

# Annual Treasury Management Report

Cabinet Member for Finance, Procurement and Revenues & Benefits



Date: 12 October 2021  
Agenda Item: 12  
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Key Decision? YES  
Local Ward Members : Full Council

Council

## 1. Executive Summary

- 1.1 The report confirms the Council was compliant with all Treasury Limits and Prudential Indicators for 2020/21.

## 2. Recommendations

- 2.1 To approve the actual 2020/21 Prudential Indicators contained within the report.

## 3. Background

### The Capital Programme and Treasury Management

- 3.1 This Annual Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2020/21 and the actual Prudential Indicators for 2020/21.
- 3.2 Treasury Management is defined as: *"The management of the local authority's 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."*
- 3.3 Overall responsibility for Treasury Management remains with the Council. No Treasury Management activity is without risk; the effective identification and management of risk are integral to our Treasury Management objectives.
- 3.4 Our Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members be informed of treasury management activities at least twice a year. We report regularly to the Cabinet and Audit and Member Standards Committee on Treasury policy; strategy and activity.
- 3.5 This report is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential code and
  - presents details of capital spend, capital financing, borrowing and investment transactions;
  - reports on the risk implications of Treasury decisions and transactions;
  - gives details of the outturn position on Treasury Management transactions in 2020/21;
  - confirms compliance with Treasury limits and Prudential Indicators.
- 3.6 The performance of the Treasury Management function should be measured against the investment objectives of **Security** (the safe return of our monies), **Liquidity** (making sure we have sufficient money to pay for our services) and **Yield** (the return on our investments) contained in Statutory Guidance.
- 3.7 In addition, external borrowing is considered against the objectives of it being **affordable** (the impact on the budget and Council Tax), **prudent** and **sustainable** (over the whole life).

**Alternative Options**

There are no alternative options.

**Consultation**

Consultation is undertaken as part of the Strategic Plan, with Leadership Team and the Audit and Member Standards Committee.

**Financial Implications****Prudential indicators (PI) 2020/21:**

- We can confirm that the Council has complied with its Prudential and Local Indicators for 2020/21; these were originally approved by Council at its meeting on 18 February 2020 and were fully revised and approved by Council on 16 February 2021.
- In compliance with the requirements of the CIPFA Code of Practice this report provides members with a Summary Report of the Treasury Management Activity during 2020/21.
- None of the other Prudential and Local Indicators have been breached. The Prudential and Local Indicators are summarised in the table below:

**Capital Strategy Indicators****Prudential Indicators**

Indicators	2019/20 Actual	2020/21 Original	2020/21 Revised	2020/21 Actual	Compliant
<b>Capital Investment</b>					
Capital Expenditure (£m)	£2.297	£14.804	£3.979	£3.264	✓
Capital Financing Requirement (£m)	£4.305	£25.432	£2.727	£3.016 <sup>1</sup>	✓
<b>Gross Debt and the Capital Financing Requirement</b>					
Gross Debt	(£3.590)	(£19.091)	(£2.878)	(£2.295)	✓
Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	Yes	No	✓
<b>Total Debt</b>					
Authorised Limit (£m)	£4.315	£31.906	£15.404	£6.591	✓
Operational Boundary (£m)	£4.315	£23.088	£7.203	£6.591	✓
Proportion of Financing Costs to Net Revenue Stream (%)	4%	10%	5%	5%	✓

**Local Indicators**

Indicators	2019/20 Actual	2020/21 Original	2020/21 Revised	2020/21 Actual	Compliant
Replacement of Debt Finance or MRP (£m)	(£0.719)	(£1.041)	(£1.684)	(£1.289)	✓
Capital Receipts (£m)	(£1.005)	(£0.537)	(£0.207)	(£0.434)	✓
Liability Benchmark (£m)	(£22.652)	£11.249	(£15.877)	(£25.033)	✓
Treasury Management Investments (£m)	£34.554	£16.759	£28.131	£37.330	✓

**Treasury Management Indicators****Prudential Indicators**

	Lower Limit	Upper Limit	2020/21 Actual	Compliant
<b>Refinancing Rate Risk Indicator</b>				
Under 12 months	0%	100%	9%	
12 months and within 24 months	0%	100%	9%	
24 months and within 5 years	0%	100%	27%	
5 years and within 10 years	0%	100%	30%	✓
10 years and within 20 years	0%	100%	26%	
20 years and within 30 years	0%	100%	0%	
30 years and within 40 years	0%	100%	0%	
40 years and within 50 years	0%	100%	0%	
50 years and above	0%	100%	0%	

<sup>1</sup> The higher level is due to an element of the funding, to enable the early repayment of capital investment at Burntwood Leisure Centre, still needing to be identified in 2021/22 of £357,628.

