

Mid-Year Treasury Management and Local Audit Update Report

Cabinet Member for Finance and Commissioning



Date: 30 November 2022
Agenda Item:
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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 2022) Treasury Management performance in 2022/23 and provides an update on the recent Public Sector Audit Appointments procurement.
- 1.2 Capital expenditure is projected to be **£11,572,000** and this is **(£271,000)** lower than the Approved Revised Budget of **£11,843,000**.
- 1.3 There is projected to be **(£1,074,000)** capital receipts received in 2022/23 compared to the Approved Budget of **(£880,000)**. 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 2022/23 reflects the projected expenditure of **£11,572,000**.
- 1.5 The Capital Financing Requirement (Borrowing Need) and its financing is projected to be in line with the Approved Budget.
- 1.6 Minimum Revenue Provision at **£429,204** is projected to be lower than the budget of **£460,000** by **(£31,000)** due to the finance lease element being lower than budgeted.
- 1.7 The Balance Sheet projections indicate:
 - Total assets less liabilities are projected to be **£20,095,000** higher than the budget principally due to the reassessment of the pension long term obligation by the Actuary at 31 March 2022.
 - Usable reserves are projected to be **£631,000** lower than budget due principally to lower than projected general reserves.
 - Unusable reserves are projected to be **(£20,726,000)** 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 2023 will be **£37,554,000** and these are **£6,618,000** higher than the Original Budget of **£30,936,000**. This is due to a higher level at 31 March 2022 and higher than projected level of unapplied grants and earmarked reserves that is offset by lower than projected working capital in 2022/23.
- 1.8 The Council was required to approve an Investment Strategy Report for 2022/23 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 **AA-** (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 2022/23.

2. Recommendations

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

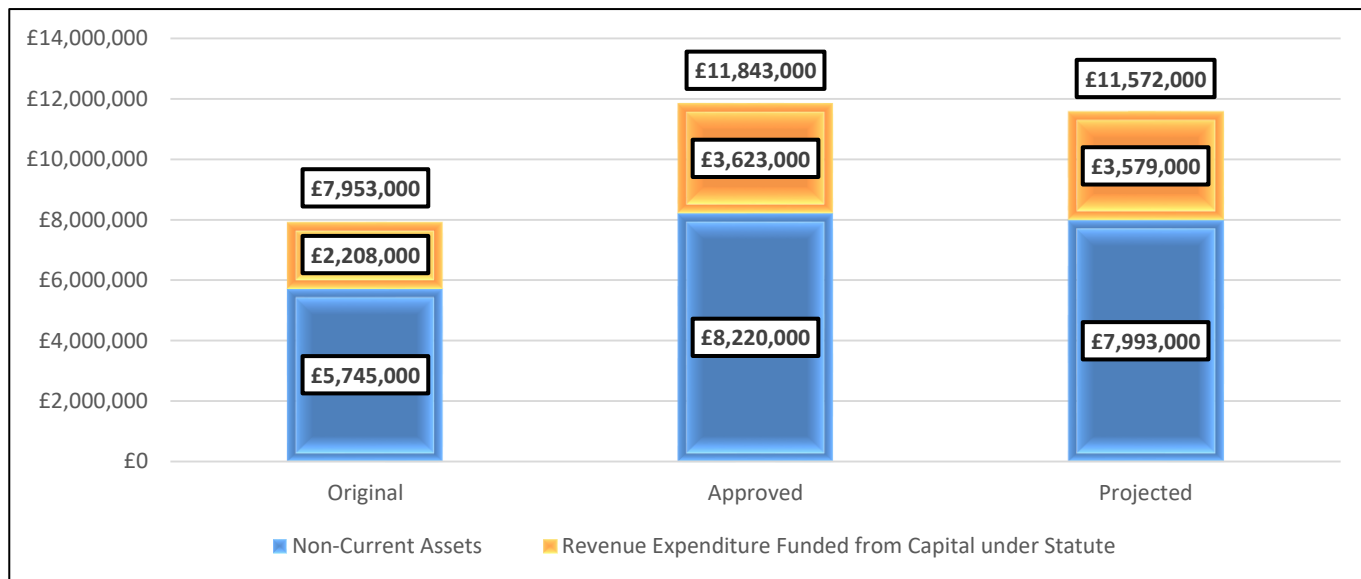
3. Background

The Capital Programme and Treasury Management

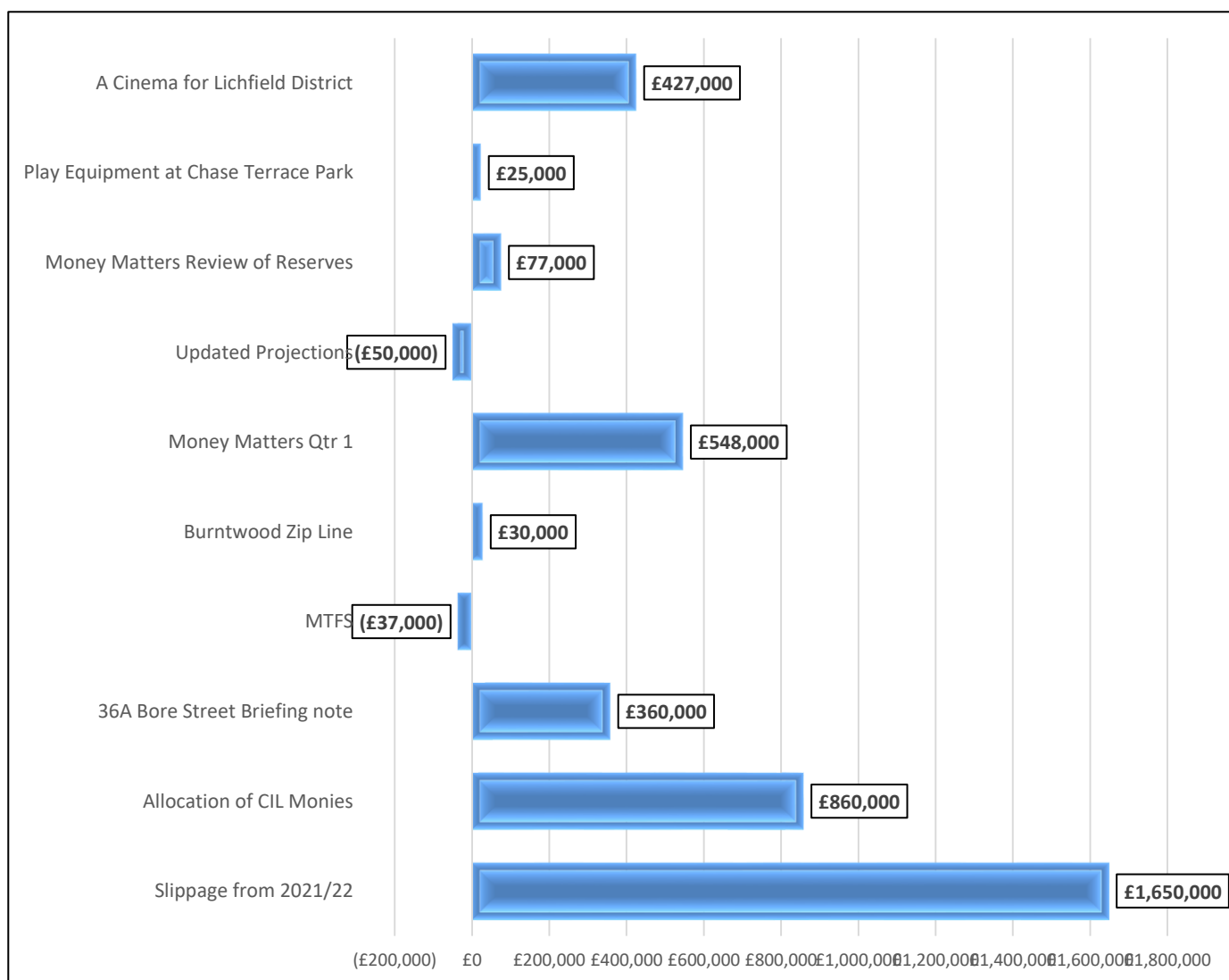
- 3.1. This Mid-Year Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2022/23 and the projected Prudential Indicators for 2022/23.
- 3.2. Treasury Management is defined as: *"The management of the local authority's investments and cash flows, 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 2022/23;
 - 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 2022/23 is shown in detail at **APPENDIX A** and in the chart below:



3.10. The reasons for the budgetary increase of **£3,890,000** between the Original budget of **£7,953,000** and the Approved budget of **£11,843,000** are shown below:



3.11. Capital expenditure is projected to be **£11,572,000** which is **(£271,000)** lower than the Approved Revised Budget of **£11,843,000**.

