

Mid-Year Treasury Management Report

Cabinet Member for Finance and Commissioning

Date:	28 November 2023
Agenda Item:	9
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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 2023) Treasury Management performance in 2023/24.
- 1.2 Capital expenditure is projected to be **£9,984,000** and this is **(£9,339,000)** lower than the Approved Revised Approved Budget of **£19,323,000**.
- 1.3 Capital Receipts are projected to be **(£945,000)** which is the same as the Approved Budget.
- 1.4 The Capital Financing Requirement (Borrowing Need) and its financing is projected to be **(£2,740,000)** lower than the Approved Budget. This is primarily due to the rephasing of the replacement leisure centre budget and the consequential impact on internal borrowing.
- 1.5 Minimum Revenue Provision at **£46,644**, which is the same as the approved budget.
- 1.6 The Balance Sheet projections indicate:
 - Total assets less liabilities are projected to be **£44,702,000** higher than the budget principally due to the reassessment of the pension long term obligation as an asset by the Actuary at 31 March 2023.
 - Usable reserves are projected to be **(£6,900,000)** higher than budget due principally to higher than projected earmarked reserves.
 - Unusable reserves are projected to be **(£37,803,000)** lower than budget due principally to the projected reduction in the statutory Pension Reserve to offset the pension obligation or asset.
 - Investment balances at the 31 March 2024 will be **£40,856,000** and these are **£7,415,000** higher than the Original Budget of **£33,441,000**. This is due to a higher level at 31 March 2023 a higher than projected level of unapplied grants and earmarked reserves (due to the lower projected spend on the Capital Programme) that is offset by lower than projected working capital in 2023/24.
- 1.7 The Council was required to approve an Investment Strategy Report for 2023/24 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.
- 1.8 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-**.
- 1.9 The report confirms the Council is compliant with all Treasury Limits and Prudential Indicators for 2023/24.

2. Recommendations

- 2.1 To review the report and issues raised within.
- 2.2 To provide views on the recommended revised approach to Strategic Investments.
- 2.3 To review the Prudential Indicators contained within the report.

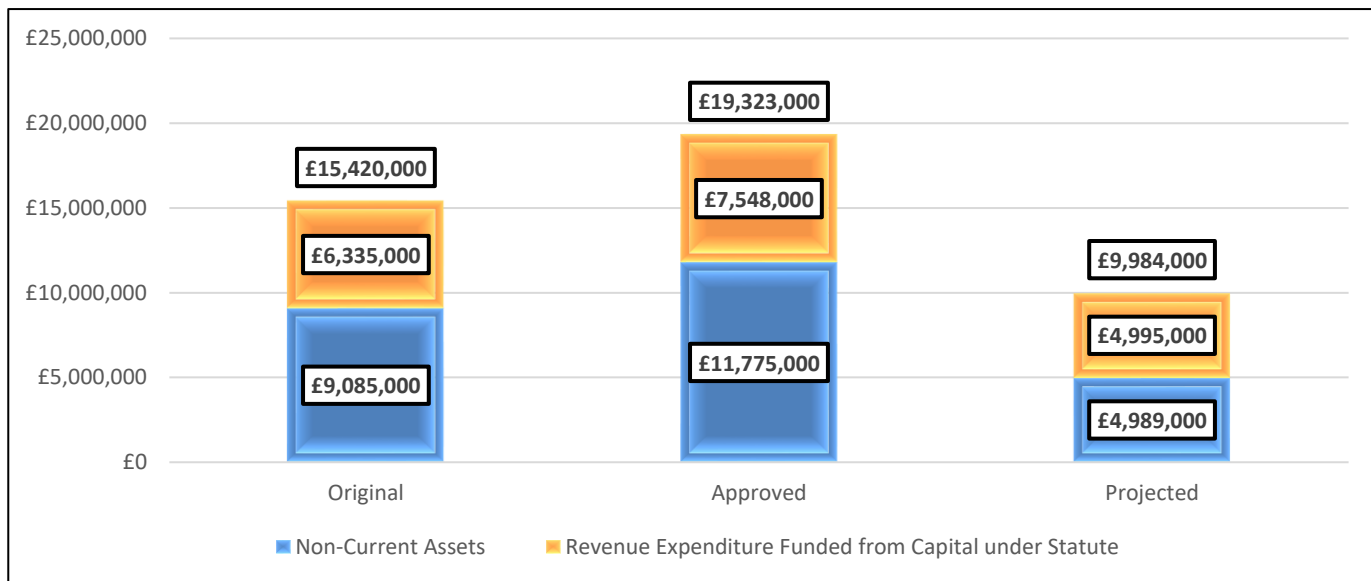
3. Background

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 2023/24 and the projected Prudential Indicators for 2023/24.
- 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 2023/24;
 - 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 2023/24 is shown in detail at **APPENDIX A** and in the chart below:



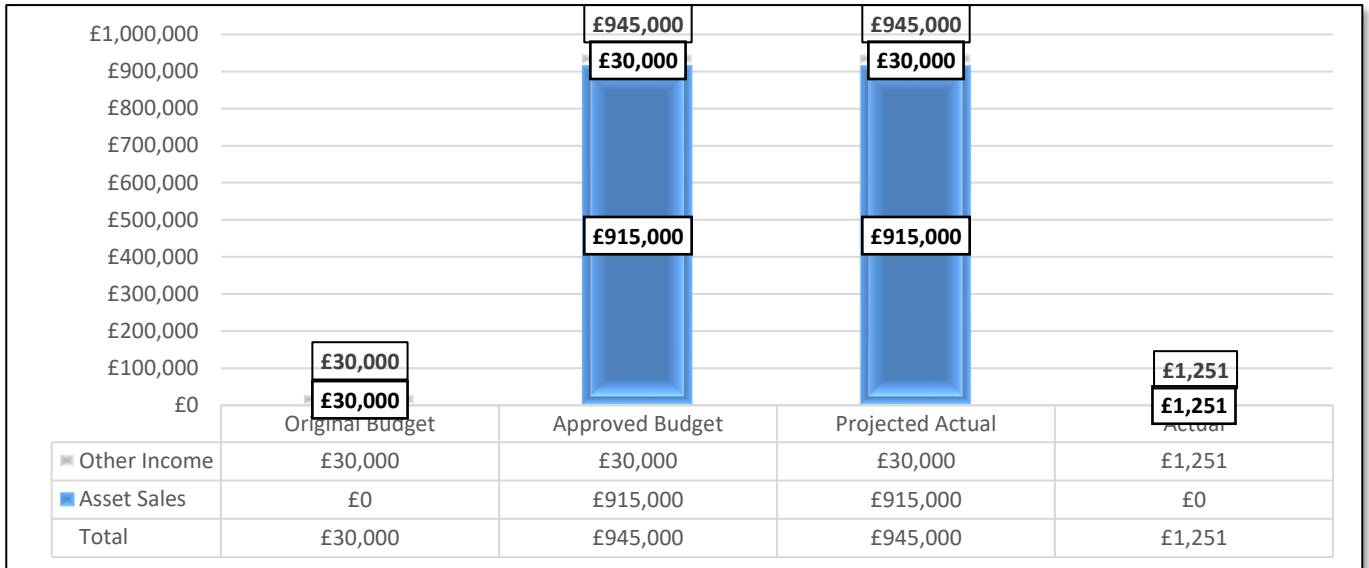
3.10. The reasons for the budgetary increase of **£3,903,000** between the Original Budget of **£15,420,000** and the Approved budget of **£19,323,000** are shown below:



3.11. Capital expenditure is projected to be **£9,984,000** which is **(£9,339,000)** lower than the Approved Revised Budget of **£19,323,000**.

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 **(£945,000)** capital receipts received in 2023/24 compared to the Approved Budget of **(£945,000)**. This projection assumes Venture House is sold in 2023/24 for the budgeted sum.

