

Mid-Year Treasury Management Report

Cabinet Member for Finance, Procurement and Revenues & Benefits

Date:	11 November 2021
Agenda Item:	
Contact Officer:	Anthony Thomas
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Key Decision?	YES
Local Ward Members	Full Council



Audit and Member Standards Committee

1. Executive Summary

- 1.1 The report covers the projected mid-year (30 September 2021) Treasury Management performance in 2021/22.
- 1.2 Capital expenditure is projected to be **£6,795,000** and this is **(£873,000)** lower than the Approved Revised Budget of **£7,668,000**. This is mainly due to the re-profiling of the coach park and ICT projects.
- 1.3 There is projected to be **(£286,000)** capital receipts received in 2021/22 compared to the Approved Budget of **(£28,000)**. The increase is related to the Council's share of Right to Buy receipts based on the latest projections provided by Bromford Housing Association.
- 1.4 The funding of the Capital Programme in 2021/22 reflects the projected expenditure of **£6,795,000**.
- 1.5 The Capital Financing Requirement (Borrowing Need) and its financing is **£237,000** higher than budgeted mainly because not all of the funding required for the leisure centre early repayment has currently been identified.
- 1.6 Minimum Revenue Provision is projected to be higher than budgeted by **£102,443** due to:
 - The finance lease element being higher than budgeted (although this can be funded by existing budgets) and;
 - An assumption that provision will still be necessary for the Burntwood Leisure Centre project until funding for the early repayment is identified.
- 1.7 The Balance Sheet projections indicate:
 - Total assets less liabilities are projected to be **(£8,127,000)** lower than the budget principally due to the reassessment of the pension long term obligation by the Actuary at 31 March 2021.
 - Usable reserves are projected to be **(£6,572,000)** higher than budget due to higher than projected reserves, unapplied capital grants and capital receipts.
 - Unusable reserves are projected to be **£14,699,000** lower than budget due principally to the projected increase in the statutory Pension Reserve to offset the increase in the pension obligation.
 - Investment balances at the 31 March 2022 will be **£29,899,000** and these are **£5,702,000** higher than the Original Budget of **£24,197,000**¹. This is mainly due to a higher than projected level of unapplied grants and earmarked reserves that is offset by lower than projected working capital.

¹ This figure includes the Financial Instruments Reserve figure of £384,000

- 1.8 The Council was required to approve an Investment Strategy Report for 2021/22 to comply with the requirements of statutory guidance issued by the Government in January 2018. This report focuses on Treasury Management investments as well as how the authority invests its money to support local services and earns investment income from commercial investments. Monitoring information on Service and Commercial investments is provided in this mid-year report.
- 1.9 The Council's treasury investments achieved a risk status of **A+** (excluding the four long-dated pooled funds) that was more secure than the aim of **A-** and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.
- 1.10 The report confirms the Council is compliant with all Treasury Limits and Prudential Indicators for 2021/22.

2. Recommendations

- 2.1 To review the report and issues raised within.
- 2.2 To review the Prudential Indicators contained within the report.

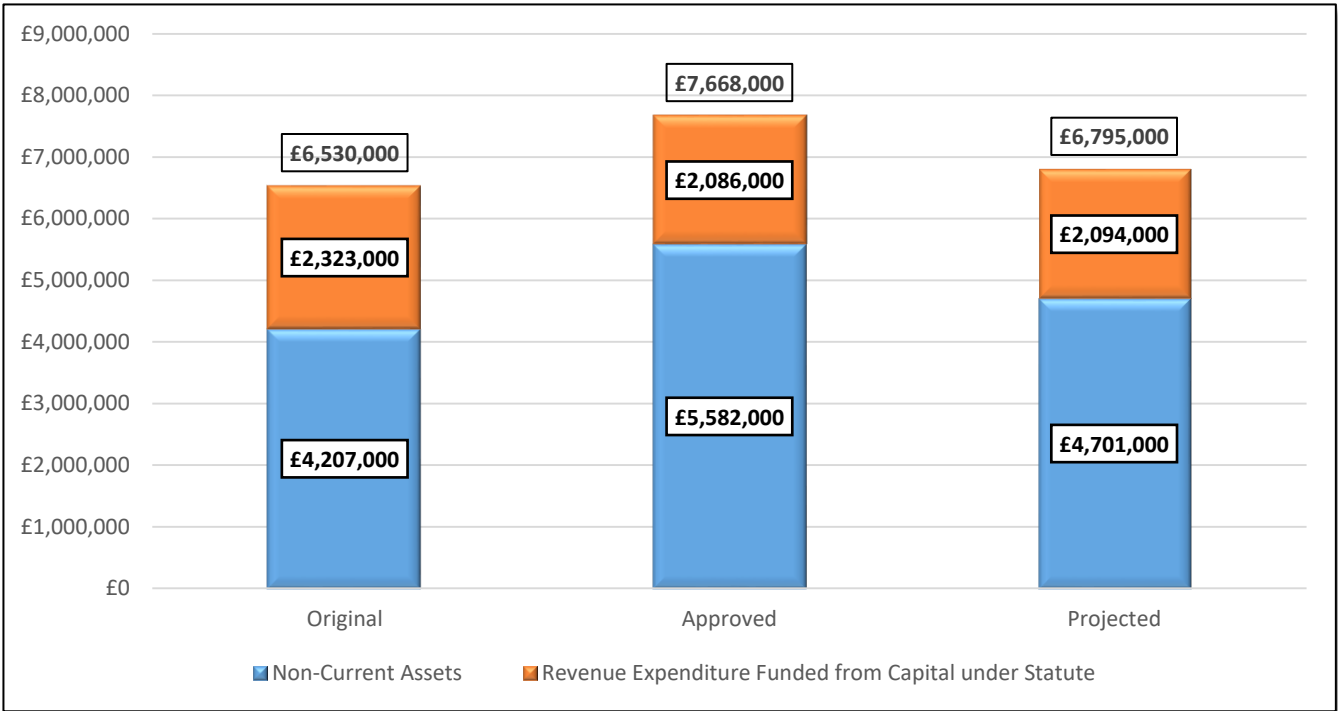
3. Background

The Capital Programme and Treasury Management

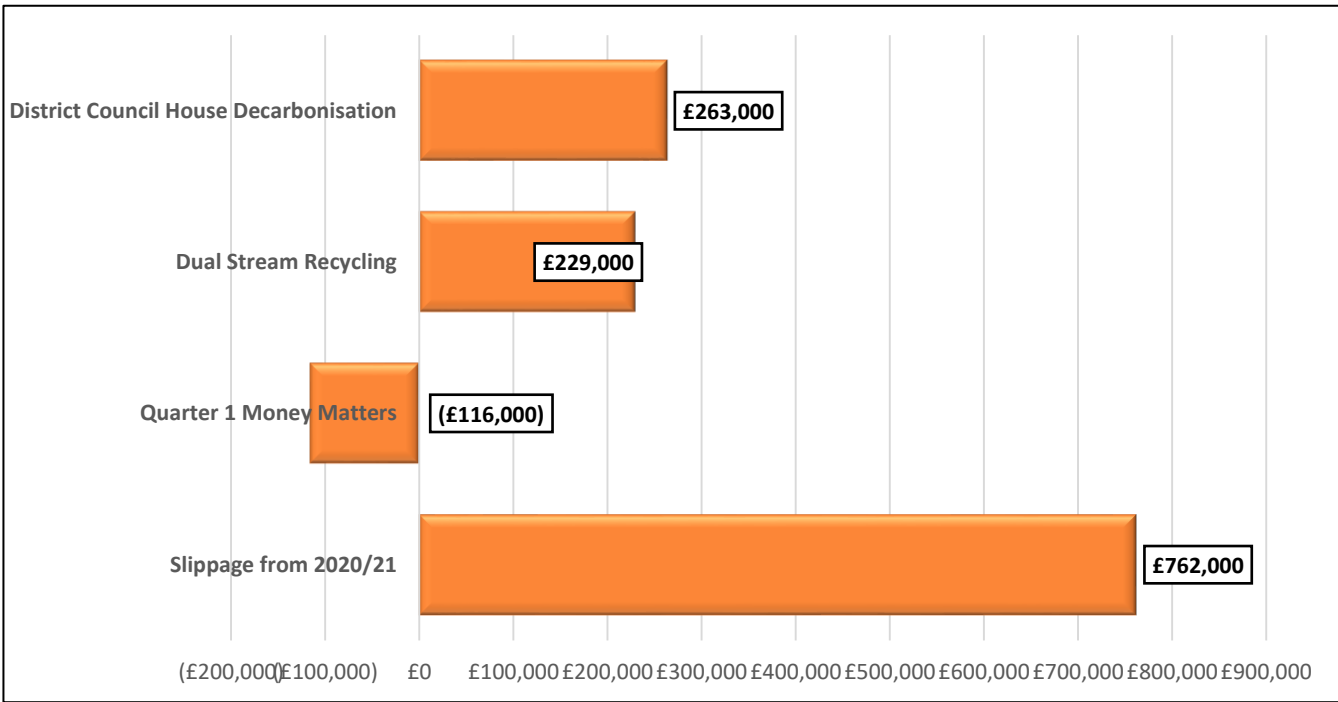
- 3.1. This Mid-Year Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2021/22 and the projected Prudential Indicators for 2021/22.
- 3.2. Treasury Management is defined as: *"The management of the local authority's investments and cash flows, 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 annual 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.
- 3.5. We report quarterly to the Cabinet on Treasury activity and this report to Audit and Member Standards will provide more information on capital financing, Balance Sheet projections and Prudential Indicators.
- 3.6. This report is prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code and
 - a) presents details of capital spend, capital financing, borrowing and investment transactions;
 - b) reports on the risk implications of Treasury decisions and transactions;
 - c) gives details of the mid-year position on Treasury Management transactions in 2021/22;
 - d) confirms compliance with Treasury limits and Prudential Indicators
- 3.7. The performance of the Treasury Management function should be measured against the hierarchy of 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).
- 3.8. 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).