Capital Receipts

3.12. The Original Budget, Approved Budget, and projected capital receipts received in the first six months are shown below:

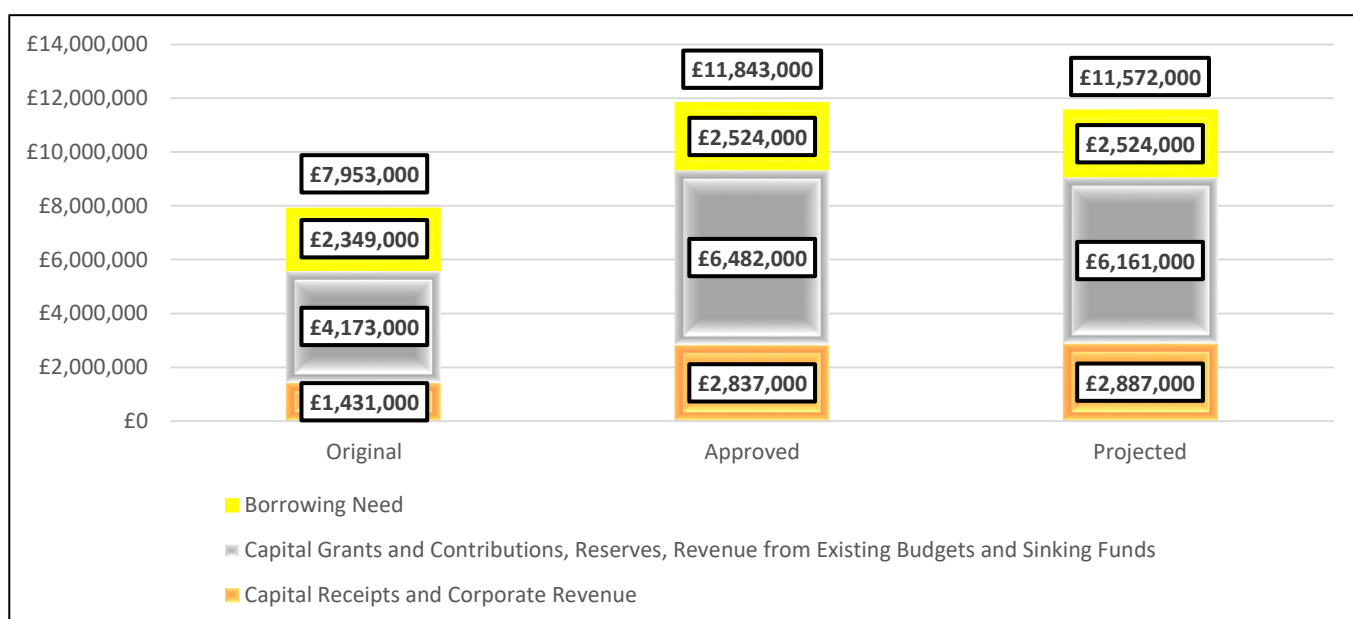


3.13. There is projected to be **(£1,074,000)** capital receipts received in 2022/23 compared to the Approved Budget of **(£880,000)**.

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.

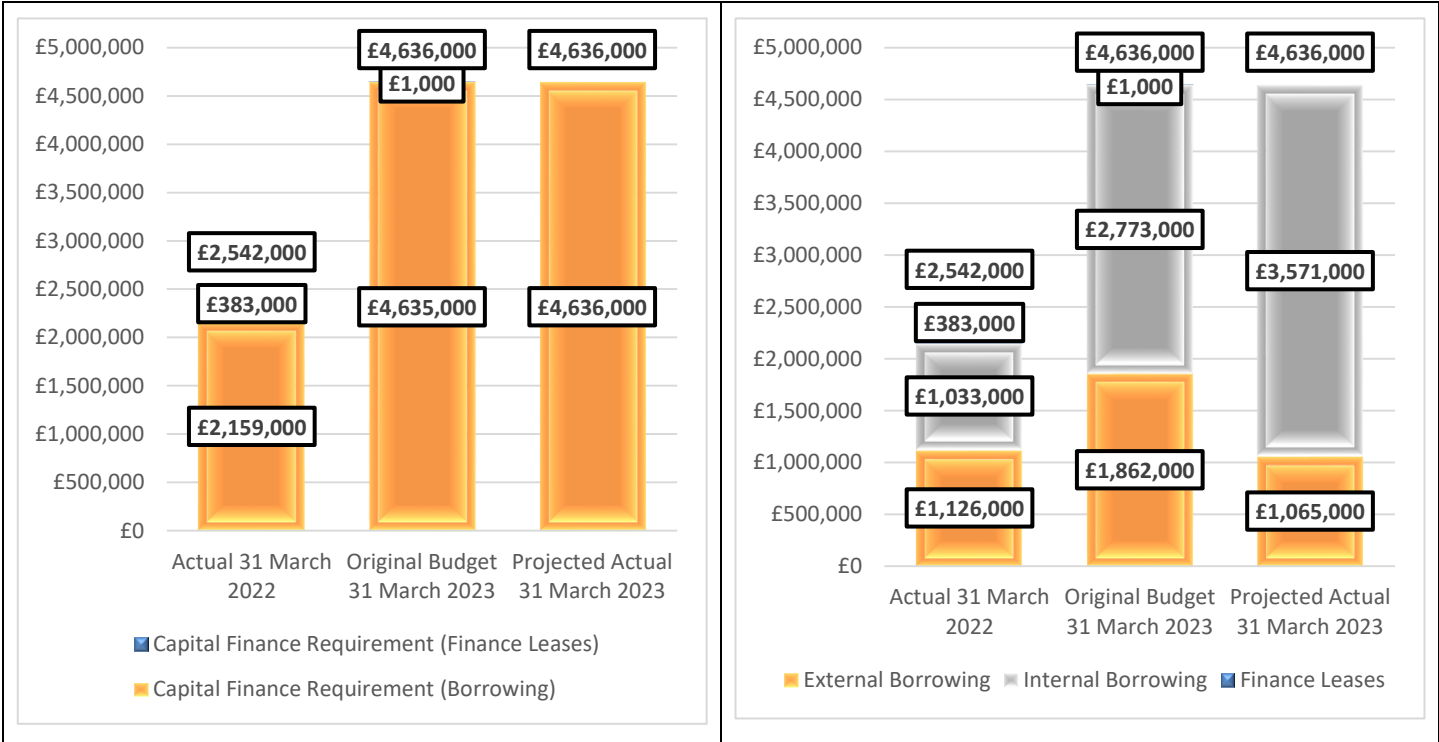
The Funding of the Capital Programme

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:



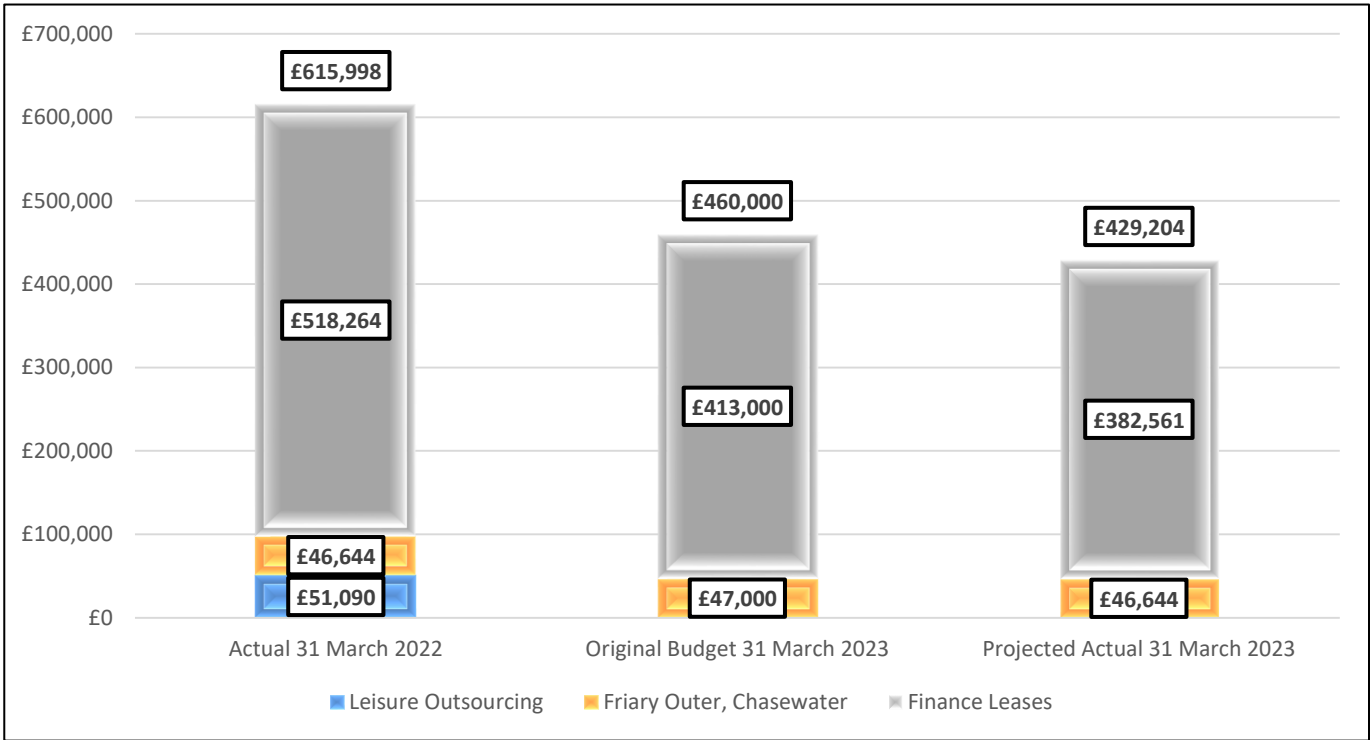
The Capital Financing Requirement (Borrowing Need) and its Financing