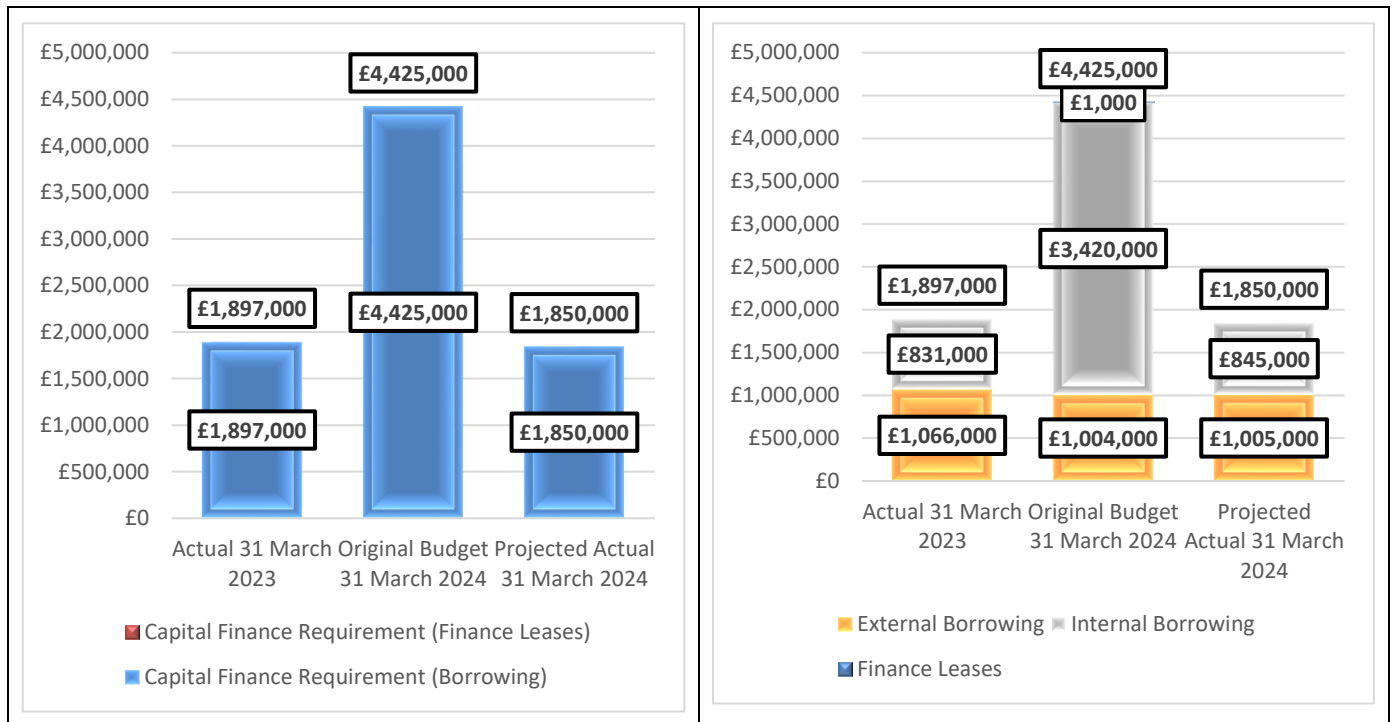
The Funding of the Capital Programme

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



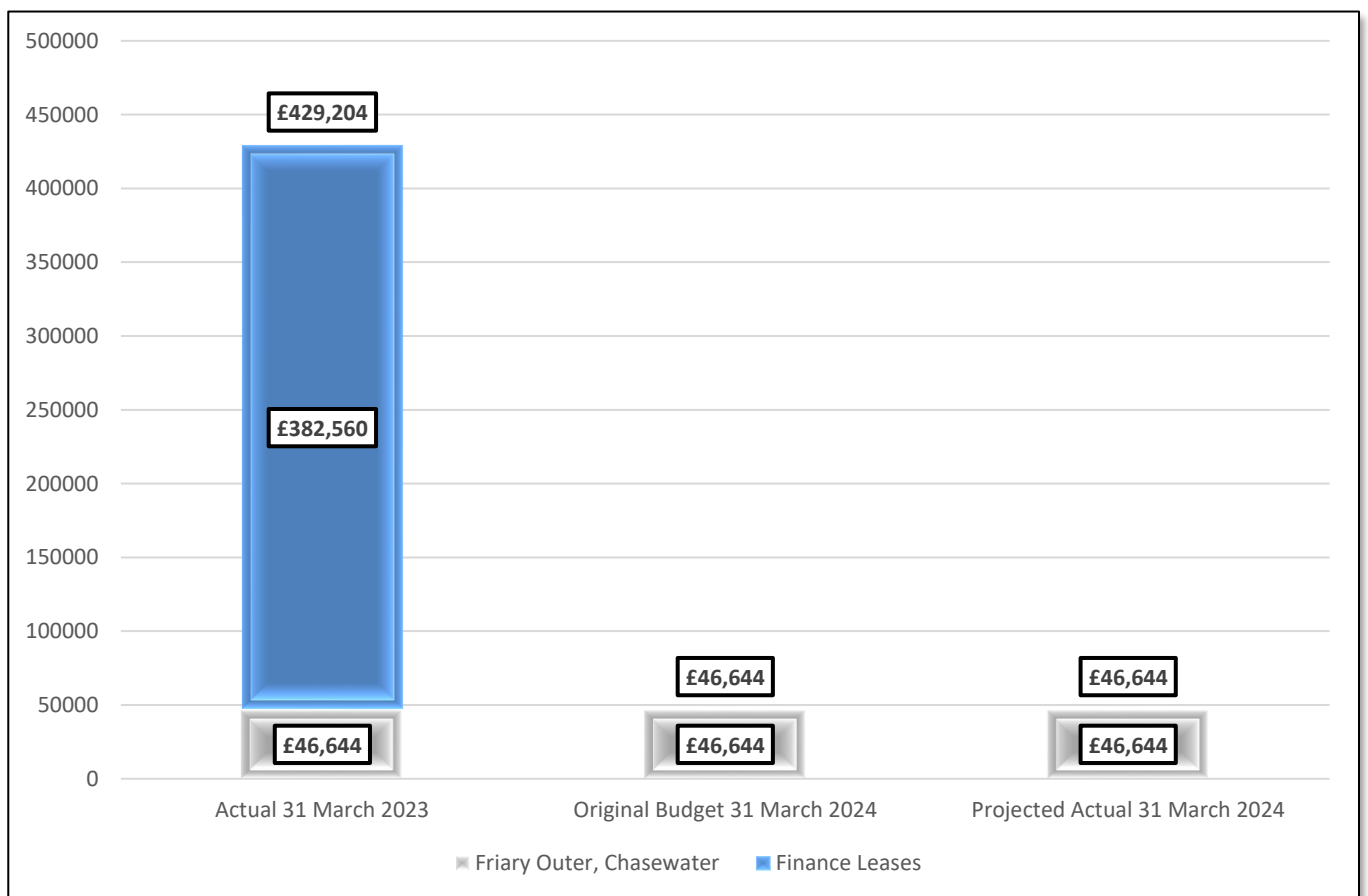
The Capital Financing Requirement (Borrowing Need) and its Financing