The Capital Programme

3.9. A summary of the Capital Programme performance showing the Original Budget, Approved Budget and the Projected Actual for 2021/22 is shown in detail at **APPENDIX A** and in the chart below:



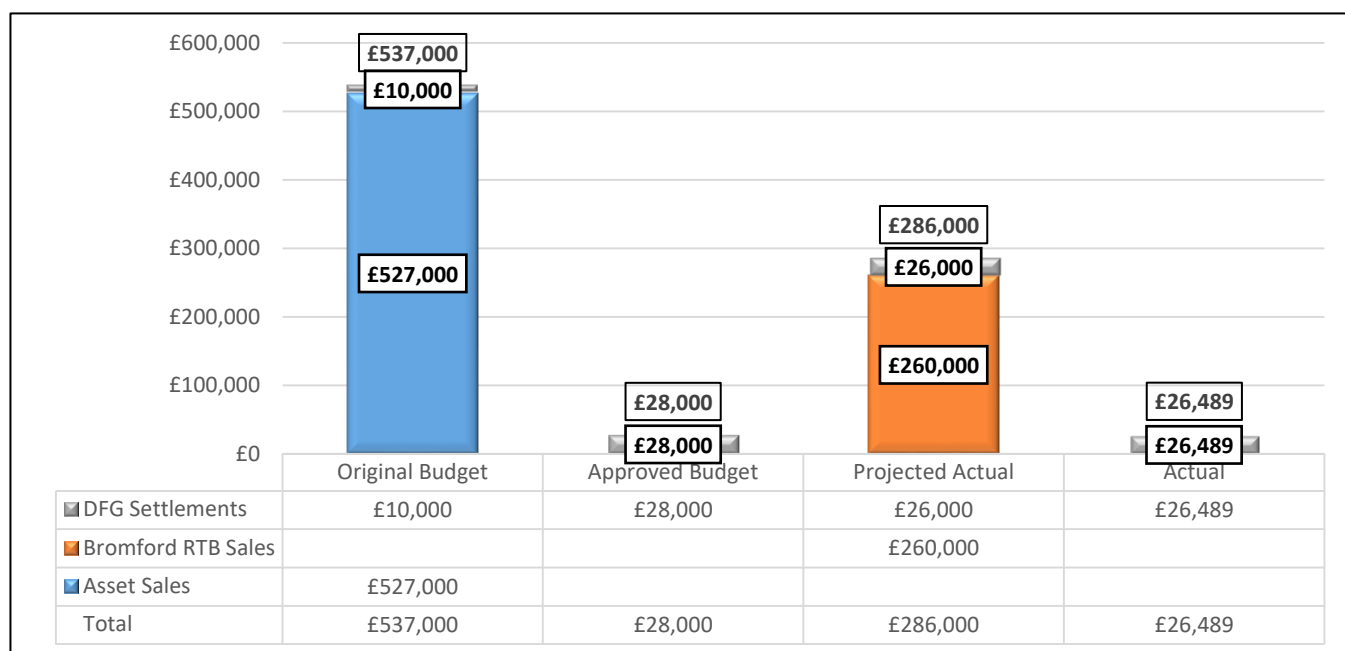
3.10. The reasons for the budgetary increase of **£1,138,000** between the Original budget of **£6,530,000** and the Approved budget of **£7,668,000** are shown below:



3.11. Capital expenditure is projected to be **£6,795,000** which is **(£873,000)** lower than the Approved Revised Budget of **£7,668,000**. This projected variance is mostly related to re-phasing of the budgeted expenditure for the coach park and ICT projects to later years.

Capital Receipts

3.12. The Original Budget (asset sales relate to Land at Netherstowe and Leyfields), Approved Budget, and projected capital receipts received in the first six months are shown below:

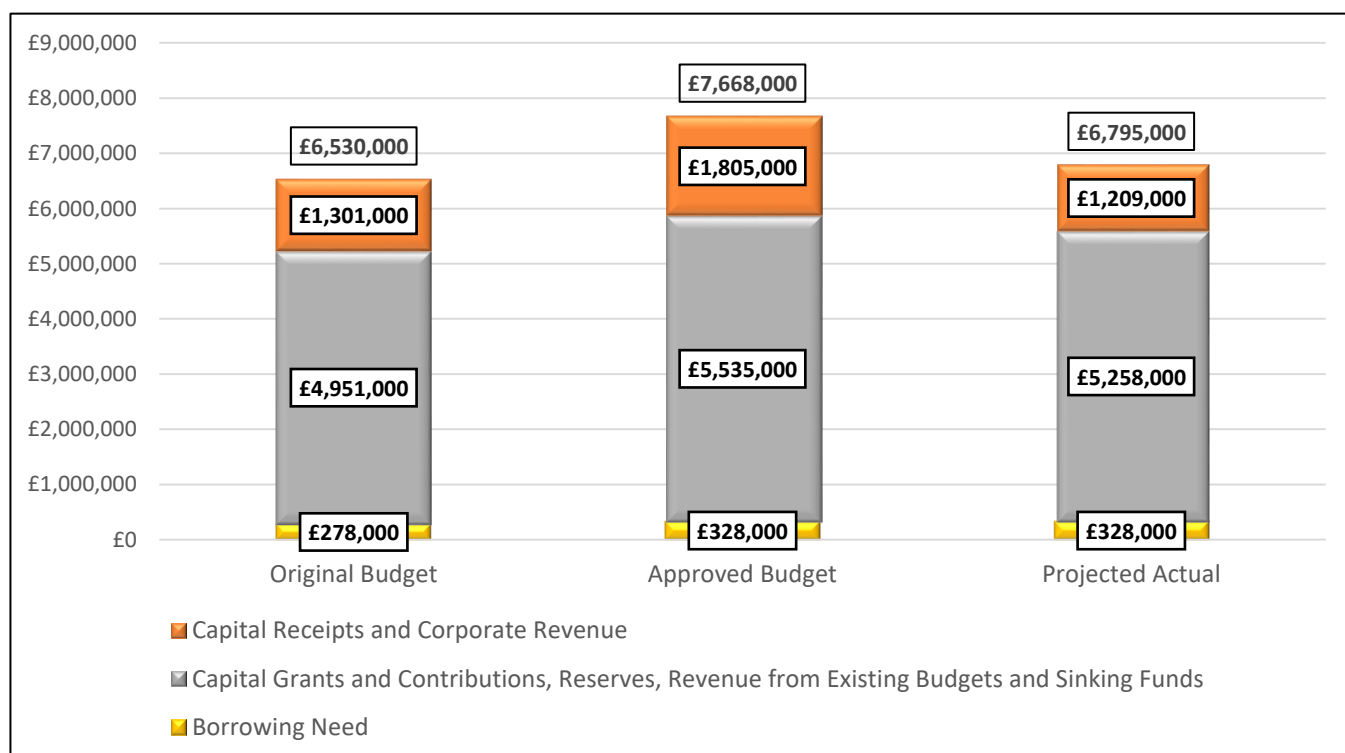


3.13. There is projected to be **(£286,000)** capital receipts received in 2021/22 compared to the Approved Budget of **(£28,000)**.

3.14. The increase is related to the Council's share of Right to Buy receipts based on the latest projections provided by Bromford Housing Association.

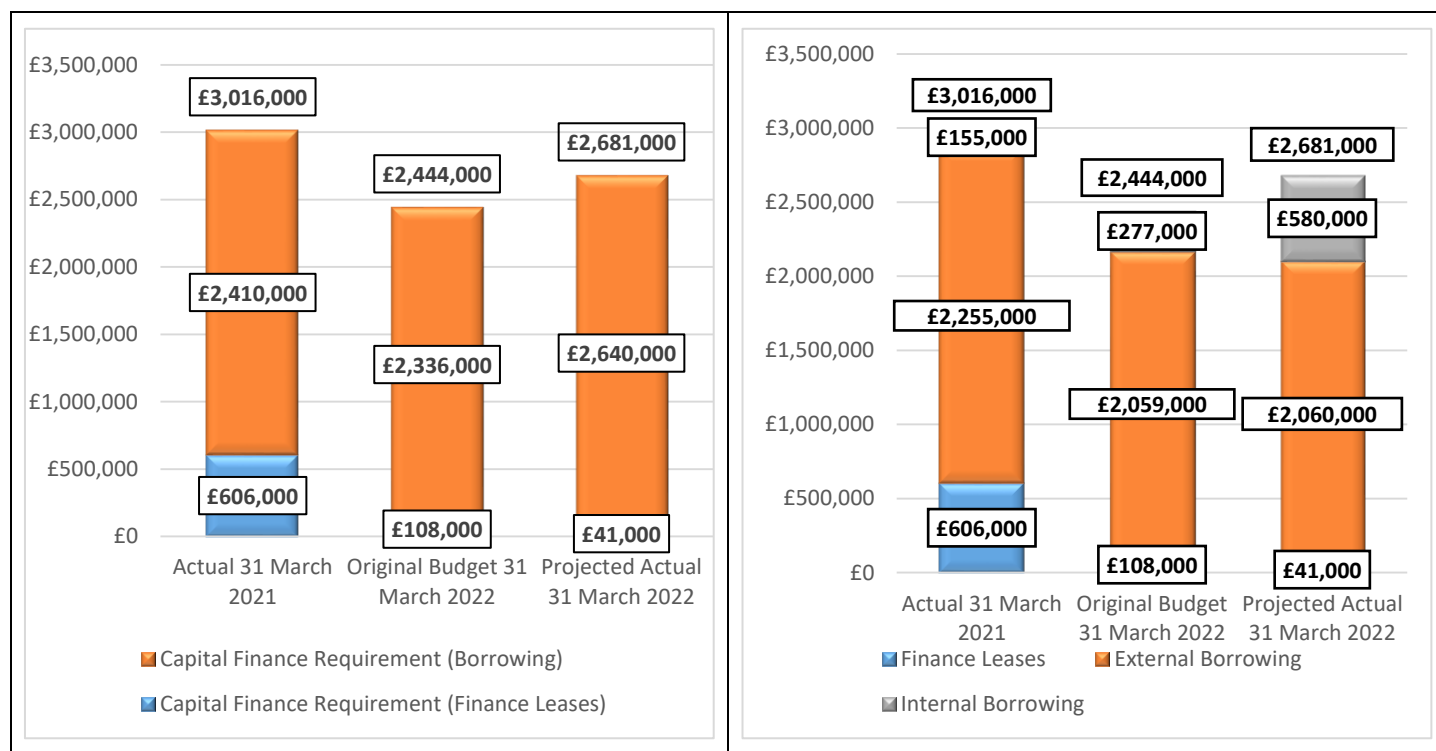
The Funding of the Capital Programme

3.16. The Original Budget, Approved Budgeted and actual sources of funding for the Capital Programme are shown in detail at **APPENDIX A** and below:



The Capital Financing Requirement (Borrowing Need) and its Financing

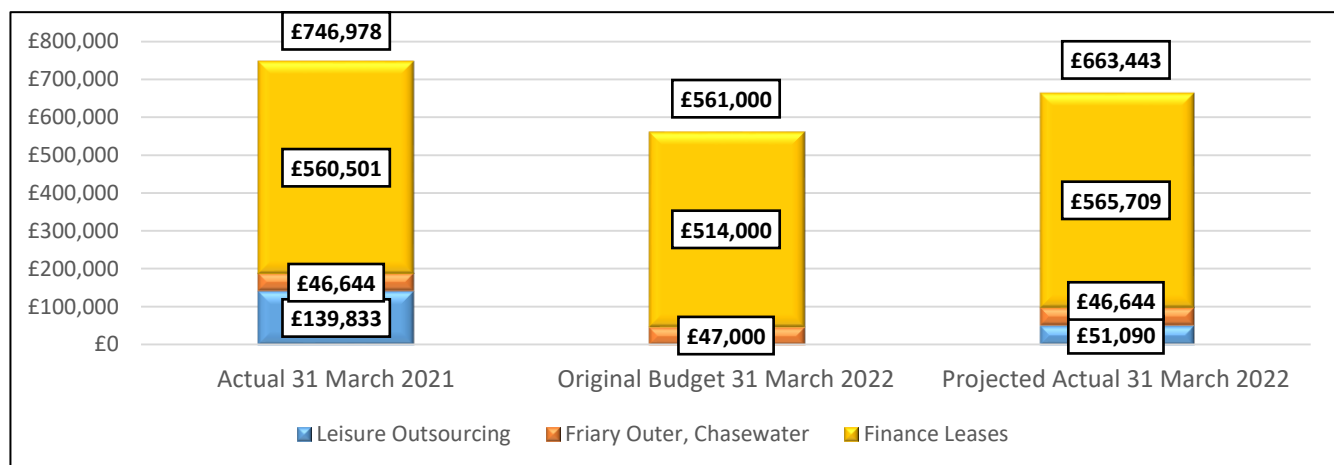
3.17. The actual for 2020/21, Original Budget and Projected Actual for 2021/22 of the Borrowing Need, together with its financing is shown below:



3.18. The borrowing need is higher than budgeted because not all of the funding required for the leisure centre early repayment has currently been identified.