3.17. The actual for 2021/22, Original Budget and Projected Actual for 2022/23 of the Borrowing Need, together with its financing is shown below:



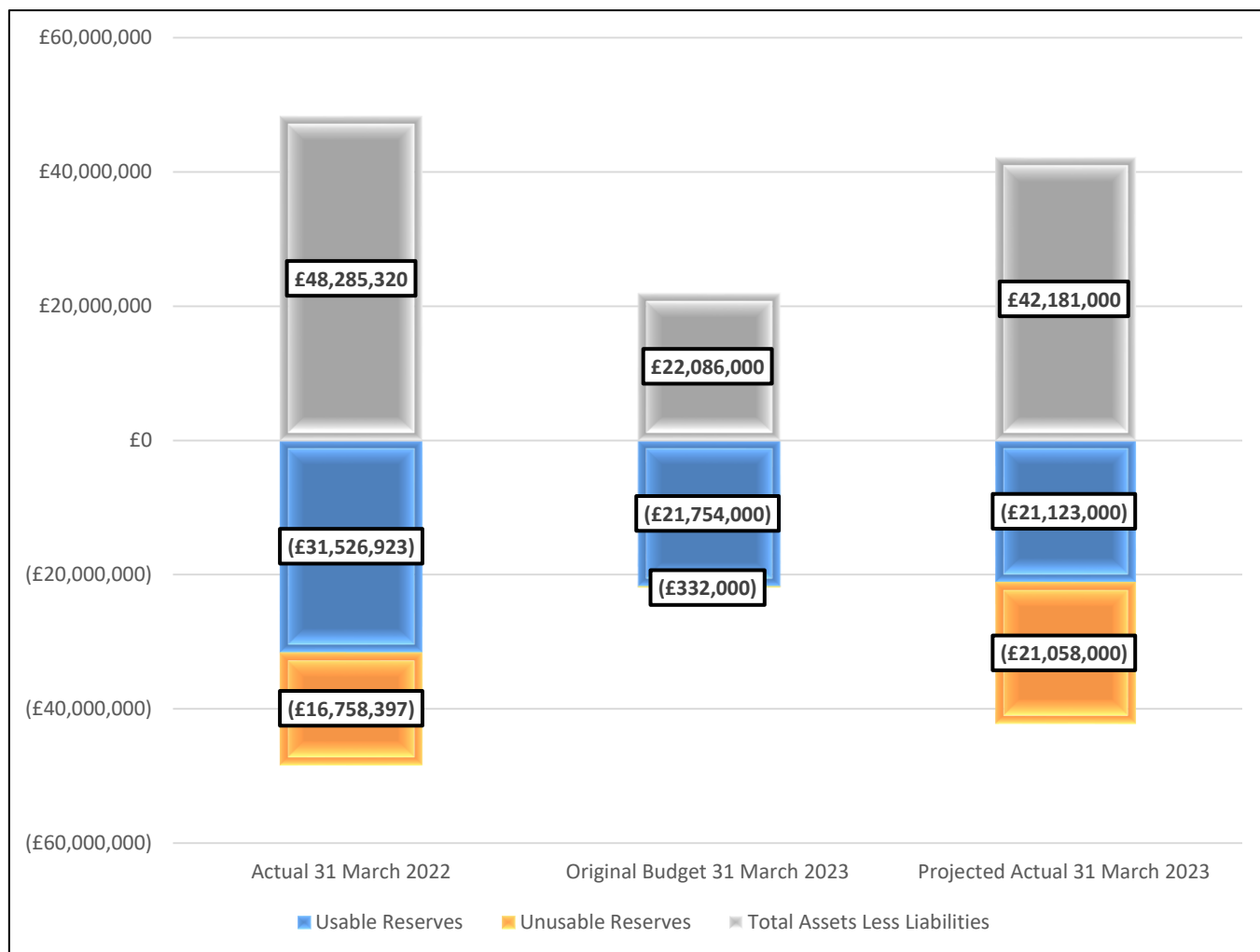
Minimum Revenue Provision

3.18. The Minimum Revenue Provision charged to revenue in 2021/22, the Original Budget for 2022/23 and the projected actual in 2022/23 is shown below:



The Balance Sheet

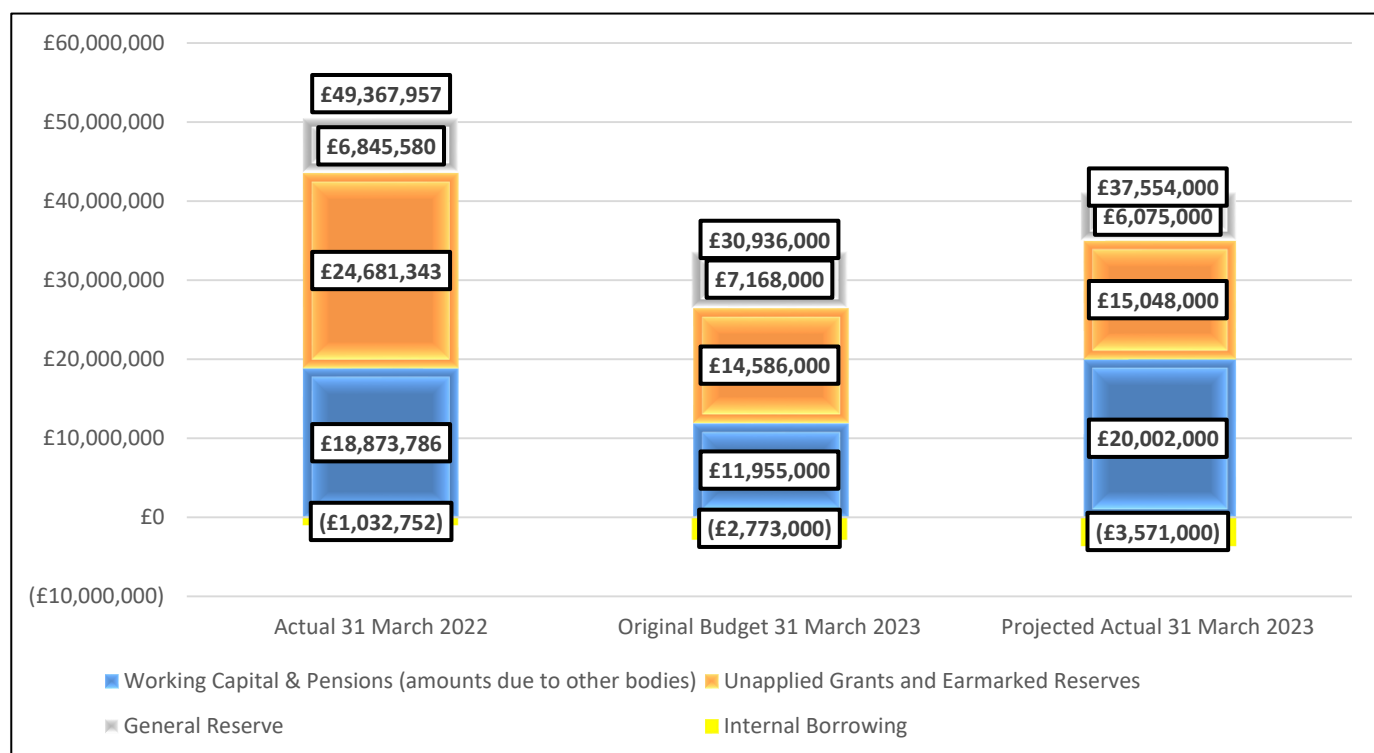
3.19. The Balance Sheet Projections for 2022/23 compared to the Original Budget are shown in detail at **APPENDIX B** and in summary below:



3.20. The main reasons for the variances between the budgeted and projected Balance Sheet for 2022/23 are:

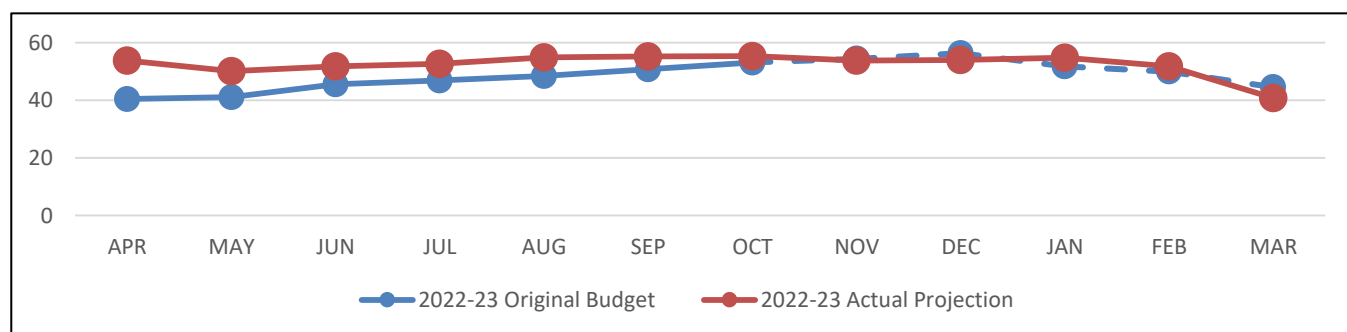
Area	Pensions £000	Non Pensions £000	Total £000
Lower long term liability assessed by the Actuary	20,967		20,967
Higher projected spend on non-current assets including slippage from 2021/22 and approvals during the financial year such as the cinema development		2,281	2,281
Higher investments as a result of higher working capital and reserves		6,618	6,618
Lower working capital that reflects the actual level at 31 March 2022		(10,020)	(10,020)
Other		249	249
Total Assets less Liabilities	20,967	(872)	20,095
Higher earmarked reserves		(292)	(292)
Lower General Reserves based on Money Matters 3 Months		1,093	1,093
Other		(170)	(170)
Total Usable Reserves		631	631
A decrease in the Council's share of the deficit in the Collection Fund reserve due to a higher Council Tax surplus and lower Business Rates deficit in 2021/22 together with improved projections in the first 3 months of 2022/23.		(742)	(742)
The statutory reserve to offset the lower long term liability assessed by the Actuary	(19,749)		(19,749)
Higher level in the Capital Revaluation and Adjustment accounts that reflects the actual level at 31 March 2022		(1,766)	(1,766)
Adjustment to Available for Sale Reserve based on current strategic investment values		1,571	1,571
Other		(40)	(40)
Total Unusable Reserves	(19,749)	(977)	(20,726)

3.21. 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

3.22. The graph below compares the Original Budget for average investment levels in 2022/23 with the actual/projected levels.



3.23. Investment income and borrowing costs are shown below:

Treasury Management	2022/23					
	Original Budget		Approved Budget		Projected	
	Investment Income	Borrowing	Investment Income	Borrowing	Investment Income	Borrowing
Average Balance	£48.63m	£1.08m	£52.42m	£1.08m	£52.42m	£1.08m
Average Rate for 22/23	1.12%	2.59%	2.05%	2.59%	2.64%	2.59%

Gross Investment Income	(£390,000)		(£1,073,230)		(£1,384,000)	
Property Fund Transfer to Reserves	£0		£15,000		£15,000	
DIF Transfer to Reserves	£0		£85,000		£85,000	
Temporary Loan transfer to Reserves	£0		£0		£310,770	
External Interest		£44,000		£74,500		£74,500
Internal Interest		£1,000		£1,000		£1,000
Minimum Revenue Provision (less Finance Leases)		£47,000		£47,000		£47,000
Net Treasury Position (6 Months)	(£390,000)	£92,000	(£973,230)	£122,500	(£971,000)	£122,500
	(£298,000)		(£850,730)		(£850,730)	

Investment Strategy

3.24. 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.**

3.25. The Government has recognised in recent Department of 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.

3.26. 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 **22 February 2022.**

Service Investments

3.27. There are two significant approved investments of a service nature and the investment and net return either included in the Approved Budget or projected are detailed below:

	Approved Budget				
	2022/23	2023/24	2024/25	2025/26	2026/27
Approved Loan to the LWMTS¹	£150,000	£150,000	£150,000	£150,000	£150,000
Projected use of the Facility	£56,565	£0	£0	£0	£0
Projected year-end balance	£45,252	£33,939	£22,626	£11,313	£0
Net Income	£2,263	£2,263	£2,263	£2,263	£2,263
Net Return	4.00%	4.00%	4.00%	4.00%	4.00%
Approved Loan to the Joint Venture	£892,000	£3,566,000	£5,349,000	£5,349,000	£5,349,000
Net Income (still to be validated & agreed)	TBD	TBD	TBD	TBD	TBD
Net Return (still to be validated & agreed)	TBD	TBD	TBD	TBD	TBD

Commercial Investments

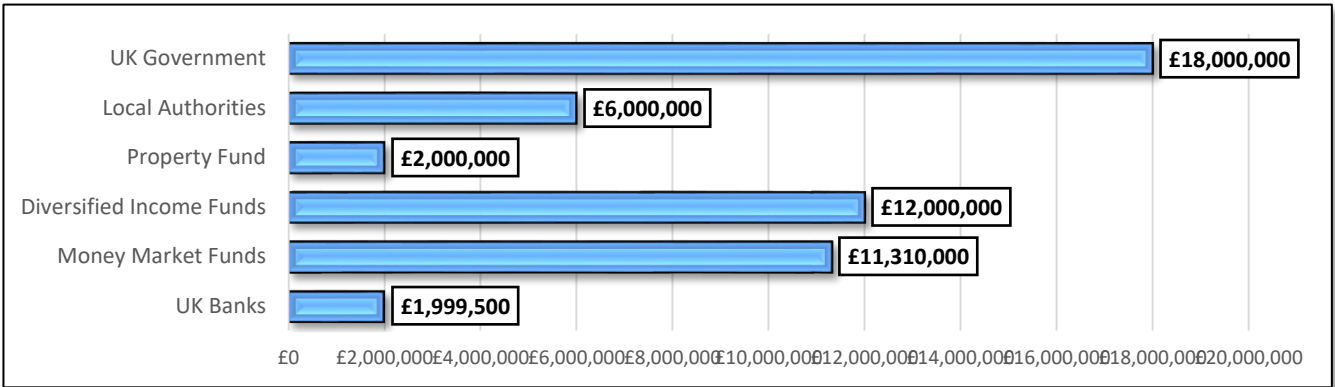
3.28. No commercial investments are currently planned.

¹ The Review of Reserves Report to Cabinet on 6 September 2022 approved by Council on 18 October 2022 updated the loan to the Company to a level of up to **£150,000.**

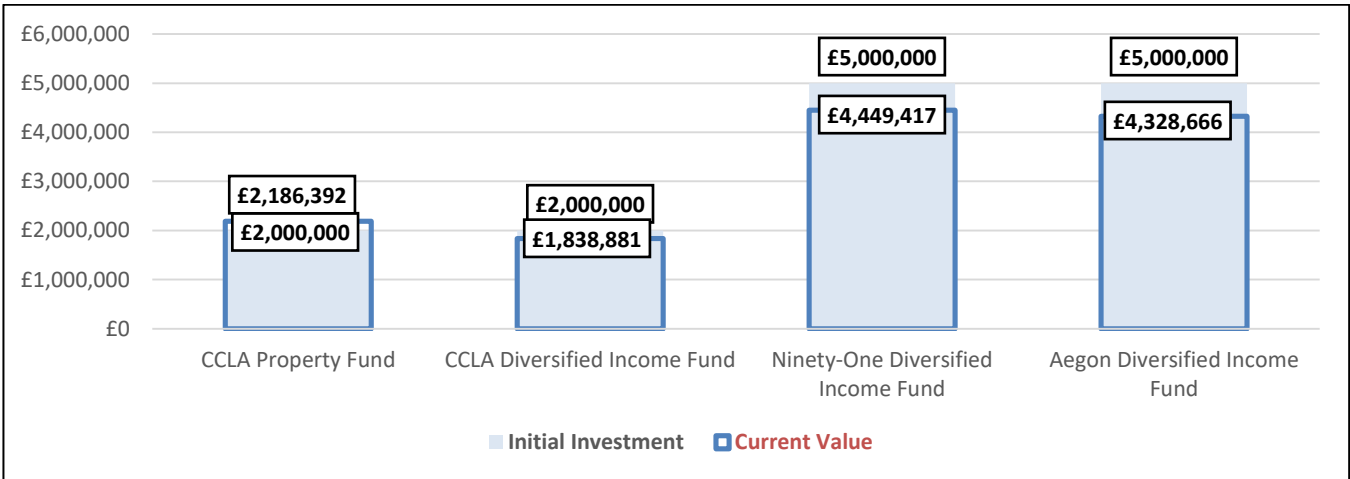
Treasury Management Investments

The Security of Our Investments

3.34. The investments the Council had at the 30 September 2022 of **£51.31m** (with the property and diversified income funds valued at original investment of £2.00m or £5.00m) by type and Country are summarised in the graph below and are shown in more detail at **APPENDIX C**:

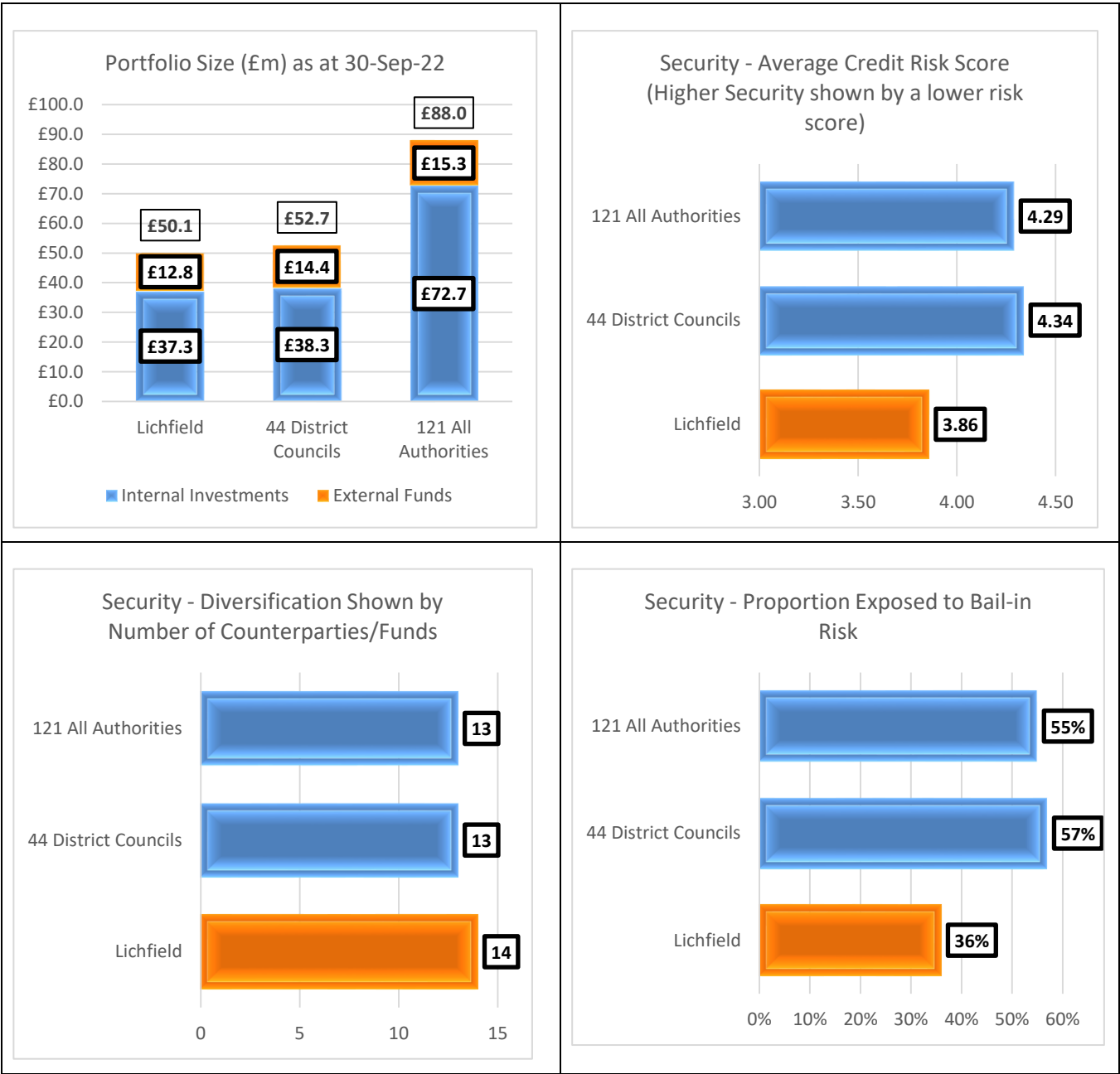


3.35. The current values of the Property Fund and the Diversified Income Fund together are shown below:

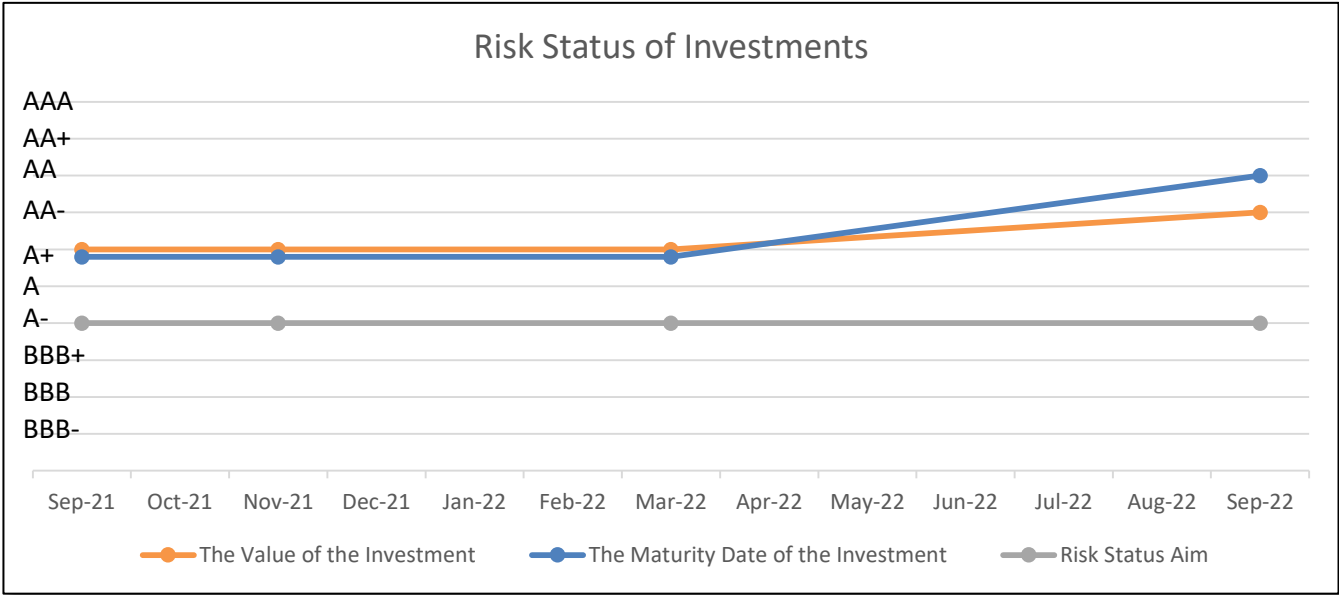


- 3.36. Overall in terms of strategic investments there is a ‘book loss’ of **£1,196,644** and the earmarked reserve to manage volatility risk is projected to be **(£740,290)**.
- 3.37. The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers’ cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China’s zero-Covid policy.
- 3.38. Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government’s fiscal plans, leading to an acceleration in the rate of the rise in gilt yields i.e. a fall in bond prices and decline in the value of sterling. Bonds form a component of the Council’s multi-asset funds
- 3.39. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority’s medium to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years, but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

- 3.40. CCLA announced in mid October the notice period for redemptions would be increased from 90 days to 6 months for the property fund. The extension is not a suspension of dealing and that the manager is adopting a cautious stance prompted by the current uncertainty in the property markets and that quarterly distributions are unaffected. This fund is viewed as a longer-term investment in the Council’s portfolio and we are not contemplating its sale at the current time.
- 3.41. It is also important to note that the current statutory IFRS9 override is scheduled to end on 31 March 2023, the Government is currently consulting on a potential extension and the Council responded on 16 August 2022. This override currently means that any gain or loss on strategic fund investments is accounted for on the Balance Sheet until it is realised through a sale.
- 3.42. In the event this statutory override is not renewed, any gain or loss will need to be transferred to revenue and managed through reserves until disposal. To manage the inherent volatility with these long term investments, the Council had previously established a Strategic Investment Volatility Reserve.
- 3.43. The Council’s portfolio size (with the Property and Diversified Income Funds valued at its current value of £12.8m), average credit score, diversification and exposure to ‘Bail in’ risk compared to Arlingclose Clients is shown below:

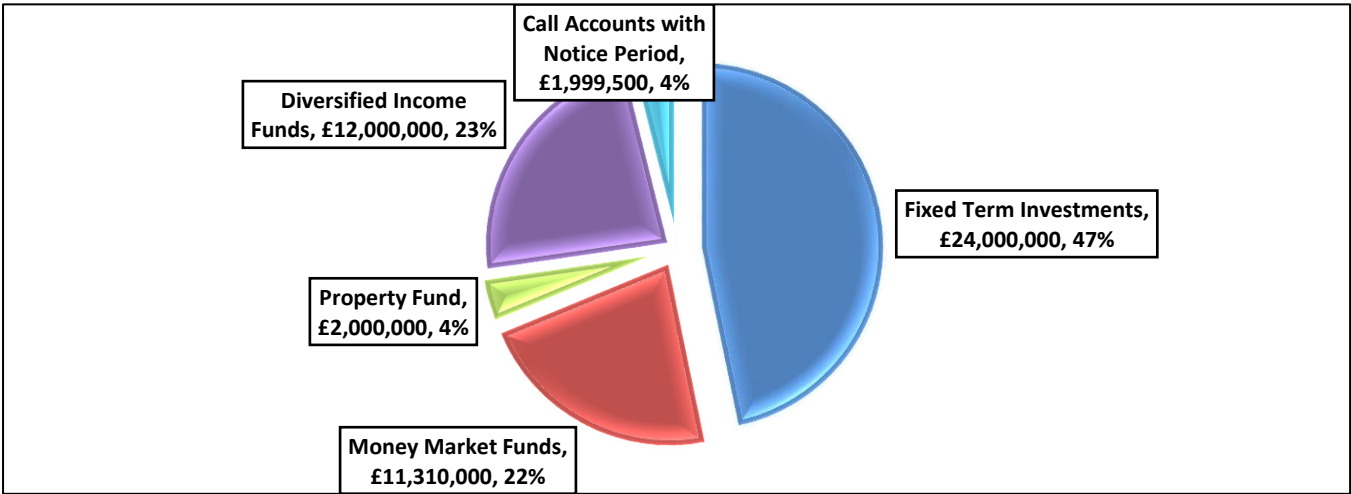


3.44. Our aim for the risk status of our investments was A- or higher. The risk status based on the length of the investment and the value for a 13 month period is summarised in the graph below:

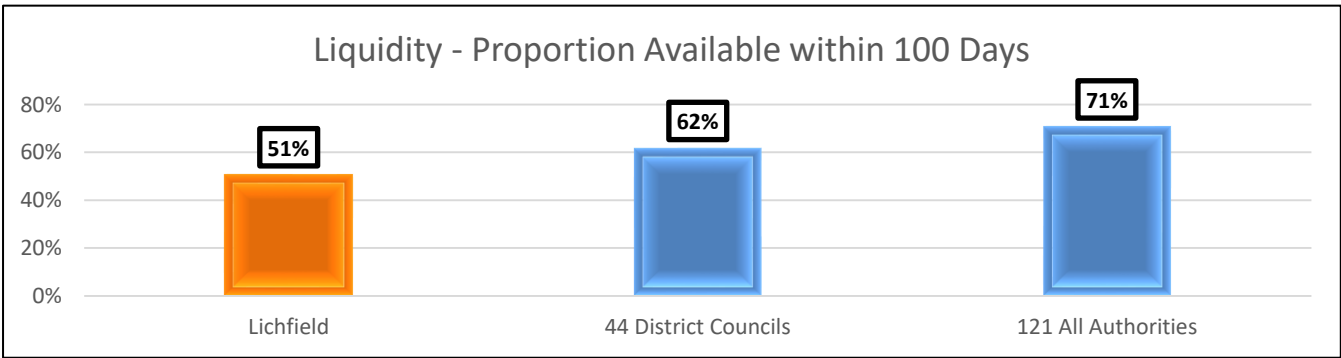


The Liquidity of our Investments

3.45. The Council has not had to temporarily borrow during 2022/23 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 £5m) are shown below:

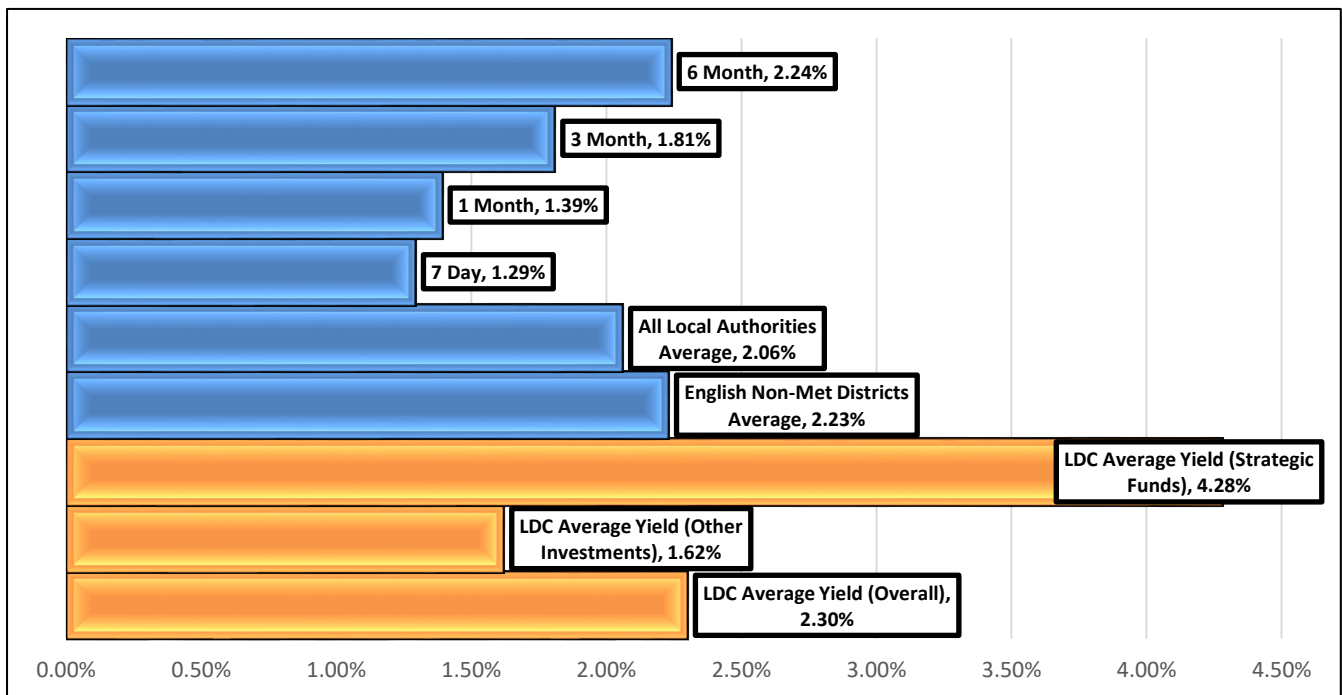


3.46. The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown below:



The Return or Yield of our Investments

3.47. The yield the Council achieved compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) is shown below:



External Borrowing

3.48. The Council currently has one external loan with the Public Works Loans Board with **£1,065,400** outstanding and this is shown in detail at **APPENDIX C**.

Local Audit Update

- 3.49. At the beginning of October 2023 PSAA announced the results of the latest procurement covering the five year period 2023/24 to 2027/28.
- 3.50. The firm identified for Lichfield District Council is one of the new entrants and is subject to the outcome of a consultation exercise.
- 3.51. This procurement has secured sufficient audit capacity to appoint auditors to all relevant local bodies (99% of eligible bodies joined the procurement). However the audit fees will need to increase by an estimated level of **150%**.
- 3.52. The auditing profession is still managing and adapting to high profile issues in the corporate sector. This has led to a number of government commissioned reviews and reform proposals some of which are still to be finalised and legislated. These issues have also contributed to the growing recruitment and retention problems faced by all firms.
- 3.53. Local audit also has sector specific challenges:
- The local audit market lacks competition (10 firms are registered, 3 chose not to bid and contracts were entered into with six of the remaining suppliers).
 - Only **9% of 2020/21 audit opinions were delivered by the deadline of 30 September 2021 – 35% are still outstanding** 12 months later.

- 3.54. Many of these problems were identified previously in the Redmond Review however the situation has become more precarious since 2020. It is important that when the next procurement takes place in five years it is undertaken against a more stable backcloth.
- 3.55. Therefore improvements will need to be identified including:
- Attracting new suppliers to the market.
 - Developing a mixed economy potentially with an element of the workforce directly employed by the public sector.
 - Working to simplify the accounting code and gearing audit requirements to the sector.
 - Focusing on timeliness of audit opinions to provide assurance.
- 3.56. It is increasingly important that timely and strong independent audit is provided given the challenges faced by the sector moving forward.