Indicators	2019/20 Actual	2020/21 Original	2020/21 Revised	2020/21 Actual	Compliant
Principal Sums invested for periods longer than a year (£m)	£6.000	£10.000	£10.000	£8.000	✓

### Local Indicators

Indicators	2019/20 Actual	2020/21 Original	2020/21 Revised	2020/21 Actual	Compliant
	£m	£m	£m	£m	
<b>Balance Sheet Summary and Forecast</b>					
Borrowing Capital Financing Requirement	£3.163	£24.871	£2.105	£2.410 <sup>2</sup>	✓
Internal or (over) Borrowing	£0.715	£6.340	(£0.150)	(£0.155)	✓
(Investments) or New Borrowing	(£34.959)	(£16.093)	(£28.131)	(£37.330)	✓
Liability Benchmark	(£22.652)	£11.249	(£15.877)	(£25.033) <sup>3</sup>	✓

	Target	2020/21 Actual	Compliant
<b>Security</b>			
Portfolio average credit rating	A-	A+	✓
<b>Liquidity</b>			
Temporary Borrowing undertaken	£0.000	£3.000	✓
Total Cash Available within 100 days (maximum)	90%	76%	✓

Figures shaded in blue have been updated from the Cabinet version of the Report due to more up to date information being available and these will be reflected in the Report to Council.

### Contribution to the Delivery of the Strategic Plan

The MTFs underpins the delivery of the Strategic Plan.

### Equality, Diversity and Human Rights Implications

There are no additional Equality, Diversity or Human Rights implications.

### Crime & Safety Issues

There are no additional Crime and Safety Issues.

### Environmental Impact

There are no additional Environmental Impacts. CIPFA is undertaking a consultation that includes the potential for Environmental, Social and Governance (ESG) of counterparties to form part of the revised Treasury Management Code.

### GDPR/Privacy Impact Assessment

There are no additional GDPR/Privacy Impact Assessment Impacts.

	Risk Description	How We Manage It	Severity of Risk
<b>Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of finance.</b>			
A	Council Tax is not set by the Statutory Date of <b>11 March 2021</b>	Full Council set with reference to when major preceptors and Parishes have approved their Council Tax Requirements.	Likelihood : Green Impact : Red Severity of Risk : Yellow
B	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations	To closely monitor the level of appeals. An allowance for appeals has been included in the Business Rate Estimates.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
C	The review of the New Homes Bonus regime	Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2021/22 £500,000 is included and in 2022/23 £400,000 is included. At this stage, no income is assumed from 2023/24 onwards.	Likelihood : Red Impact : Yellow Severity of Risk : Yellow
D	The increased Localisation of	To assess the implications of proposed changes	Likelihood : Red

<sup>2</sup> The higher level is due to an element of the funding, to enable the early repayment of capital investment at Burntwood Leisure Centre, still needing to be identified in 2021/22.

<sup>3</sup> This has changed from £25,077 in the Outturn due to final figures not being available at that time.

	Risk Description	How We Manage It	Severity of Risk
	Business Rates and the Fair Funding Review in 2022/2023	and respond to consultations to attempt to influence the policy direction in the Council's favour.	Impact : Red Severity of Risk : Red
E	The affordability and risk associated with the Capital Strategy	An estates management team has been recruited to provide professional expertise and advice in relation to property and to continue to take a prudent approach to budgeting.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
<b>Strategic Risk SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.</b>			
F	The financial impact of COVID-19 is not fully reimbursed by Government and exceeds the reserves available resulting in a Section 114 notice	The use of general and earmarked reserves to fund any shortfall.	Likelihood : Green Impact : Red Severity of Risk : Yellow
G	The Council cannot achieve its approved Delivery Plan for 2021/22	There will need to be consideration of additional resourcing and/or reprioritisation to reflect the ongoing impact of the pandemic.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
H	The resources available in the medium to longer term to deliver the Strategic Plan are diminished	The MTFS will be updated through the normal review and approval process.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
I	Government and Regulatory Bodies introduce significant changes to the operating environment	To review all proposed policy changes and respond to all consultations to influence outcomes in the Council's favour.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow

<b>Background Documents</b>	<ul style="list-style-type: none"> <li>• CIPFA Code of Practice for Treasury Management in the Public Services</li> <li>• The Prudential Code for Capital Finance in Local Authorities</li> <li>• The Treasury Management Strategy Statement (TMSS) 2020/21 – Audit and Member Standards Committee 5 February 2020</li> <li>• Mid-Year Treasury Management Report – Audit and Member Standards Committee 12 November 2020</li> <li>• The Treasury Management Strategy Statement (TMSS) 2021/22 – Audit and Member Standards Committee 3 February 2021</li> </ul>
<b>Relevant web link</b>	