Minimum Revenue Provision in 2021/22

3.19. The Minimum Revenue Provision charged to revenue in 2020/21, the Original Budget for 2021/22 and the projected actual in 2021/22 is shown below:



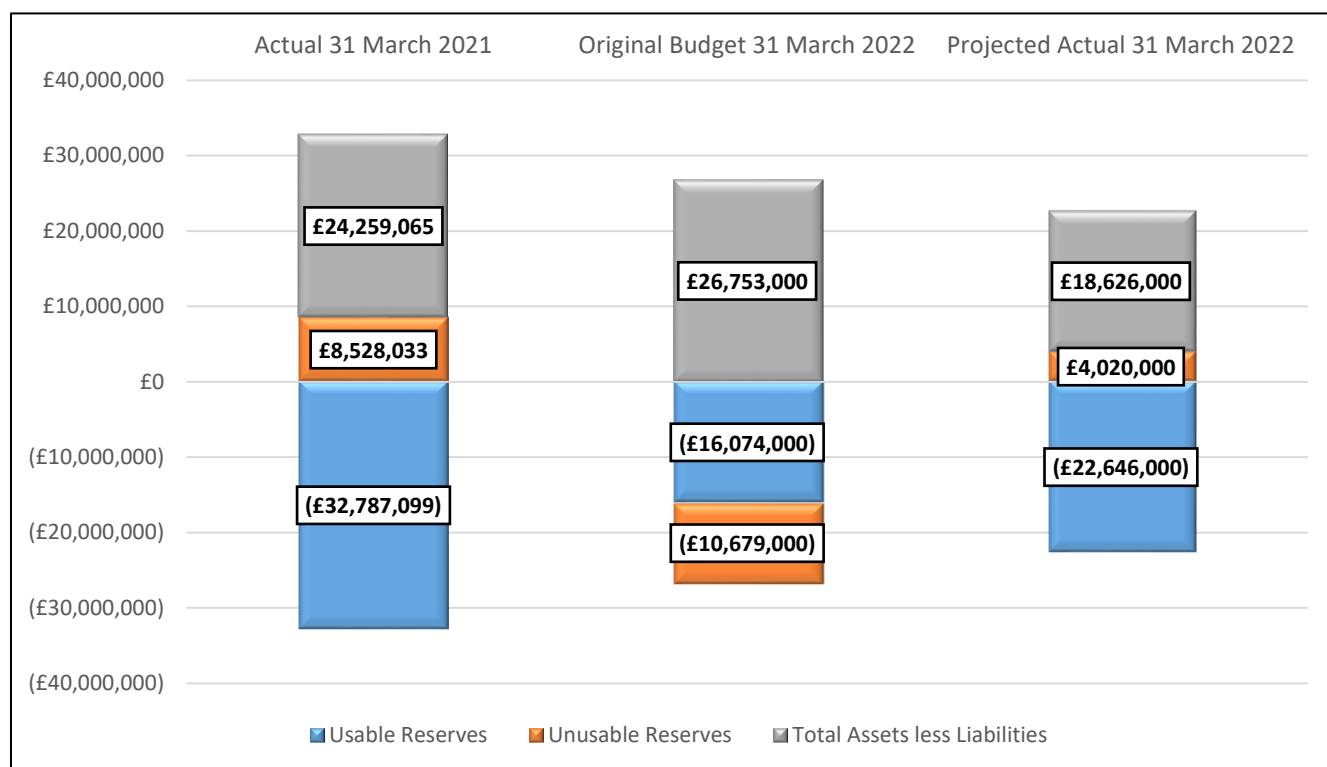
3.20. The Medium Term Financial Strategy included an Invest to Save proposal for the early repayment of capital investment funded by borrowing to generate annual savings in Minimum Revenue Provision.

3.21. The proposal has been impacted by the budgeted capital receipt of **£527,000**, from the disposal of open space at Netherstowe and Leyfields, no longer being receivable.

3.22. At present, alternative funding options for the balance to be identified of **£341,628** are being considered in the Draft MTFs. Therefore, until all of this funding has been identified, a Minimum Revenue Provision amount will continue being included in the Revenue Budget.

The Balance Sheet

3.23. The Balance Sheet Projections for 2021/22 compared to the Original Budget are shown in detail at **APPENDIX B** and in summary below:



3.24. The main reasons for the variances between the budgeted and projected Balance Sheet for 2021/22 are:

Total Assets Less Liabilities – lower than the budget by (£8,127,000) (30%)

- Projected lower spend on non-Current Assets of (£1,824,000).
- Projected higher investments of £6,045,000 due primarily to higher working capital and usable reserves.
- Projected higher working capital of (£2,014,000) that reflects the actual level at 31 March 2021.
- Pensions increased by (£10,425,000) due to a reassessment by the Pension Fund Actuary of the pension long term obligation at 31 March 2021.
- Projected other smaller changes of £91,000.

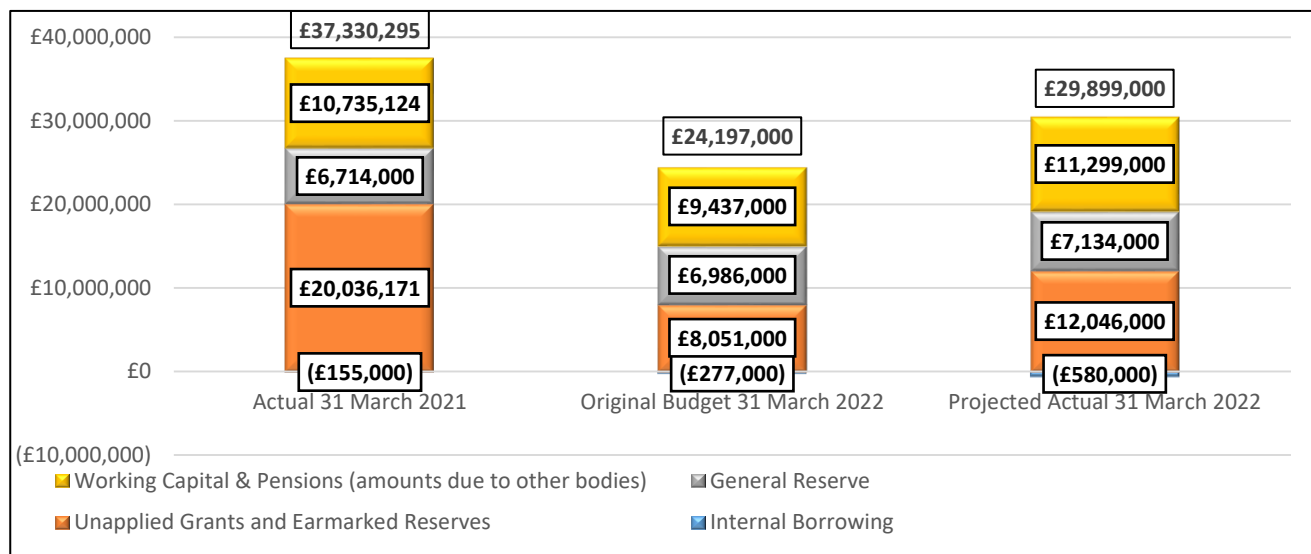
Usable Reserves – higher than budget by (£6,572,000) (41%)

- A higher level of unapplied Capital Grants of (£968,000) due to higher Community Infrastructure Levy and lower capital spend.
- A higher level of capital receipts of (£1,009,000) due to higher Right to Buy sales and lower spend.
- An increase in the level of earmarked and general reserves of (£4,596,000) due to lower than planned expenditure and higher grants and contributions than projected.

Unusable Reserves – lower than budget by £14,699,000 (138%)

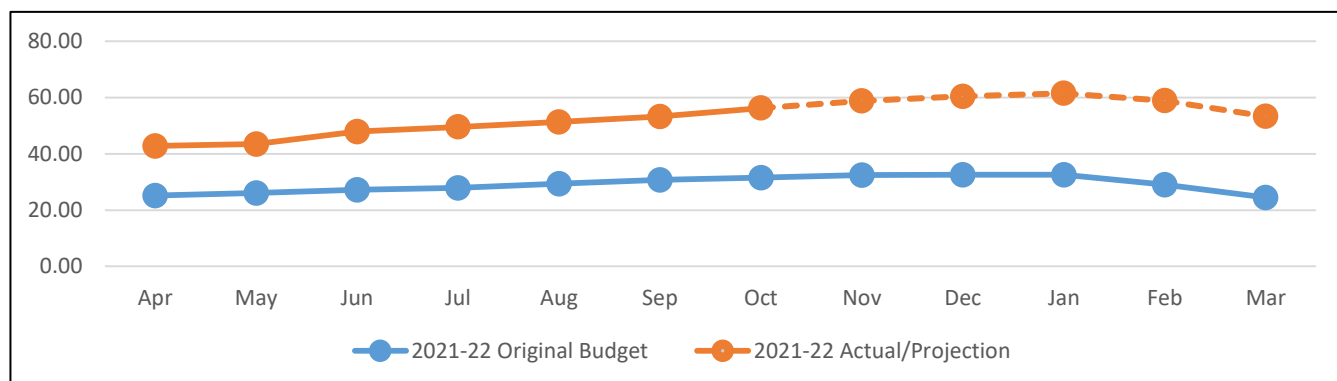
- An increase in the Council's share of the deficit in the Collection Fund reserve of £2,429,000 due to the impact of the additional reliefs for retail, leisure and hospitality in 2021/22.
- The statutory pension reserve increased by £10,425,000 due to a reassessment by the Pension Fund Actuary of the pension long term obligation at 31 March 2021.
- A lower level in the Capital Revaluation and Adjustment accounts of £2,060,000 due to rephrasing of the capital programme.
- Projected other smaller changes of (£215,000).