Alternative Options		There are no alternative options.																																																																																	
Consultation		Consultation is undertaken as part of the Strategic Plan and with Leadership Team.																																																																																	
Financial Implications	Projected Prudential indicators (PI) 2022/23:																																																																																		
	<ul style="list-style-type: none">• We can confirm that the Council is compliant with its Prudential Indicators for 2022/23; these were originally approved by Council at its meeting on 22 February 2022 and will be fully revised and approved by Council on 28 February 2023.• 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 2022/23.• None of the other Prudential Indicators have been breached. The Prudential Indicators are summarised in the table below:																																																																																		
	<table><tr><th colspan="6">Capital Strategy Indicators</th></tr><tr><th colspan="6">Prudential Indicators</th></tr><tr><th>Indicators</th><th>2021/22 Actual</th><th>2022/23 Original</th><th>2022/23 Approved</th><th>2022/23 Projected</th><th>Compliant</th></tr><tr><td><u>Capital Investment</u></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Capital Expenditure (£m)</td><td>£4.741</td><td>£7.953</td><td>£11.843</td><td>£11.572</td><td>✓</td></tr><tr><td>Capital Financing Requirement (£m)</td><td>£2.542</td><td>£4.636</td><td>£4.636</td><td>£4.636</td><td>✓</td></tr><tr><td><u>Gross Debt and the Capital Financing Requirement</u></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Gross Debt</td><td>(£1.509)</td><td>(£1.863)</td><td>(£1.066)</td><td>(£1.066)</td><td>✓</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><td>✓</td></tr><tr><td><u>Total Debt</u></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Authorised Limit (£m)</td><td>£3.204</td><td>£15.238</td><td>£15.238</td><td>£1.509</td><td>✓</td></tr><tr><td>Operational Boundary (£m)</td><td>£3.204</td><td>£6.811</td><td>£6.811</td><td>£1.509</td><td>✓</td></tr><tr><td>Proportion of Financing Costs to Net Revenue Stream (%)</td><td>5%</td><td>4%</td><td>4%</td><td>3%</td><td>✓</td></tr></table>					Capital Strategy Indicators						Prudential Indicators						Indicators	2021/22 Actual	2022/23 Original	2022/23 Approved	2022/23 Projected	Compliant	<u>Capital Investment</u>						Capital Expenditure (£m)	£4.741	£7.953	£11.843	£11.572	✓	Capital Financing Requirement (£m)	£2.542	£4.636	£4.636	£4.636	✓	<u>Gross Debt and the Capital Financing Requirement</u>						Gross Debt	(£1.509)	(£1.863)	(£1.066)	(£1.066)	✓	Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No	✓	<u>Total Debt</u>						Authorised Limit (£m)	£3.204	£15.238	£15.238	£1.509	✓	Operational Boundary (£m)	£3.204	£6.811	£6.811	£1.509	✓	Proportion of Financing Costs to Net Revenue Stream (%)	5%	4%	4%	3%	✓
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Operational Boundary (£m)	£3.204	£6.811	£6.811	£1.509	✓																																																																														
Proportion of Financing Costs to Net Revenue Stream (%)	5%	4%	4%	3%	✓																																																																														
<table><tr><th colspan="6">Local Indicators</th></tr><tr><th>Indicators</th><th>2021/22 Actual</th><th>2022/23 Original</th><th>2022/23 Approved</th><th>2022/23 Projected</th><th>Compliant</th></tr><tr><td>Replacement of Debt Finance or MRP (£m)</td><td>(£0.922)</td><td>(£0.459)</td><td>(£0.460)</td><td>(£0.429)</td><td>✓</td></tr><tr><td>Capital Receipts (£m)</td><td>(£0.121)</td><td>(£0.010)</td><td>(£0.880)</td><td>(£0.880)</td><td>✓</td></tr><tr><td>Housing Capital Receipts (£m)</td><td>(£0.395)</td><td>£0.000</td><td>(£0.194)</td><td>(£0.194)</td><td>✓</td></tr><tr><td>Liability Benchmark (£m)</td><td>£38.242</td><td>£19.075</td><td>£25.136</td><td>£26.490</td><td>✓</td></tr><tr><td>Treasury Management Investments (£m)</td><td>£49.368</td><td>£30.936</td><td>£36.199</td><td>£37.554</td><td>✓</td></tr></table>					Local Indicators						Indicators	2021/22 Actual	2022/23 Original	2022/23 Approved	2022/23 Projected	Compliant	Replacement of Debt Finance or MRP (£m)	(£0.922)	(£0.459)	(£0.460)	(£0.429)	✓	Capital Receipts (£m)	(£0.121)	(£0.010)	(£0.880)	(£0.880)	✓	Housing Capital Receipts (£m)	(£0.395)	£0.000	(£0.194)	(£0.194)	✓	Liability Benchmark (£m)	£38.242	£19.075	£25.136	£26.490	✓	Treasury Management Investments (£m)	£49.368	£30.936	£36.199	£37.554	✓																																					
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Treasury Management Investments (£m)	£49.368	£30.936	£36.199	£37.554	✓																																																																														

Treasury Management Indicators					
Prudential Indicators					
	2021/22 Actual	Lower Limit	Upper Limit	2022/23 Projected	Compliant
<u>Refinancing Rate Risk Indicator</u>					
Under 12 months	5%	0%	100%	6%	✓
12 months and within 24 months	5%	0%	100%	6%	
24 months and within 5 years	16%	0%	100%	17%	
5 years and within 10 years	27%	0%	100%	29%	
10 years and within 20 years	46%	0%	100%	43%	
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%	

	2021/22 Actual	2022/23 Original	2022/23 Approved	2022/23 Projected	Compliant
Indicators					
Principal Sums invested for periods longer than a year (£m)	£10.000	£15.000	£15.000	£14.000	✓

Local Indicators					
	2021/22 Actual	2022/23 Original	2022/23 Approved	2022/23 Projected	Compliant
Indicators					
	£m	£m	£m	£m	
<u>Balance Sheet Summary and Forecast</u>					
Borrowing Capital Financing Requirement	£2.160	£4.636	£4.636	£4.636	✓
Internal (over) Borrowing	£1.033	£2.773	£3.571	£3.571	✓
(Investments) or New Borrowing	(£49.368)	(£30.936)	(£36.199)	(£37.554)	✓
Liability Benchmark	(£38.242)	(£19.075)	(£25.136)	(£26.490)	✓

	2021/22 Actual	Target	2022/23 Actual
<u>Security</u>			
Portfolio average credit rating	A+	A-	AA-
<u>Liquidity</u>			
Temporary Borrowing undertaken	£0.000	£0.000	£0.000
Total Cash Available within 100 days (maximum)	78%	90%	51%

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				
A	Council Tax is not set by the Statutory Date of 11 March 2023	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 consultation. 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	A property team has been recruited via the Company 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	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 / strategic plan to the emerging landscape				
G	The Council cannot achieve its approved Delivery Plan for 2023/24	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
H	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
I	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

- Medium Term Financial Strategy (Revenue and Capital) 2021-2026 (MTFS) – Cabinet 8 February 2022
- Money Matters: 2021/22 Review of Financial Performance against the Financial Strategy – Cabinet 7 June 2022
- Local Council Tax Support Scheme Review – Cabinet 5 April 2022
- Medium Term Financial Strategy (MTFS) – Cabinet 11 July 2022
- Local Council Tax Support Scheme Permission to Consult – Cabinet 11 July 2022
- Money Matters: 2022/23 Review of Financial Performance against the Financial Strategy –

Cabinet 6 September 2022

- Money Matters: Review of Reserves – Cabinet 6 September 2022
- Lichfield District Youth Council – Policy Proposal – Cabinet 6 September 2022
- Joint Venture – A cinema for Lichfield District – Cabinet 11 October 2022
- Medium Term Financial Strategy (Revenue and Capital) 2023-27 – Cabinet 11 October 2022