3.15. The actual for 2022/23, Original Budget and Projected Actual for 2023/24 of the Borrowing Need, together with its financing is shown below:



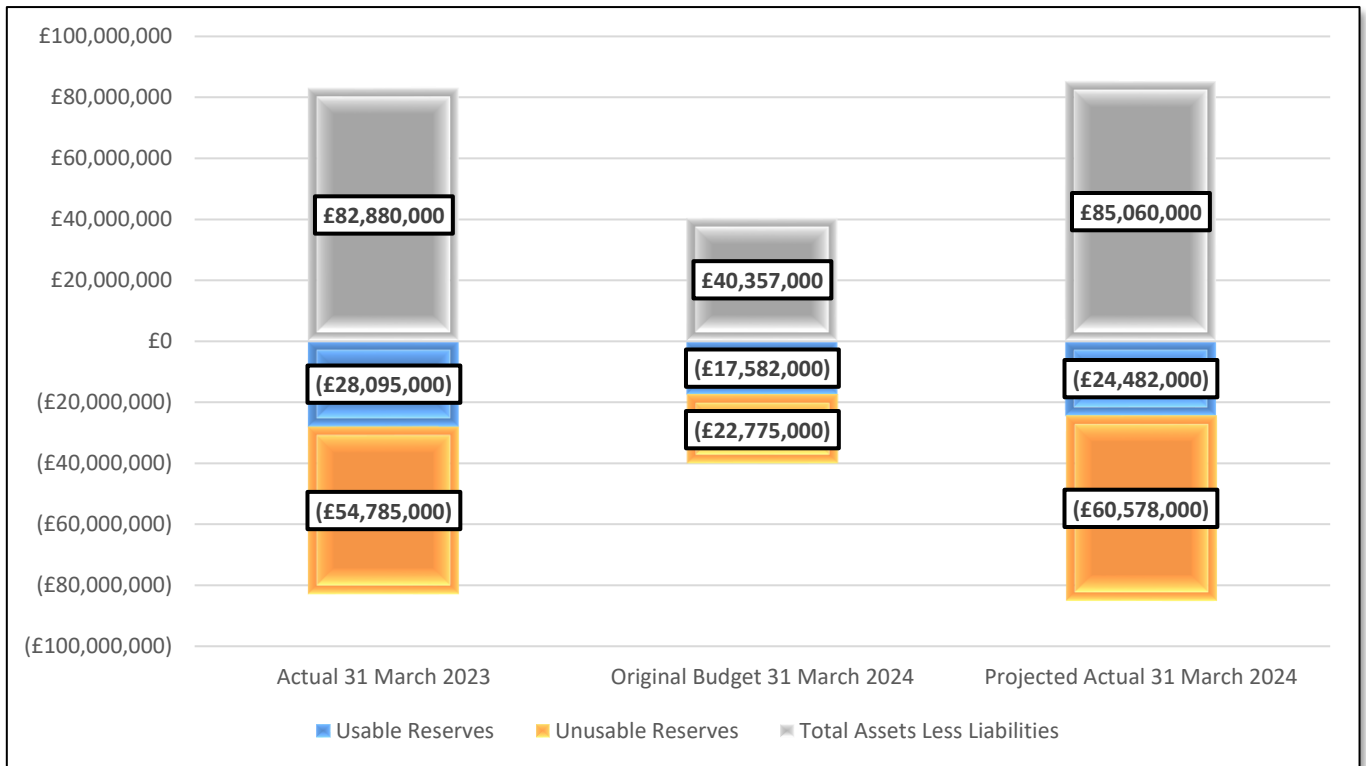
Minimum Revenue Provision

3.16. The Minimum Revenue Provision charged to revenue in 2022/23, the Original Budget for 2023/24 and the projected actual in 2023/24 is shown below:



The Balance Sheet

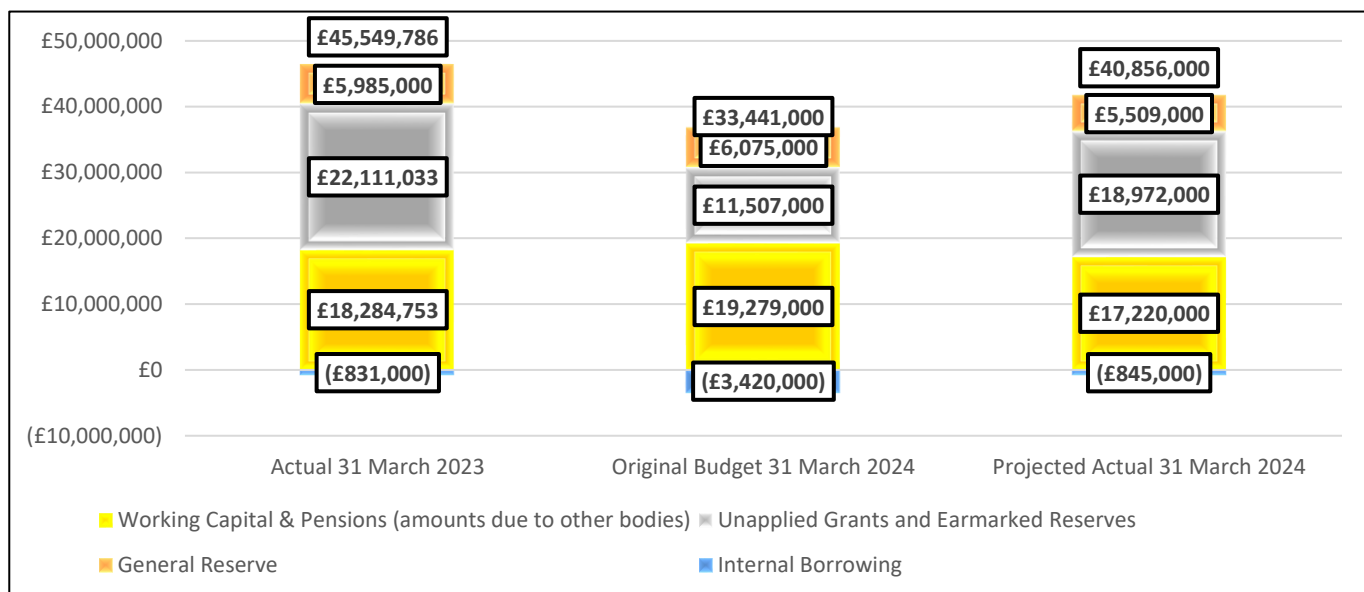
3.17. The Actual Balance Sheet for 2022/23 (subject to Audit) and Balance Sheet Projections for 2023/24 compared to the Original Budget are shown in detail at **APPENDIX B** and in summary below:



3.18. The main reasons for the variances between the budgeted and projected Balance Sheet for 2023/24 are:

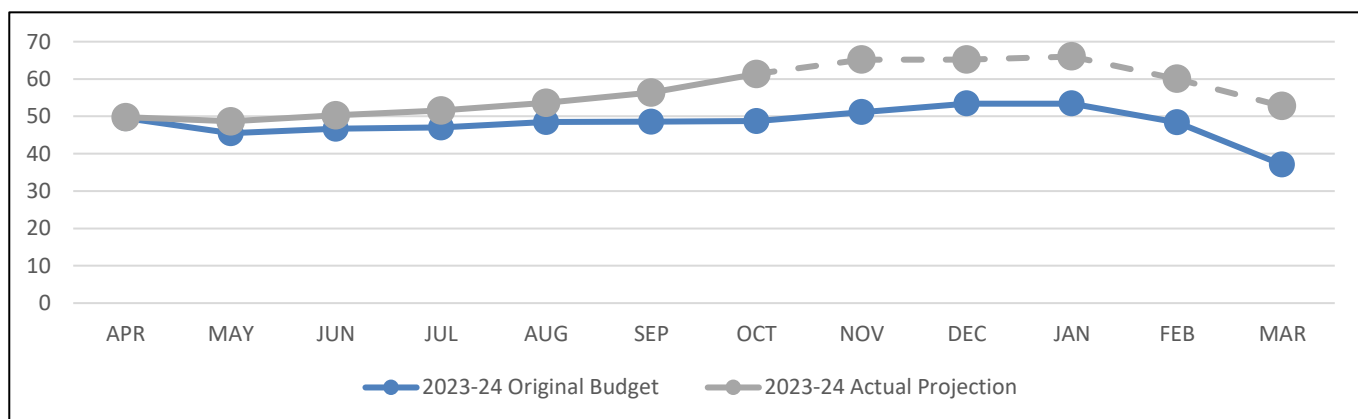
Area	Pensions £000	Non Pensions £000	Total £000
Lower long term liability assessed as an asset by the Actuary	32,740		32,740
Higher projected spend on non-current assets including slippage from 2022/23 and approvals during the financial year		1,287	1,287
Higher investments due to higher working capital and reserves		7,415	7,415
Higher working capital that reflects the actual level at 31 March 2023		3,118	3,118
Higher long term debtor related to the Joint Venture for the Cinema		2,952	2,952
Other		(237)	(237)
Total Assets less Liabilities	32,740	11,962	44,702
Higher earmarked reserves		(6,420)	(6,420)
Lower General Reserves based on Money Matters 6 Months		566	566
Higher capital receipts and unapplied Grants and Contributions due to reprofiling of projects in the Capital Programme		(1,046)	(1,046)
Total Usable Reserves		(6,900)	(6,900)
The Council's share of the surpluses in the Collection Fund reserve due to higher surpluses in 2022/23 and improved projections in 2023/24.		(1,229)	(1,229)
The statutory reserve to offset the pension obligation now assessed as an asset by the Actuary	(32,740)		(32,740)
Higher level in the Capital Revaluation and Adjustment accounts that reflects the actual level at 31 March 2023		(4,090)	(4,090)
Adjustment to Available for Sale Reserve based on current strategic investment values		256	256
Total Unusable Reserves	(32,740)	(5,063)	(37,803)

3.19. 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

3.20. The graph below compares the Original Budget for average investment levels in 2023/24 with the actual/projected levels.



3.21. Investment income and borrowing costs are shown below:

Treasury Management	2023/24					
	Original Budget		Approved Budget		Projected	
	Investment		Investment		Investment	
	Income	Borrowing	Income	Borrowing	Income	Borrowing
Average Balance	£48.76m	£1.02m	£48.17m	£1.02m	£56.74m	£1.02m
Average Rate for 23/24	4.09%	2.59%	2.82%	2.59%	3.90%	2.59%

Gross Investment Income	(£1,963,270)		(£1,357,370)		(£2,213,080)	
Company Loan Interest	£0		(£2,270)		£0	
Property Fund Transfer to Reserves	£22,000		£10,000		£10,000	
DIF Transfer to Reserves	£132,000		£64,000		£64,000	
Loan Interest Transfer to Reserves	£0		£0		£605,710	
External Interest		£29,000		£26,410		£26,410
Internal Interest		£1,000		£4,000		£4,000
Minimum Revenue Provision (less Finance Leases)		£47,000		£47,000		£47,000
Net Treasury Position	(£1,809,270)	£77,000	(£1,285,640)	£77,410	(£1,533,370)	£77,410
(Excluding Corporate Revenue Funding of Capital)	(£1,732,270)		(£1,208,230)		(£1,455,960)	
Updates relating to leisure centre, leisure insourcing and CIL changes	£562,040					
Net Treasury Position	(£1,170,230)					

Investment Strategy

3.22. 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.**

3.23. 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.

3.24. 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 **28 February 2023.**

Service Investments

3.25. 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:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Approved Loan to the LWMTS	£150,000	£150,000	£150,000	£150,000	£150,000	£150,000
Actual/Projected use of the Facility	£0	£0	£150,000	£150,000	£150,000	£150,000
Actual/Projected use of the Facility	£0	£0	£0	£0	£0	£0
Net Income	£0	£0	£2,263	£2,263	£2,263	£2,263
Net Return	0.00%	0.00%	4.00%	4.00%	4.00%	4.00%
Approved Loan to the Joint Venture	£64,000	£3,795,000	£5,788,000	£5,788,000	£5,788,000	£5,788,000
Actual/Projected use of the Facility	£64,000	£2,888,000	£5,788,000	£5,788,000	£5,788,000	£5,788,000
Net Income (revenue budget neutral)	0	0	0	0	0	0
Net Return	0	0	0	0	0	0