3.25. The actual, Original Budget and Projected Actual sources of cash that make up investments on the Balance Sheet (including the financial instruments reserve) are shown in detail in **APPENDIX B** and in summary below:



Cash Flow Forecasts

3.26. The graph below compares the Original Budget for average investment levels in 2021/22 with the actual/projected levels. The significantly higher balance in April was due to the receipt of grants from the Government to support Business and local Communities.



3.27. Investment income and borrowing costs are shown below:

Treasury Management	2021/22					
	Original Budget		Approved Budget		Projected	
	Investment Income	Borrowing	Investment Income	Borrowing	Investment Income	Borrowing
Average Balance	£29.09m	£2.13m	£35.83m	£2.13m	£53.08m	£2.13m
Average Rate ²	1.20%	2.17%	0.98%	2.17%	0.73%	2.17%
Gross Investment Income	(£350,000)		(£350,000)		(£401,000)	
Property Fund Transfer to Reserves	£30,000		£30,000		£30,000	
DIF Transfer to Reserves	£40,000		£40,000		£40,000	
External Interest		£48,000		£48,000		£48,000
Internal Interest		£4,000		£4,000		£4,000
Minimum Revenue Provision (less Finance Leases)		£46,000		£46,000		£97,000
Net Treasury Position	(£280,000)	£98,000	(£280,000)	£98,000	(£331,000)	£149,000
	(£182,000)		(£182,000)		(£182,000)	

² Projected average rate for the entire financial year.

Investment Strategy

3.28. The Council undertakes investments for three broad purposes:

- It approves the support of public services by lending or buying shares in other organisations – **Service Investments**.
- To earn investment income – **Commercial Investments**.
- It has surplus cash, as a result of its day to day activities, when income is received in advance of expenditure or where it holds cash on behalf of another body ready for payment in the future – **Treasury Management Investments**.

3.29. The Government has recognised in recent Department for Levelling Up, Housing and Communities (DLUHC) guidance, as a result of increased commercial activity, that the principles included in Statutory Guidance requiring that all investments should prioritise security and liquidity over yield must also be applied to service and commercial investments.

3.30. The DLUHC Guidance requires the approval by Council of an Investment Strategy Report to increase the transparency around service and commercial investment activity. The Council approved its Investment Strategy Report on **16 February 2021**.

Service Investments

3.31. There is one significant approved investment of a service nature and the investment and net return included in the Approved Budget are detailed below:

	Approved Budget				
	2021/22	2022/23	2023/24	2024/25	2025/26
Approved Loan to the Local Authority Company	£675,000	£675,000	£675,000	£675,000	£675,000
Net Income	£0	(£4,000)	(£18,000)	(£22,000)	(£22,000)
Net Return		(0.59%)	(2.67%)	(3.26%)	(3.26%)

3.32. To date, the loan to the Local Authority Company has not taken place and therefore the budgeted interest is not being generated.

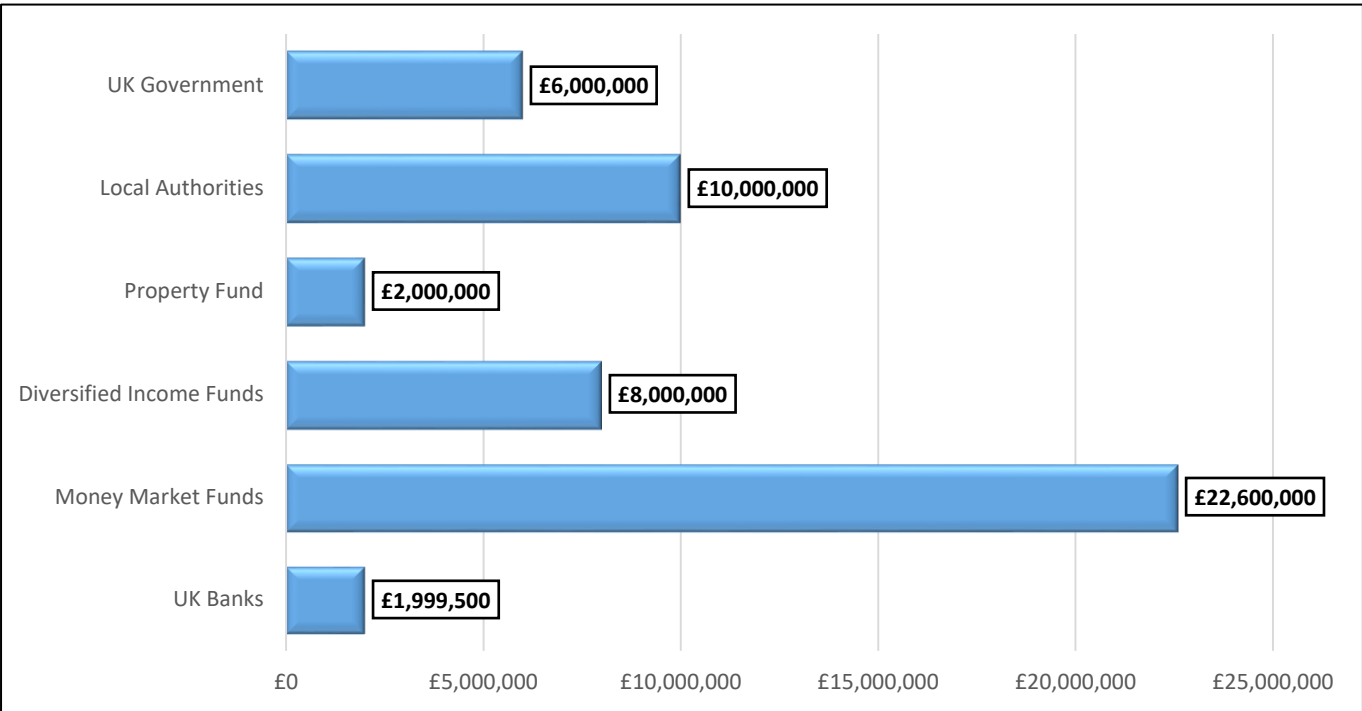
Commercial Investments

3.33. Council on 13 October 2020 approved the removal of all budgets related to Investment in Property and therefore currently there are no commercial investments planned.