Relevant web links

Capital Programme Performance in 2022/23

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
Replacement Canopy and artificial grass at Armitage	R	0	3,000	0	3,000	0
Burntwood Leisure Centre Sinking Fund Projects	A	0	69,000	0	69,000	0
Friary Grange - Short Term Refurbishment	R	0	158,000	6,577	158,000	0
Replacement Leisure Centre	A	2,349,000	2,524,000	3,700	2,524,000	0
Burntwood Leisure Centre - Decarbonisation Scheme	A	0	18,000	(38,552)	18,000	0
Accessible Homes (Disabled Facilities Grants)	R	1,654,000	1,343,000	11,729	1,343,000	0
Home Repair Assistance Grants	R	4,000	0	0	0	0
Decent Homes Standard	R	147,000	97,000	0	97,000	0
DCLG Monies	R	212,000	0	0	0	0
Unallocated S106 Affordable Housing Monies	A	334,000	382,000	800	242,000	(140,000)
Burntwood Park Play Equipment	A	0	75,000	74,000	75,000	0
Conversion of 36a Bore Street	A	0	576,000	0	576,000	0
Streethay Community Centre	R	0	600,000	0	600,000	0
Changing Places Fund (LDC)	A	0	62,000	0	62,000	0
Changing Places Fund (NMA)	R	0	32,000	0	32,000	0
Play Equipment at Chase Terrace Park	A	0	25,000	0	25,000	0
Zip Wire in Burntwood	A	0	30,000	0	30,000	0
Enabling People Total		4,792,000	6,086,000	58,254	5,946,000	(140,000)
Loan to Council Dev Co.	A	0	150,000	0	150,000	0
Lichfield St Johns Community Link	R	35,000	35,000	0	35,000	0
Staffordshire Countryside Explorer	R	0	44,000	42,681	44,000	0
Lichfield Public Conveniences	A	0	40,000	0	40,000	0
Bin Purchase	A	150,000	150,000	0	150,000	0
Dual Stream Recycling	A	0	267,000	16,162	267,000	0
Vehicle Replacement Programme (Other)	A	229,000	229,000	74,665	186,000	(43,000)
Env. Improvements - Upper St John St & Birmingham Road	R	7,000	7,000	0	7,000	0
The Leomansley Area Improvement Project	R	0	3,000	0	3,000	0
Burntwood Public Conveniences	A	0	45,000	392	45,000	0
Falkland Road Fosseyway Canal Walk	R	0	260,000	0	260,000	0
Shaping Place Total		421,000	1,230,000	133,899	1,187,000	(43,000)
Vehicle Replacement Programme (Car Parks)	A	10,000	10,000	0	0	(10,000)
Coach Park	A	1,137,000	807,000	0	807,000	0
Car Parks Variable Message Signing	A	150,000	150,000	0	150,000	0
Old Mining College - Refurbish access and signs	R	13,000	13,000	0	13,000	0
Pay on Exit System at Friary Multi Storey	A	150,000	150,000	31,996	93,000	(57,000)
Birmingham Road Site Enabling Works	A	0	535,000	0	535,000	0
Cinema Development	R	0	892,000	0	892,000	0
Incubator Space	A	0	354,000	92,787	354,000	0
Card Payment in All Car Parks	A	100,000	100,000	41,914	123,000	23,000
Electric Vehicle Charge Points	A	80,000	80,000	0	80,000	0
Car Park Barriers	A	36,000	36,000	0	36,000	0
Developing Prosperity Total		1,676,000	3,127,000	166,696	3,083,000	(44,000)
Property Planned Maintenance	A	230,000	206,000	196,239	206,000	0
New Financial Information System	A	44,000	44,000	0	0	(44,000)
IT Infrastructure	A	0	300,000	23,732	300,000	0
Building a Better Council	A	600,000	665,000	268,748	665,000	0
Committee Audio-Visual Hybrid Meeting Platform	A	90,000	85,000	0	85,000	0
Construction Inflation Contingency	A	100,000	100,000	0	100,000	0
Good Council Total		1,064,000	1,400,000	488,719	1,356,000	(44,000)
Approved Budget		7,953,000	11,843,000	847,568	11,572,000	(271,000)
Asset	A	5,745,000	8,220,000	786,581	7,993,000	(227,000)
REFCUS (Revenue Expenditure funded from Capital Under Statute)	R	2,208,000	3,623,000	60,987	3,579,000	(44,000)

Funding Source	Original Budget	Approved Budget	Projected Actual	Variance
Capital Receipts	1,331,000	2,737,000	2,787,000	50,000
Corporate Revenue	100,000	100,000	100,000	0
Borrowing Need - Borrowing and Finance Leases	2,349,000	2,524,000	2,524,000	0
Capital Grants and Contributions	3,030,000	4,118,000	3,978,000	(140,000)
Reserves, Existing Revenue Budgets and Sinking Funds	1,143,000	2,364,000	2,183,000	(181,000)
Capital Programme Total	7,953,000	11,843,000	11,572,000	(271,000)

Balance Sheet Projections

(May not sum due to rounding)

	2021/22 Actual £000s	2022/23 Original £000s	2022/23 Projected £000s	2022/23 Variance £000s
Non-Current Assets	48,033	51,125	53,406	2,281
Equity Investment in Local Authority Company	225	225	225	0
Long Term Debtors	143	165	143	(22)
Long Term Debtors (Company Loan)	0	675	150	(525)
Investments	49,367	30,936	37,554	6,618
Borrowing	(1,126)	(1,863)	(1,065)	798
Finance Leases	(383)	(1)	0	1
Working Capital	(23,176)	(12,688)	(22,708)	(10,020)
Pensions	(24,799)	(46,490)	(25,523)	20,967
TOTAL ASSETS LESS LIABILITIES	48,284	22,086	42,181	20,095

<u>Unusable Reserves</u>				
Revaluation Reserve	(11,897)	(10,131)	(11,897)	(1,766)
Capital Adjustment Account	(33,819)	(37,258)	(37,247)	11
Deferred Credits	(47)	(47)	(47)	0
Pension Scheme	25,962	46,490	26,741	(19,749)
Benefits Payable During Employment Adjustment Account	409	460	409	(51)
Collection Fund	2,863	528	(214)	(742)
Available for Sale Financial Instruments Reserve	(228)	(374)	1,197	1,571
<u>Usable Reserves</u>				
Unapplied Grants and Contributions	(4,057)	(2,452)	(2,563)	(111)
Usable Capital Receipts	(2,859)	(1,087)	(1,146)	(59)
Burntwood Leisure Centre Sinking Fund	(69)	0	0	0
Earmarked Reserves - Unrestricted	(12,653)	(8,427)	(7,067)	1,360
Earmarked Reserves - Restricted	(5,043)	(2,620)	(4,272)	(1,652)
General Fund Balance	(6,846)	(7,168)	(6,075)	1,093
TOTAL EQUITY	(48,284)	(22,086)	(42,181)	(20,095)

Capital Funding	(33,819)	(37,258)	(37,247)	11
Revaluation Reserve	(11,897)	(10,131)	(11,897)	(1,766)
Borrowing and Leasing	(1,509)	(1,863)	(1,066)	797
Non-Current Assets	48,258	51,350	53,631	2,281
Investments	49,367	30,936	37,554	6,618
Unapplied Grants & Earmarked Reserves	(24,681)	(14,586)	(15,048)	(462)
General Reserve	(6,846)	(7,168)	(6,075)	1,093
Long Term Debtors	143	165	143	(22)
Long Term Debtors (Company Loan)	0	675	150	(525)
Working Capital & Pensions	(19,016)	(12,120)	(17,899)	(5,779)
Balance Sheet Summary Total	0	0	0	0
Internal Borrowing	1,033	2,773	3,571	798

Capital Financing Requirement (Borrowing)	2,159	4,636	4,636	0
Working Capital, Pensions and Long Term Debtors	(18,873)	(11,955)	(20,002)	(8,047)
Usable Reserves	(31,527)	(21,754)	(21,123)	631
Minimum Level of Investments	10,000	10,000	10,000	0
Liability Benchmark	(38,242)	(19,075)	(26,490)	(7,415)

Investments in the 2022/23 Financial Year

The table below shows a breakdown of our investments at the 30 September 2022:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Foreign Parent
Money Market Funds						
Invesco Aim	£4,000,000	01-Oct-22	Instant Access	1.86%	0	N/A
Federated	£1,830,000	01-Oct-22	Instant Access	1.80%	0	N/A
BNP Paribas MMF	£480,000	01-Oct-22	Instant Access	1.10%	0	N/A
CCLA MMF	£5,000,000	01-Oct-22	Instant Access	1.75%	0	N/A
Strategic Funds						
CCLA Property Fund	£2,000,000	N/A	N/A	3.59%	N/A	No
Ninety-One Diversified Income Fund	£5,000,000	N/A	N/A	4.27%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	2.53%	N/A	No
Aegon Diversified Income Fund	£5,000,000	N/A	N/A	5.91%	N/A	No
Fixed Term Investments						
Conwy County Borough Council	£2,000,000	23-Jan-23	115	0.30%	LOCAL	
Folkestone and Hythe District Council	£2,000,000	09-Mar-23	160	0.95%	LOCAL	
North Lanarkshire Council	£2,000,000	21-Dec-22	82	0.85%	LOCAL	
Debt Management Office	£6,000,000	19-Oct-22	19	0.94%	UK Government	
Debt Management Office	£4,000,000	21-Nov-22	52	1.53%	UK Government	
Debt Management Office	£4,000,000	19-Jan-23	111	1.90%	UK Government	
Debt Management Office	£4,000,000	20-Feb-23	143	2.50%	UK Government	
Call Accounts with Notice Period						
Santander	£1,000,000	03-Jan-23	95	1.53%	A	
HSBC	£999,500	31-Oct-22	31	2.00%	A+	
Total Investments	£51,309,500					

Strategic Investments Volatility Reserve	
Opening Balance 01/04/2022	329,290
Approved Transfers 2022/23	100,000
Projected Transfers Qtr 2	311,000
Projected Closing Balance 31/03/2023	740,290

Fund Book Gains/(Losses)	
CCLA Property Fund	£186,392
CCLA Diversified Income Fund	(£161,119)
Ninety-One Diversified Income Fund	(£550,583)
Aegon Diversified Income Fund	(£671,334)
Net Book Loss as at 30/09/2022	(£1,196,644)

Projected Shortfall	(£456,354)
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External Borrowing

The Council currently has one external loan:

	Principal	Average Rate	Years to Final Maturity	(Premium) /Discount
PWLB Fixed Equal Instalment of Principal (EIP)	£1,065,400	2.59%	17.5	£110,062
TOTAL BORROWING	£1,065,400	2.59%	17.5	£110,062

For information, current rates for a similar loan are **c4.98%** (excluding any discounts) from the Public Works Loans Board.