment strategy details the approach which the Council will take to minimise the risk to investments and lists the investments which the Council will be permitted to use. The regulations and guidance place a high priority on the management of risk. The Council’s investment priorities will be **security first, liquidity second and then return**.
- 3.22 Common Good and Charitable Trust funds are managed on behalf of the Council by an external investment management firm. The strategy details the Council’s policy on the investment of these funds. The indicator below sets a limit on the total level of investments held for longer than 365 days.

| <b>Upper limit for principal sums invested for longer than 365 days</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>£m</b>   | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> |
| Principal sums invested for longer than 365 days                        | £10m           | £10m           | £10m           |

## **4 POLICY IMPLICATIONS**

- 4.1 There are no direct policy implications associated with this report although clearly, the report provides a strategic context and direction within which all future financial plans should be considered. On-going monitoring and reporting of the Council’s financial performance is a key part of the approved Treasury Management Strategy.

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report has been considered and given there is no direct change in policy direction, there is no immediate requirement to undertake any further impact assessment.

## 6 RESOURCE IMPLICATIONS

- 6.1 Financial – these strategies are consistent with the draft General Services and HRA capital budgets being considered by Council on 28 February 2023.
- 6.2 Personnel - none
- 6.3 Other – none

## 7 BACKGROUND PAPERS

- 7.1 CIPFA (2021) – “Treasury Management in the Public Services, Cross Sectoral Guidance notes”
- 7.2 CIPFA (2021) – “The Prudential Code for capital finance in local authorities”
- 7.3 The Local Government Investments (Scotland) Regulations 2010
- 7.4 The Local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016
- 7.5 Financial Strategy and Capital Strategy 2023-24 to 2027-28 - Council 13 December 2022
- 7.6 Capital Investment and Treasury Management Strategy 2023-24 to 2027-28 (available in the Members’ Library, Ref: 18/23, February 2023 Bulletin: [Agendas, reports and minutes | East Lothian Council](#))
- 7.7 Council 28 February 2023 – Administration budget papers

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