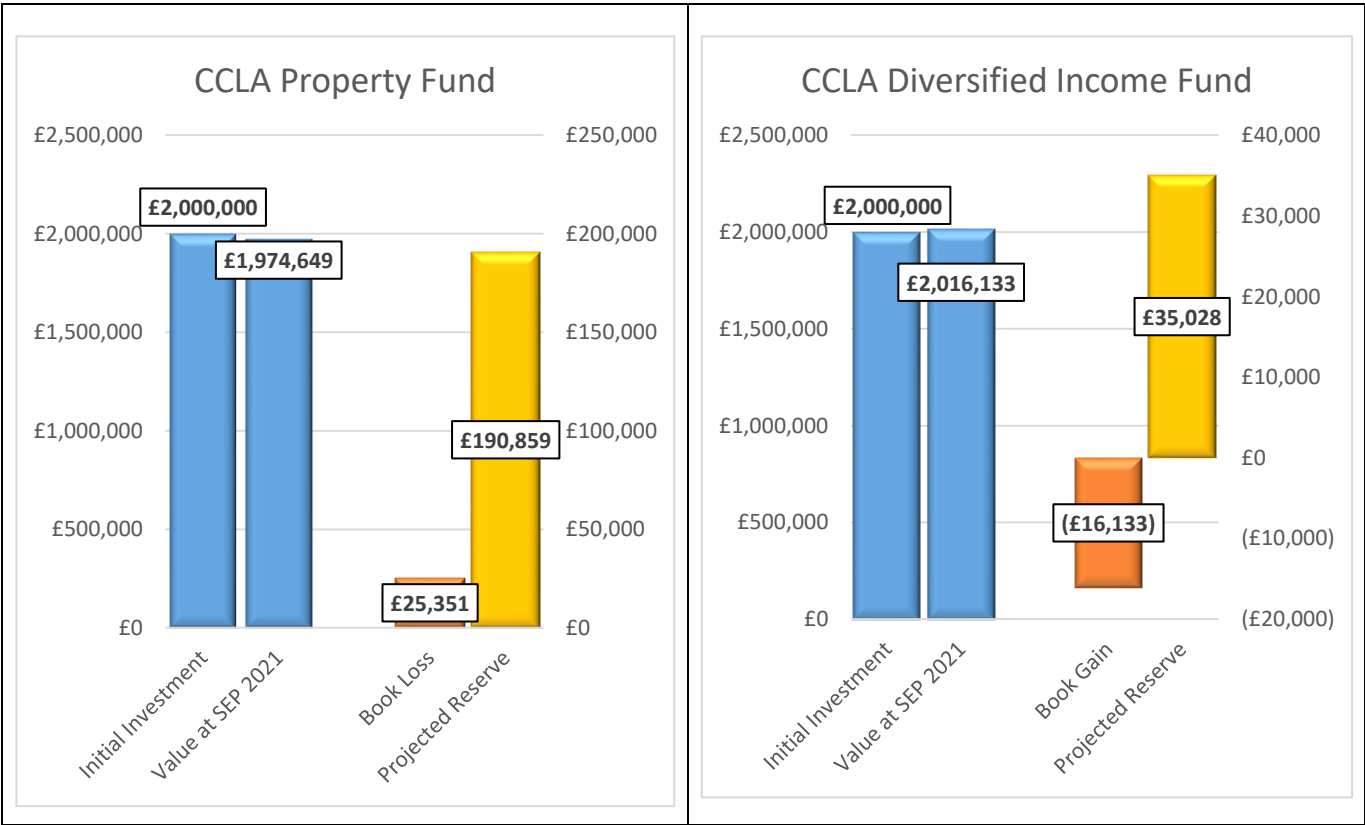
Treasury Management Investments

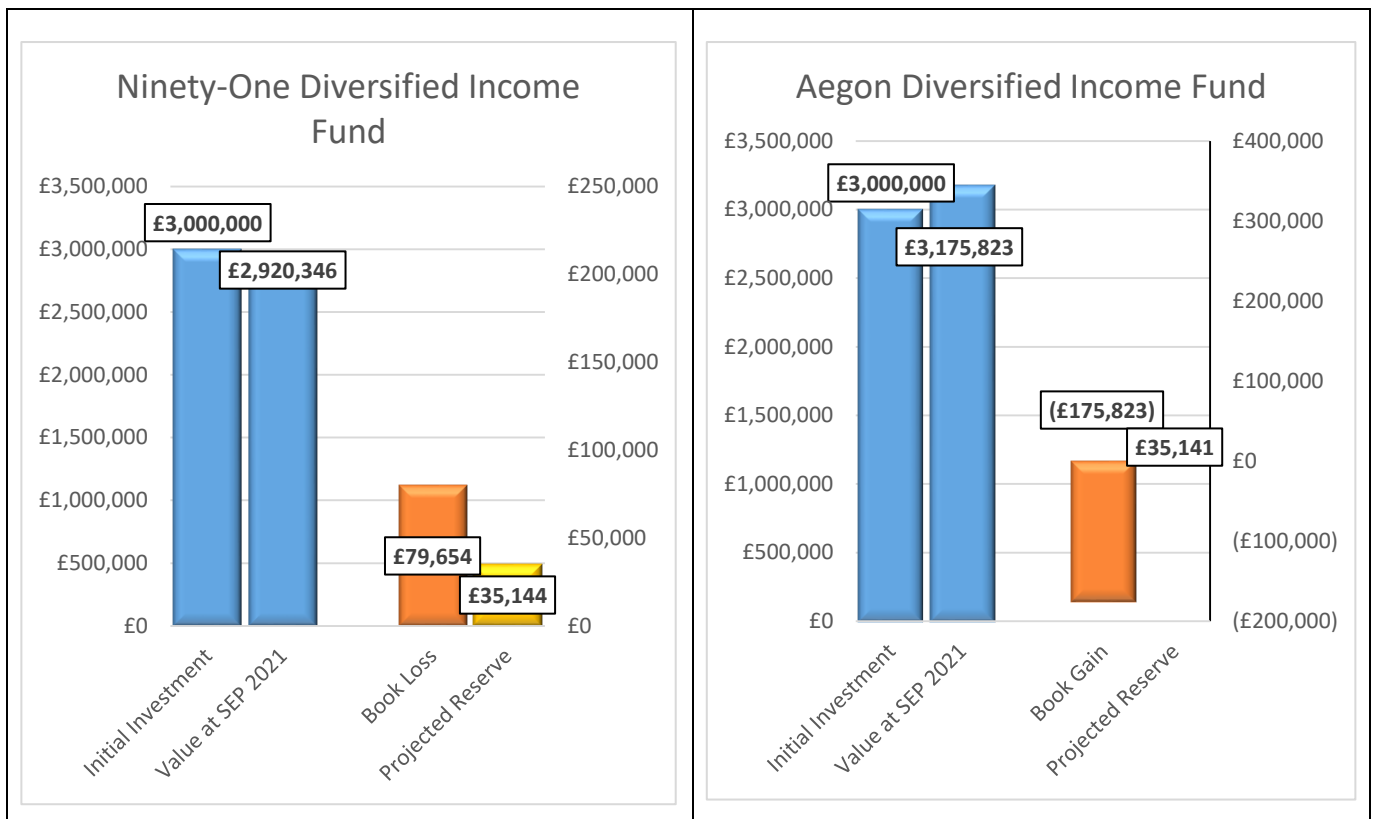
The Security of Our Investments

3.34. The investments the Council had at the 30 September 2021 of £50.60m (with the property and diversified income funds valued at original investment of £2.00m or £3.00m) by type and Country are summarised in the graph below and are shown in more detail at **APPENDIX C**:

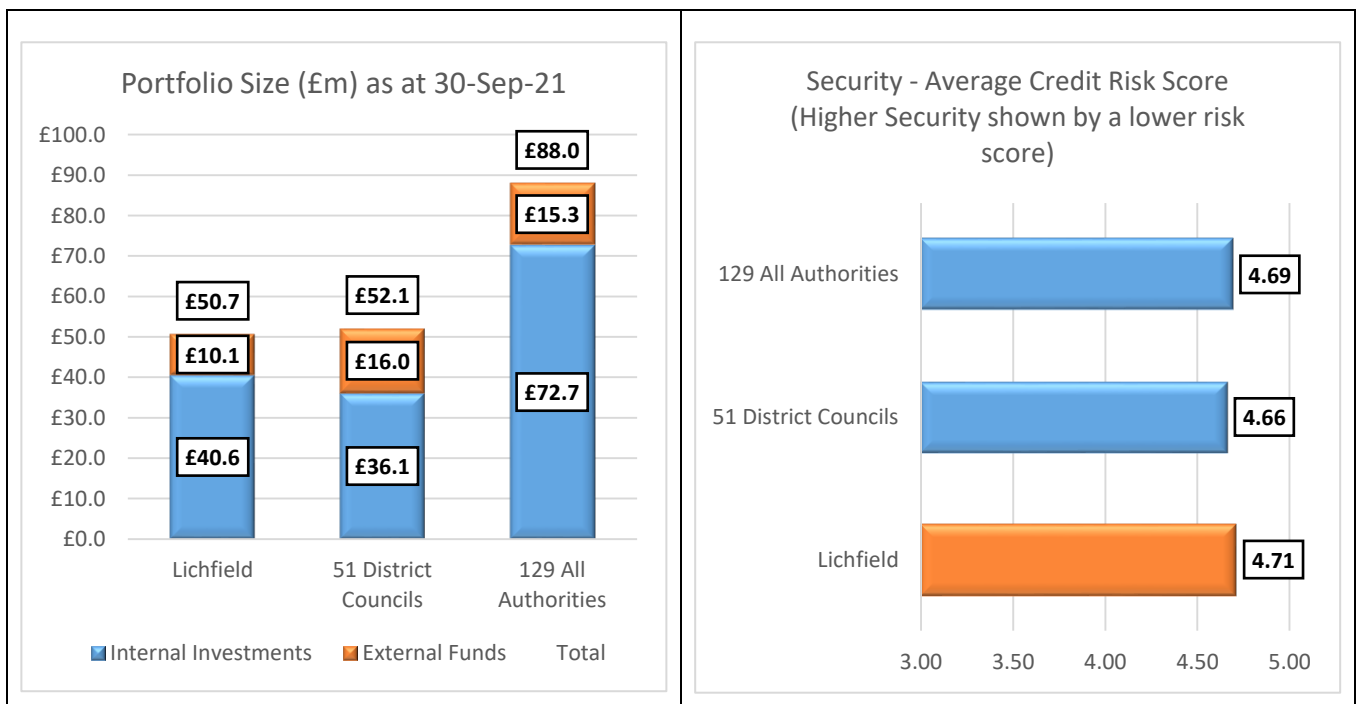


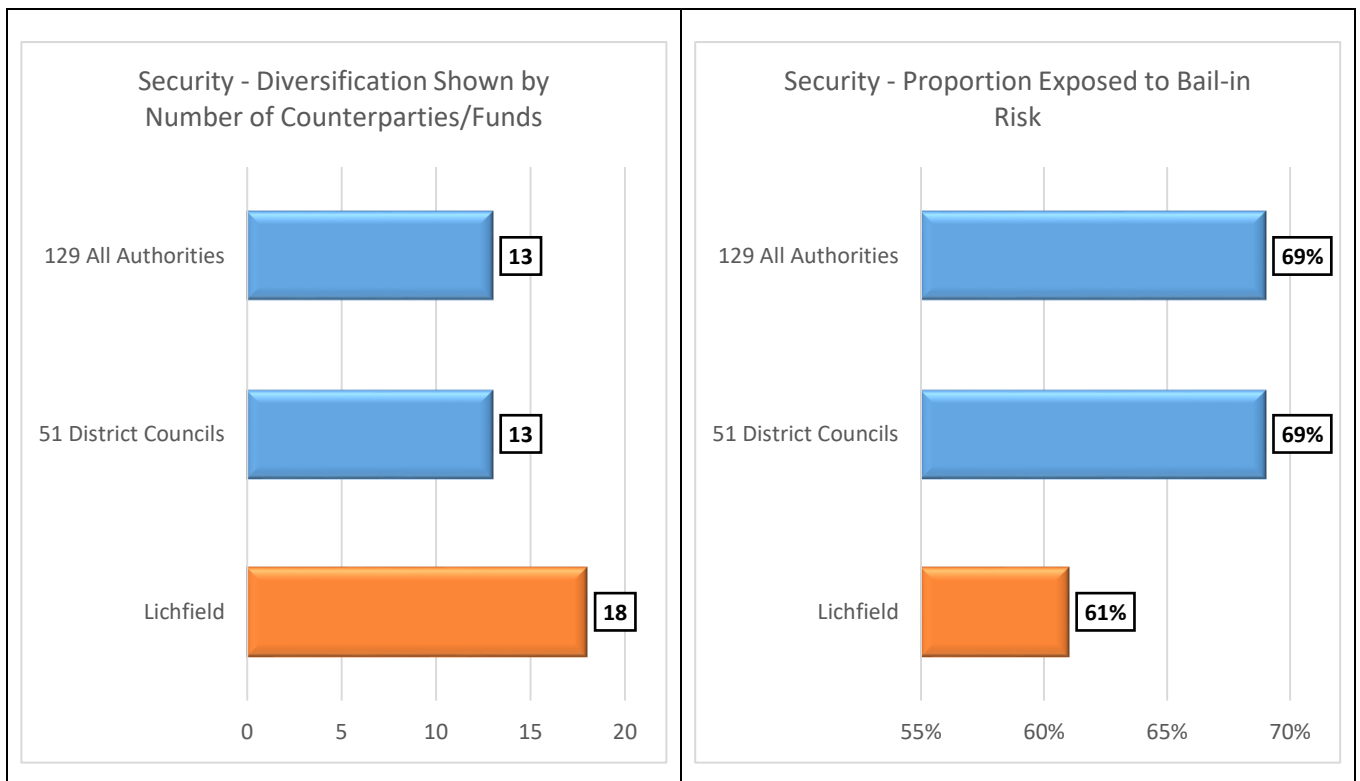
3.35. The current values of the Property Fund and the Diversified Income Fund together with the value of the projected earmarked reserve at the end of 2021/22 intended to offset reductions in value, are shown below:



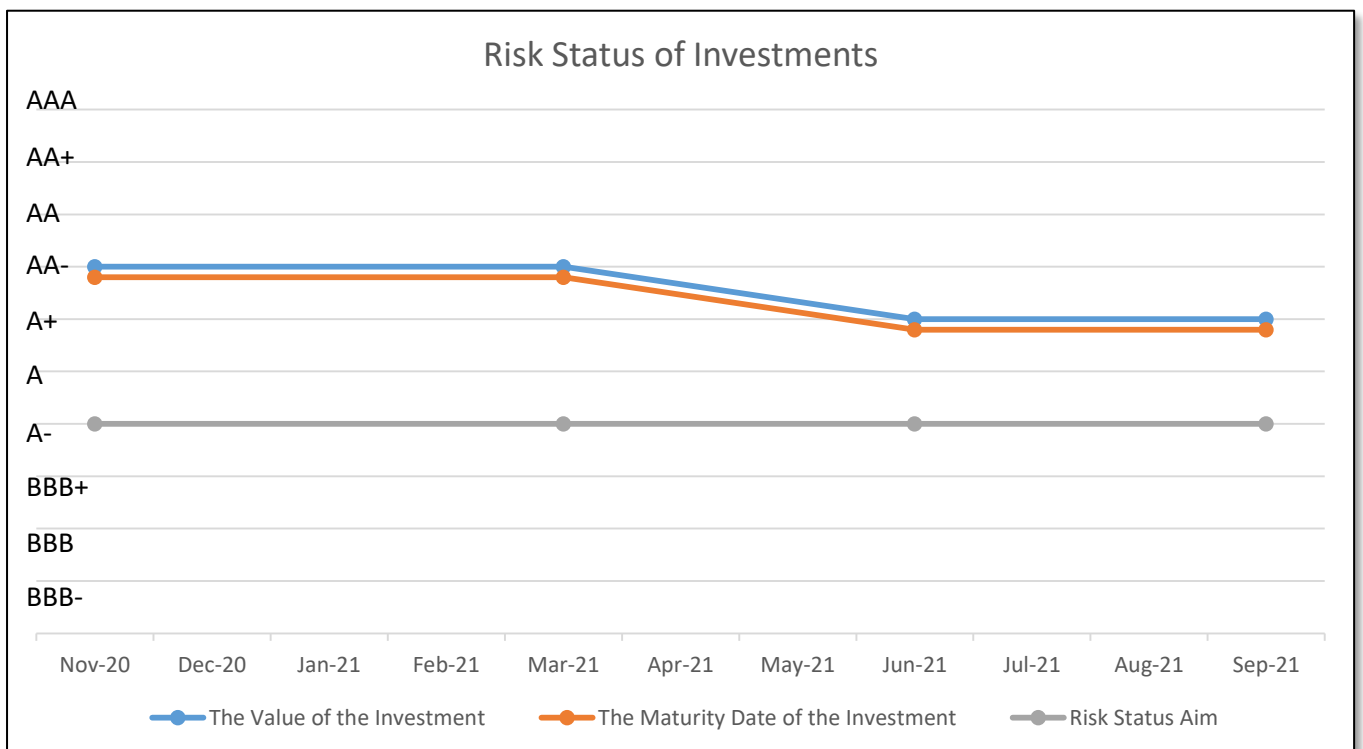


- 3.36. Overall in terms of strategic investments, there is a 'book gain' of **(£86,951)** and the earmarked reserve to manage volatility risk is projected to be **£296,172**.
- 3.37. A comparison of the Council's portfolio size of **£50.7m** (with the Property and Diversified Income funds valued at their current value of **£10.1m**), average credit score, level of diversification and level of exposure to 'Bail in' risk compared to all Arlingclose Clients is shown in the charts below:



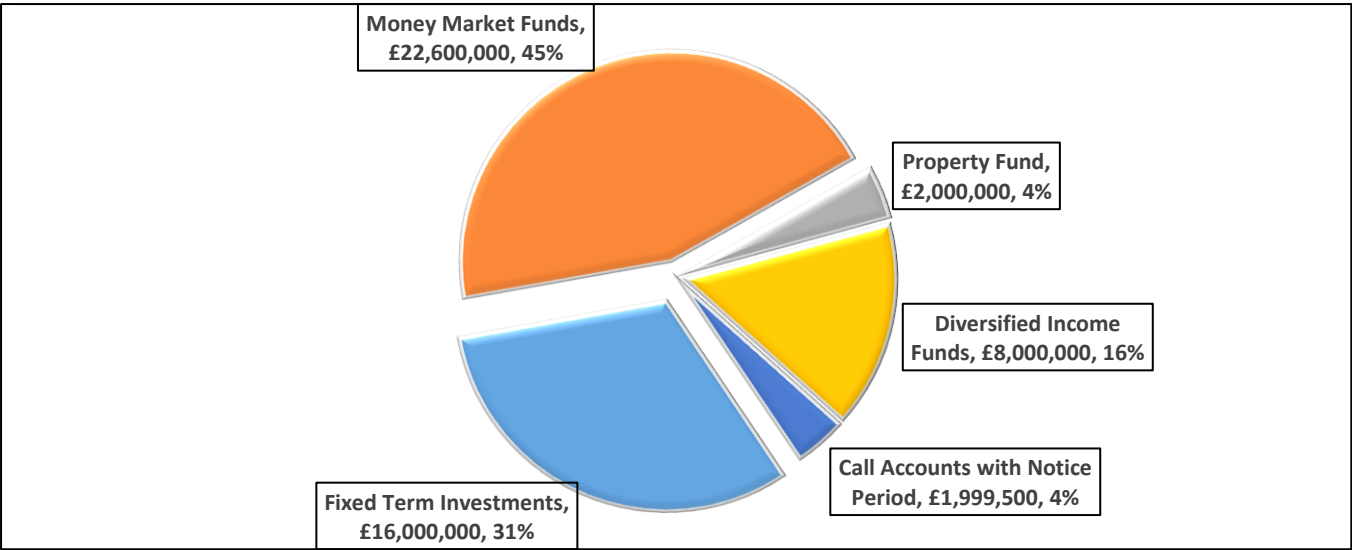


3.38. Our aim for the credit risk status of our investments was **A-**. The risk status based on the length of the investment and the value for a 12 month period is summarised below:

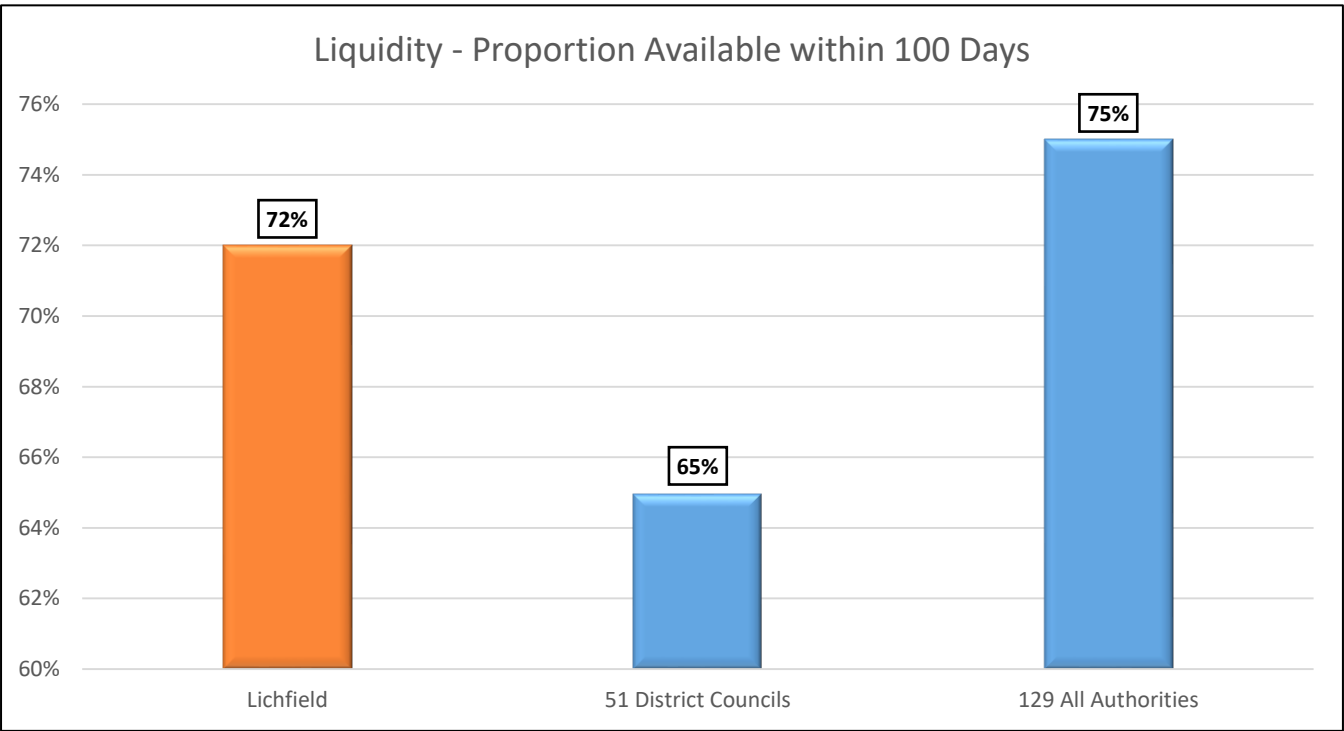


The Liquidity of our Investments

3.39. The Council has not had to temporarily borrow during 2021/22 and retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The investments by type (with the property and diversified income funds at their original values of £2m or £3m) are shown below:

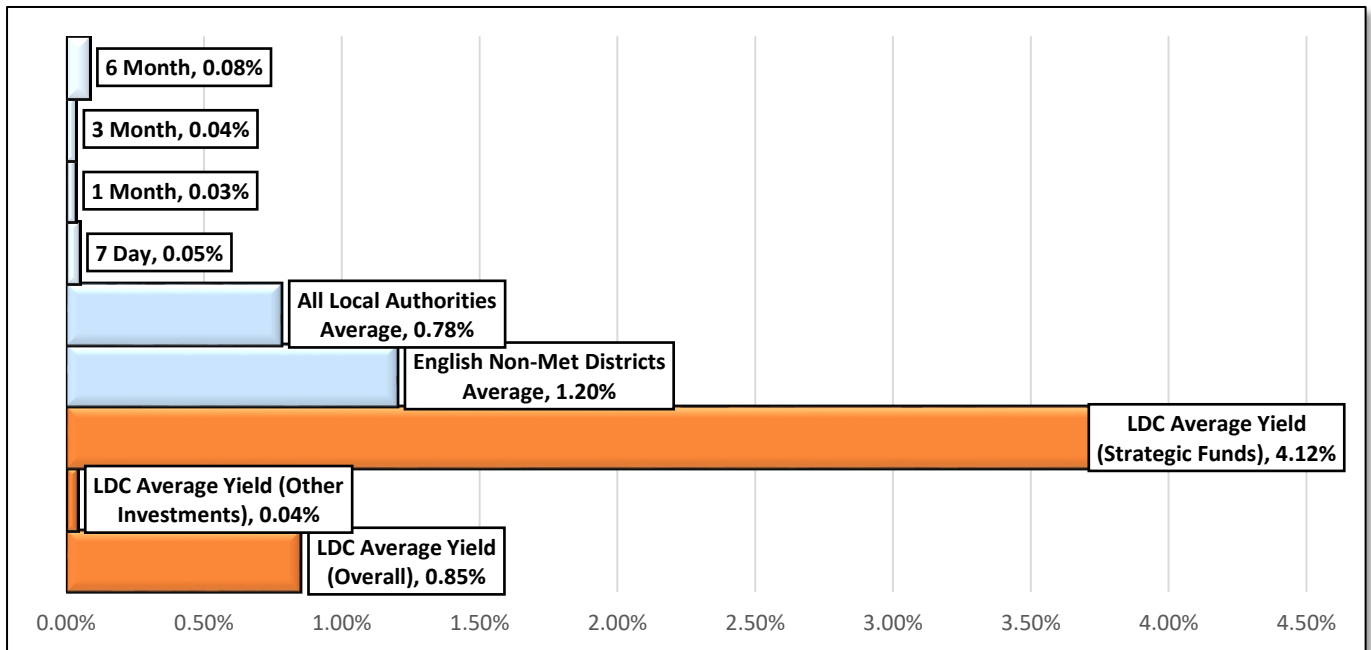


3.40. The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown below:



The Return or Yield of our Investments

3.41. The yield the Council was achieving as at 30 September, (Para 3.27 shows the projected yield for the financial year) compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) and all Arlingclose clients is shown below:



External Borrowing

3.42. The Council currently has two external loans with the Public Works Loans Board with **£2,127,425** outstanding and these are shown in detail at **APPENDIX C**.

Revisions to CIPFA Codes

3.43. In September CIPFA issued the revised Codes and Guidance Notes in draft form and opened the latest consultation process on their proposed changes. The changes include:

- 3.43.1. Clarification that (a) local authorities must not borrow to invest primarily for financial return (b) it is not prudent for authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority.
- 3.43.2. Categorising investments as those (a) for treasury management purposes, (b) for service purposes and (c) for commercial purposes.
- 3.43.3. Defining acceptable reasons to borrow money: (i) financing capital expenditure primarily related to delivering a local authority's functions, (ii) temporary management of cash flow within the context of a balanced budget, (iii) securing affordability by removing exposure to future interest rate rises and (iv) refinancing current borrowing, including replacing internal borrowing.
- 3.43.4. For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services).
- 3.43.5. Incorporating Environmental, Social & Governance (ESG) issues as a consideration within Treasury Management Practices (TMP) 1 Risk Management.
- 3.43.6. Additional focus on the knowledge and skills of officers and elected members involved in decision making.

3.44. Prudential Indicators

- 3.44.1. New indicator for net income from commercial and service investments to the budgeted net revenue stream.
- 3.44.2. Inclusion of the liability benchmark as a mandatory treasury management prudential indicator. CIPFA recommends this is presented as a chart of four balances – existing loan debt outstanding; loans CFR, net loans requirement, liability benchmark – over at least 10 years and ideally cover the authority's full debt maturity profile.
- 3.44.3. Excluding investment income from the definition of financing costs.

DLUHC Improvements to the Capital Finance Framework

- 3.45. DLUHC published a brief policy paper in July outlining the ways it feels that the current framework is failing and potential changes that could be made. The paper found that "while many authorities are compliant with the framework, there remain some authorities that continue to engage in practices that push the bounds of compliance and expose themselves to excessive risk".
- 3.46. The actions announced include greater scrutiny of local authorities and particularly those engaged in commercial practices; an assessment of governance and training; a consideration of statutory caps on borrowing; further regulations around Minimum Revenue Provision (MRP) and ensuring that DLUHC regulations enforce guidance from CIPFA and the new PWLB lending arrangements.

Alternative Options	There are no alternative options.																																																																																
Consultation	Consultation is undertaken as part of the Strategic Plan and with Leadership Team.																																																																																
Financial Implications	<p>Projected Prudential indicators (PI) 2021/22:</p> <ul style="list-style-type: none">• We can confirm that the Council is compliant with its Prudential Indicators for 2021/22; these were originally approved by Council at its meeting on 16 February 2021 and will be fully revised and approved by Council on 22 February 2022.• 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 2021/22.• None of the other Prudential Indicators have been breached. The Prudential Indicators are summarised in the table below: <table><tr><th colspan="5">Capital Strategy Indicators</th></tr><tr><th colspan="5">Prudential Indicators</th></tr><tr><th>Indicators</th><th>2020/21 Actual</th><th>2021/22 Original</th><th>2021/22 Approved</th><th>2021/22 Projected</th></tr><tr><td><u>Capital Investment</u></td><td></td><td></td><td></td><td></td></tr><tr><td>Capital Expenditure (£m)</td><td>£3.264</td><td>£6.530</td><td>£7.668</td><td>£6.795</td></tr><tr><td>Capital Financing Requirement (£m)</td><td>£3.016</td><td>£2.444</td><td>£2.681</td><td>£2.681</td></tr><tr><td><u>Gross Debt and the Capital Financing Requirement</u></td><td></td><td></td><td></td><td></td></tr><tr><td>Gross Debt</td><td>(£2.295)</td><td>(£2.167)</td><td>(£2.101)</td><td>(£2.101)</td></tr><tr><td>Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement</td><td>No</td><td>No</td><td>No</td><td>No</td></tr><tr><td><u>Total Debt</u></td><td></td><td></td><td></td><td></td></tr><tr><td>Authorised Limit (£m)</td><td>£6.591</td><td>£15.435</td><td>£15.435</td><td>£15.435</td></tr><tr><td>Operational Boundary (£m)</td><td>£6.591</td><td>£7.007</td><td>£7.007</td><td>£7.007</td></tr><tr><td>Proportion of Financing Costs to Net Revenue Stream (%)</td><td>5%</td><td>5%</td><td>6%</td><td>6%</td></tr></table> <table><tr><th colspan="5">Local Indicators</th></tr><tr><th>Indicators</th><th>2020/21 Actual</th><th>2021/22 Original</th><th>2021/22 Approved</th><th>2021/22 Projected</th></tr><tr><td>Replacement of Debt Finance or MRP (£m)</td><td>(£0.747)</td><td>(£0.561)</td><td>(£0.663)</td><td>(£0.663)</td></tr></table>	Capital Strategy Indicators					Prudential Indicators					Indicators	2020/21 Actual	2021/22 Original	2021/22 Approved	2021/22 Projected	<u>Capital Investment</u>					Capital Expenditure (£m)	£3.264	£6.530	£7.668	£6.795	Capital Financing Requirement (£m)	£3.016	£2.444	£2.681	£2.681	<u>Gross Debt and the Capital Financing Requirement</u>					Gross Debt	(£2.295)	(£2.167)	(£2.101)	(£2.101)	Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No	<u>Total Debt</u>					Authorised Limit (£m)	£6.591	£15.435	£15.435	£15.435	Operational Boundary (£m)	£6.591	£7.007	£7.007	£7.007	Proportion of Financing Costs to Net Revenue Stream (%)	5%	5%	6%	6%	Local Indicators					Indicators	2020/21 Actual	2021/22 Original	2021/22 Approved	2021/22 Projected	Replacement of Debt Finance or MRP (£m)	(£0.747)	(£0.561)	(£0.663)	(£0.663)
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Replacement of Debt Finance or MRP (£m)	(£0.747)	(£0.561)	(£0.663)	(£0.663)																																																																													

Repayment of Burntwood Leisure Centre loan and new additions	(£0.542)	(£0.000)	(£0.000)	(£0.000)
Capital Receipts (£m)	(£0.434)	(£0.537)	(£0.028)	(£0.286)
Liability Benchmark (£m)	£25.033	£11.755	£16.618	£17.798
Treasury Management Investments (£m)	£37.330	£23.813	£28.718	£29.899

Treasury Management Indicators				
Prudential Indicators				
	2020/21 Actual	Lower Limit	Upper Limit	2021/22 Projected
<u>Refinancing Rate Risk Indicator</u>				
Under 12 months	9%	0%	100%	10%
12 months and within 24 months	9%	0%	100%	10%
24 months and within 5 years	27%	0%	100%	30%
5 years and within 10 years	30%	0%	100%	26%
10 years and within 20 years	26%	0%	100%	25%
20 years and within 30 years	0%	0%	100%	0%
30 years and within 40 years	0%	0%	100%	0%
40 years and within 50 years	0%	0%	100%	0%
50 years and above	0%	0%	100%	0%

	2020/21 Actual	2021/22 Original	2021/22 Approved	2021/22 Projected
Indicators				
Principal Sums invested for periods longer than a year (£m)	£6.000	£10.000	£10.000	£10.000

Local Indicators				
	2020/21 Actual	2021/22 Original	2021/22 Approved	2021/22 Projected
	£m	£m	£m	£m
<u>Balance Sheet Summary and Forecast</u>				
Borrowing Capital Financing Requirement	£2.410	£2.336	£2.640	£2.640
Internal (over) Borrowing	£0.155	£0.277	£0.580	£0.580
Investments (or New Borrowing)	(£37.330)	(£23.813)	(£28.718)	(£29.899)
Liability Benchmark	(£25.033)	(£11.755)	(£16.618)	(£17.798)

	2020/21 Actual	Target	2021/22 Actual
<u>Security</u>			
Portfolio average credit rating	A+	A-	A+
<u>Liquidity</u>			
Temporary Borrowing undertaken	£3.000	£0.000	£0.000
Total Cash Available within 100 days (maximum)	76%	90%	72%

Approved by
Section 151
Officer

Yes

Legal Implications

No specific legal implications.

Approved by Monitoring
Officer

Yes

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.
GDPR/Privacy Impact Assessment	There are no GDPR/Privacy Impact Assessment Issues.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of finance (Head of Finance and Procurement (Section 151)).				
A	Council Tax is not set by the Statutory Date of 11 March 2022	Likelihood : Green Impact : Red Severity of Risk : Yellow	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	Likelihood : Yellow Impact : Red Severity of Risk : Red	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	Likelihood : Red Impact : Red Severity of Risk : Red	The Council responded to the recent consultation. Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2022/23 £400,000 is included with the balance transferred to general reserves. At this stage, no income is assumed from 2023/24 onwards.	Likelihood : Red Impact : Yellow Severity of Risk : Yellow
D	The increased Localisation of Business Rates and the Review of Needs and Resources	Likelihood : Red Impact : Red Severity of Risk : Red	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Likelihood : Red Impact : Red Severity of Risk : Red
E	The affordability and risk associated with the Capital Strategy	Likelihood : Yellow Impact : Red Severity of Risk : Red	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
F	The public sector pay freeze in 2021/22 is not applicable to Local Government	Likelihood : Yellow Impact : Red Severity of Risk : Red	The current MTFS assumes that the pay freeze for those earning more than £24,000 per annum is applicable to Local Government. If this does not prove to be the case, an element of general reserves can be utilised to fund the increase in 2021/22 and projections for later years will be updated in the MTFS.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
G	Sustained higher levels of inflation in the economy	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow	To maintain a watching brief on economic forecasts, ensure estimates reflect latest economic projections and where possible ensure income increases are maximised to mitigate any additional cost.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
Strategic Risk SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape (Leadership Team).				
H	The financial impact of COVID-19 is not fully reimbursed by Government and exceeds the reserves available resulting in a Section 114	Likelihood : Yellow Impact : Red Severity of Risk : Yellow	The use of general and earmarked reserves to fund any shortfall.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
	notice			
I	The Council cannot achieve its approved Delivery Plan for 2022/23	Likelihood : Yellow Impact : Red Severity of Risk : Red	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
J	The resources available in the medium to longer term to deliver the Strategic Plan are diminished	Likelihood : Yellow Impact : Red Severity of Risk : Red	The MTFS will be updated through the normal review and approval process.	Likelihood : Yellow Impact : Yellow Severity of Risk : Yellow
K	Government and Regulatory Bodies introduce significant changes to the operating environment	Likelihood : Red Impact : Red Severity of Risk : Red	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

Background documents

- CIPFA Code of Practice for Treasury Management in the Public Services
- The Prudential Code for Capital Finance in Local Authorities
- Medium Term Financial Strategy (Revenue and Capital) 2020-2025 (MTFS) – Cabinet 9 February 2021
- Money Matters: 2020/21 Review of Financial Performance against the Financial Strategy – Cabinet 8 June 2021
- Medium Term Financial Strategy (MTFS) – Cabinet 6 July 2021

Relevant web links

Capital Programme 2021/22

Project		Original Budget	Approved Budget	Actual to Date	Projected Actual	Variance
New Build Parish Office/Community Hub	R	92,000	92,000	0	92,000	0
Armitage with Handsacre Village Hall storage container	R	6,000	6,000	5,700	6,000	0
Re-siting/improvement of Armitage War Memorial	R	120,000	120,000	80,000	120,000	0
Replacement of canopy and installation of artificial grass at Armitage	R	3,000	3,000	0	3,000	0
Burntwood LC CHP Unit	A	0	64,000	(4,835)	64,000	0
Friary Grange - Short Term Refurbishment	R	240,000	209,000	39,180	209,000	0
Replacement Leisure Centre	A	278,000	328,000	143,284	328,000	0
Beacon Park Pathway	A	0	30,000	0	37,000	7,000
Burntwood Leisure Centre - Decarbonisation Scheme	A	532,000	443,000	223,870	443,000	0
Accessible Homes (Disabled Facilities Grants)	R	1,272,000	1,100,000	416,886	1,100,000	0
Home Repair Assistance Grants	R	22,000	10,000	551	10,000	0
Decent Homes Standard	R	147,000	147,000	0	147,000	0
Energy Insulation Programme	R	22,000	0	0	0	0
DCLG Monies	R	212,000	212,000	0	212,000	0
Unallocated S106 Affordable Housing Monies	A	429,000	541,000	95,736	541,000	0
Enabling People Total		3,375,000	3,305,000	1,000,370	3,312,000	7,000
Canal Towpath Improvements (Brereton & Ravenhill)	R	36,000	36,000	36,854	44,000	8,000
Loan to Council Dev Co.	A	675,000	675,000	0	675,000	0
Lichfield St Johns Community Link	R	35,000	35,000	0	35,000	0
Staffordshire Countryside Explorer	R	44,000	44,000	0	44,000	0
Dam Street Toilets	A	0	40,000	0	40,000	0
Vehicle Replacement Programme (Waste)	A	0	0	0	21,000	21,000
Bin Purchase	A	150,000	240,000	0	240,000	0
Dual Stream Recycling	A	0	229,000	0	229,000	0
Vehicle Replacement Programme (Other)	A	108,000	107,000	24,950	128,000	21,000
Env. Improvements - Upper St John St & Birmingham Road	R	7,000	7,000	0	7,000	0
The Leomansley Area Improvement Project	R	3,000	3,000	0	3,000	0
Cannock Chase SAC	R	44,000	44,000	42,990	44,000	0
Shaping Place Total		1,102,000	1,460,000	104,795	1,510,000	50,000
Multi Storey Car Park Refurbishment Project	A	250,000	259,000	170,477	259,000	0
Vehicle Replacement Programme (Car Parks)	A	10,000	10,000	0	0	(10,000)
Birmingham Road Site - Coach Park	A	625,000	880,000	2,000	300,000	(580,000)
Birmingham Road Site - Short Term Redevelopment	A	0	13,000	8,319	13,000	0
Car Parks Variable Message Signing	A	32,000	32,000	0	0	(32,000)
Old Mining College - Refurbish access and signs	R	13,000	13,000	0	13,000	0
St. Chads Sculpture (Lichfield City Art Fund)	R	5,000	5,000	5,000	5,000	0
Developing Prosperity Total		935,000	1,212,000	185,796	590,000	(622,000)
Equipment Storage	A	0	100,000	0	125,000	25,000
Property Planned Maintenance	A	289,000	390,000	0	379,000	(11,000)
New Financial Information System	A	225,000	269,000	151,202	225,000	(44,000)
Depot Sinking Fund	A	11,000	0	0	0	0
Carbonisation Project - District Council House	A	0	263,000	195,879	263,000	0
IT Infrastructure	A	35,000	123,000	69,895	110,000	(13,000)
ICT Hardware	A	165,000	165,000	0	0	(165,000)
IT Innovation	A	205,000	143,000	(650)	43,000	(100,000)
District Council House Repair Programme	A	188,000	238,000	0	238,000	0
Good Council Total		1,118,000	1,691,000	416,326	1,383,000	(308,000)
Approved Budget		6,530,000	7,668,000	1,707,287	6,795,000	(873,000)
Asset	A	4,207,000	5,582,000	1,080,127	4,701,000	(881,000)
REFCUS	R	2,323,000	2,086,000	627,161	2,094,000	8,000

Funding Source	Original Budget	Approved Budget	Projected Actual	Variance
Capital Receipts	1,301,000	1,805,000	1,209,000	(596,000)
Corporate Revenue	0	0	0	0
Borrowing Need - Borrowing and Finance Leases	278,000	328,000	328,000	0
Capital Grants and Contributions	3,071,000	3,151,000	3,119,000	(32,000)
Reserves, Existing Revenue Budgets and Sinking Funds	1,880,000	2,384,000	2,139,000	(245,000)
Capital Programme Total	6,530,000	7,668,000	6,795,000	(873,000)

Balance Sheet Projections

	2020/21 Actual £000s	2021/22 Original £000s	2021/22 Projected £000s	2021/22 Variance £000s
Non-Current Assets	44,575	48,640	46,816	(1,824)
Equity Investment in Local Authority Company	225	225	225	0
Long Term Debtors	165	141	165	24
Long Term Debtors (Company Loan)	0	675	675	0
Investments	37,289	23,813	29,858	6,045
Borrowing	(2,255)	(2,059)	(2,060)	(1)
Finance Leases	(606)	(108)	(40)	68
Working Capital	(13,580)	(11,081)	(13,095)	(2,014)
Pensions	(41,554)	(33,493)	(43,918)	(10,425)
TOTAL ASSETS LESS LIABILITIES	24,259	26,753	18,626	(8,127)

<u>Unusable Reserves</u>				
Revaluation Reserve	(10,131)	(9,425)	(10,131)	(706)
Capital Adjustment Account	(31,653)	(37,671)	(34,904)	2,766
Deferred Credits	(47)	(47)	(47)	0
Pension Scheme	43,821	34,711	45,136	10,425
Benefits Payable During Employment Adjustment Account	460	332	460	128
Collection Fund	6,037	1,037	3,466	2,429
Financial Instruments Reserve	41	384	41	(343)
Total Unusable Reserves	8,528	(10,679)	4,020	14,699
<u>Usable Reserves</u>				
Unapplied Grants and Contributions	(3,618)	(1,633)	(2,601)	(968)
Usable Capital Receipts	(3,042)	(1,110)	(2,119)	(1,009)
Sinking Funds	(64)	0	0	0
Earmarked Reserves - Unrestricted	(15,145)	(3,760)	(6,855)	(3,095)
Earmarked Reserves - Restricted	(4,204)	(2,584)	(3,937)	(1,353)
General Fund Balance	(6,714)	(6,986)	(7,134)	(148)
Total Usable Reserves	(32,787)	(16,074)	(22,646)	(6,572)
TOTAL EQUITY	(24,259)	(26,753)	(18,626)	8,127

Capital Funding	(31,653)	(37,671)	(34,904)	2,766
Revaluation Reserve	(10,131)	(9,425)	(10,131)	(706)
Borrowing and Leasing	(2,861)	(2,167)	(2,101)	67
Non-Current Assets	44,800	48,865	47,041	(1,824)
Investments	37,330	24,197	29,899	5,702
Unapplied Grants & Earmarked Reserves	(26,073)	(9,088)	(15,512)	(6,424)
General Reserve	(6,714)	(6,986)	(7,134)	(148)
Long Term Debtors	165	141	165	24
Long Term Debtors (Company Loan)	0	675	675	0
Working Capital & Pensions	(4,863)	(8,541)	(7,998)	543
Balance Sheet Summary Total	0	0	0	0
Total Capital Financing Requirement³	3,016	2,445	2,681	236
Internal Borrowing	155	277	580	303

Borrowing Capital Finance Requirement	2,410	2,336	2,640	304
Working Capital, Pensions and Long Term Debtors	(4,657)	(8,016)	(7,792)	224
Usable Reserves	(32,787)	(16,074)	(22,646)	(6,572)
Minimum Level of Investments	10,000	10,000	10,000	0
Liability Benchmark	(25,034)	(11,754)	(17,798)	(6,044)

³ Borrowing Capital Finance Requirement plus finance leases.

Investments in the 2021/22 Financial Year

The table below shows a breakdown of our investments at the 30 September 2021:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Foreign Parent
Money Market Funds						
Invesco Aim	£600,000	01-Oct-21	Instant Access	0.01%	0	N/A
Blackrock Institutional	£4,000,000	01-Oct-21	Instant Access	0.01%	0	N/A
Federated	£5,000,000	01-Oct-21	Instant Access	0.01%	0	N/A
Aberdeen	£4,000,000	01-Oct-21	Instant Access	0.01%	0	N/A
BNP Paribas MMF	£4,000,000	01-Oct-21	Instant Access	0.01%	0	N/A
CCLA MMF	£5,000,000	01-Oct-21	Instant Access	0.02%	0	N/A
Strategic Funds						
CCLA Property Fund	£2,000,000	N/A	N/A	3.51%	N/A	No
Ninety-One Diversified Income Fund	£3,000,000	N/A	N/A	4.05%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	2.14%	N/A	No
Aegon Diversified Income Fund	£3,000,000	N/A	N/A	3.59%	N/A	No
Fixed Term Investments						
Staffordshire Moorlands District Council	£2,000,000	18-Nov-21	49	0.25%	LOCAL	
Surrey Heath Borough Council	£2,000,000	15-Dec-21	76	0.06%	LOCAL	
Monmouthshire Council	£2,000,000	28-Apr-22	210	0.10%	LOCAL	
Cheltenham Borough Council	£2,000,000	12-Nov-21	43	0.05%	LOCAL	
Ashford Borough Council	£2,000,000	19-Apr-22	201	0.07%	LOCAL	
Debt Management Office	£6,000,000	19-Oct-21	19	0.01%	UK Gov.	
Call Accounts with Notice Period						
Lloyds	£1,000,000	03-Jan-22	95	0.03%	A+	
HSBC	£999,500	31-Oct-21	31	0.20%	A+	
Total Investments	£50,599,500					

External Borrowing

The Council currently has two external loans:

	Principal	Average Rate	Years to Final Maturity	(Premium) /Discount
PWLB Fixed Equal Instalment of Principal (EIP)	£1,126,280	2.59%	18.5	(£159,508)
PWLB Fixed Annuity	£1,001,145	1.71%	6.7	(£37,311)
TOTAL Borrowing	£2,127,425	2.18%	12.9	(£196,819)