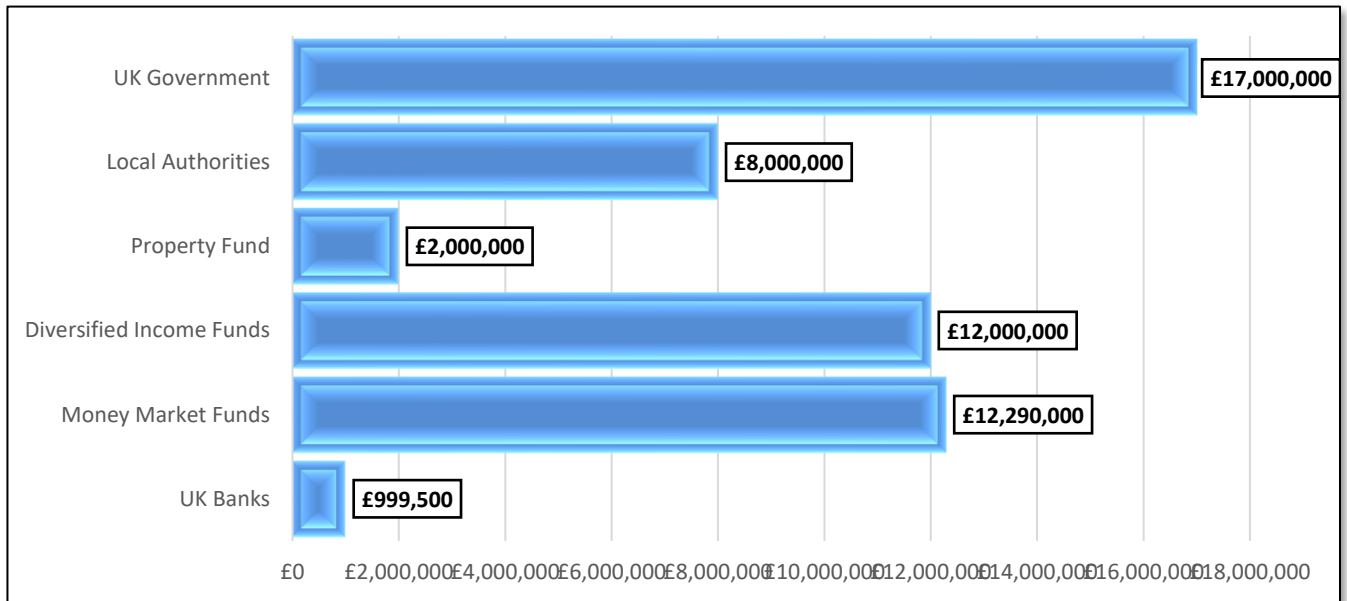
Commercial Investments

3.26. No commercial investments are currently planned.

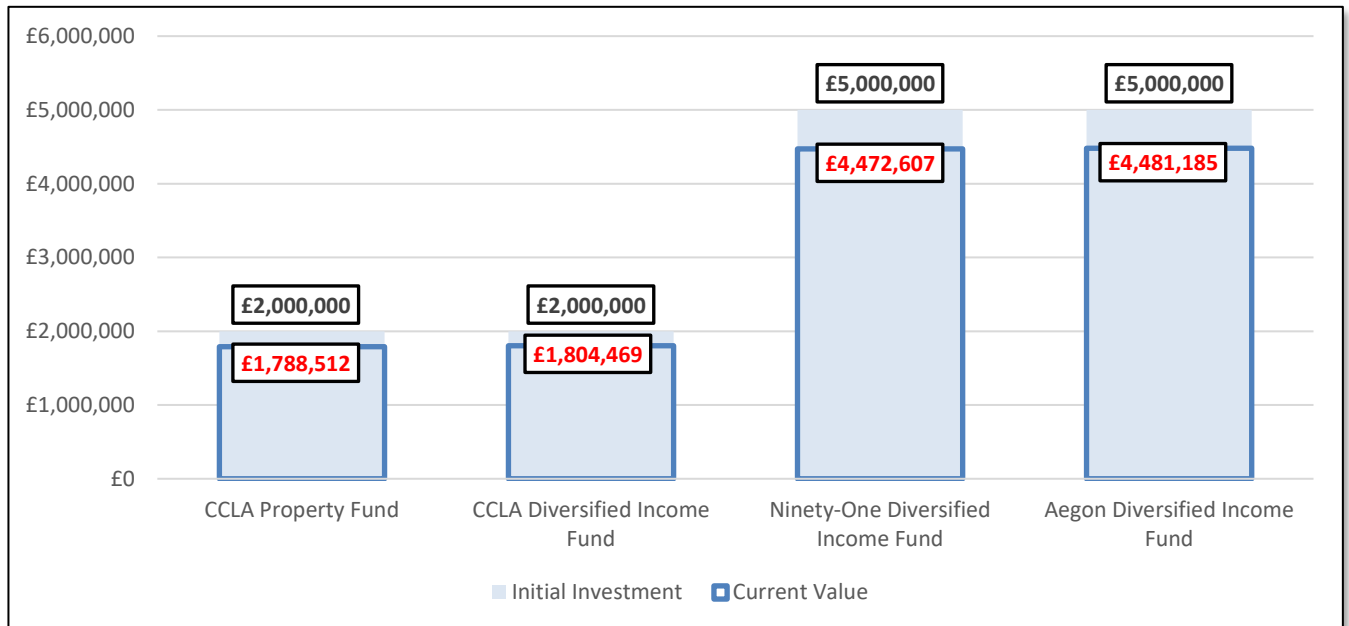
Treasury Management Investments

The Security of Our Investments

- 3.34. The investments the Council had at the 30 September 2023 of **£52,29m** (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**:

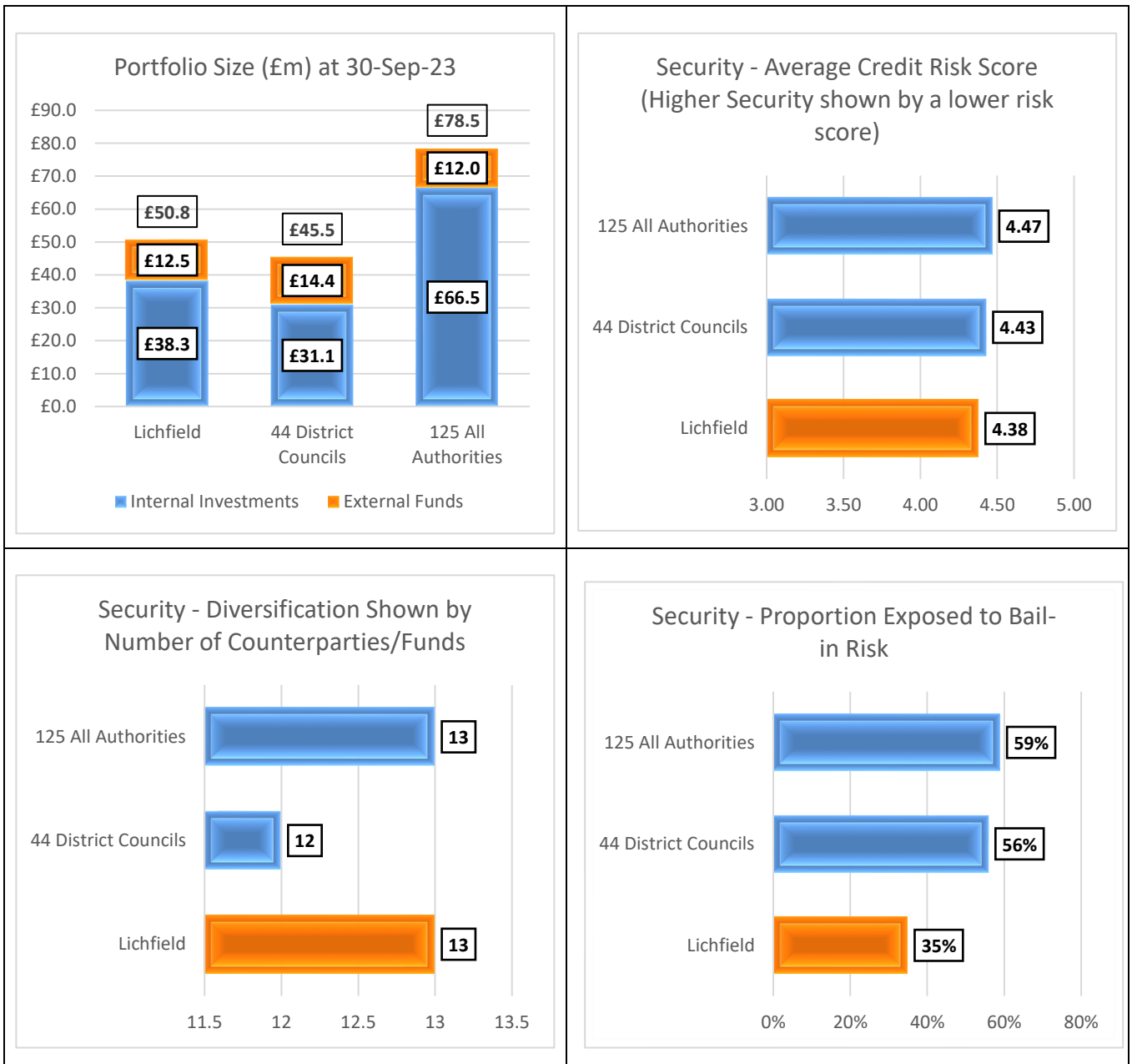


- 3.35. The current values of the Property Fund and the Diversified Income Fund together are shown below:

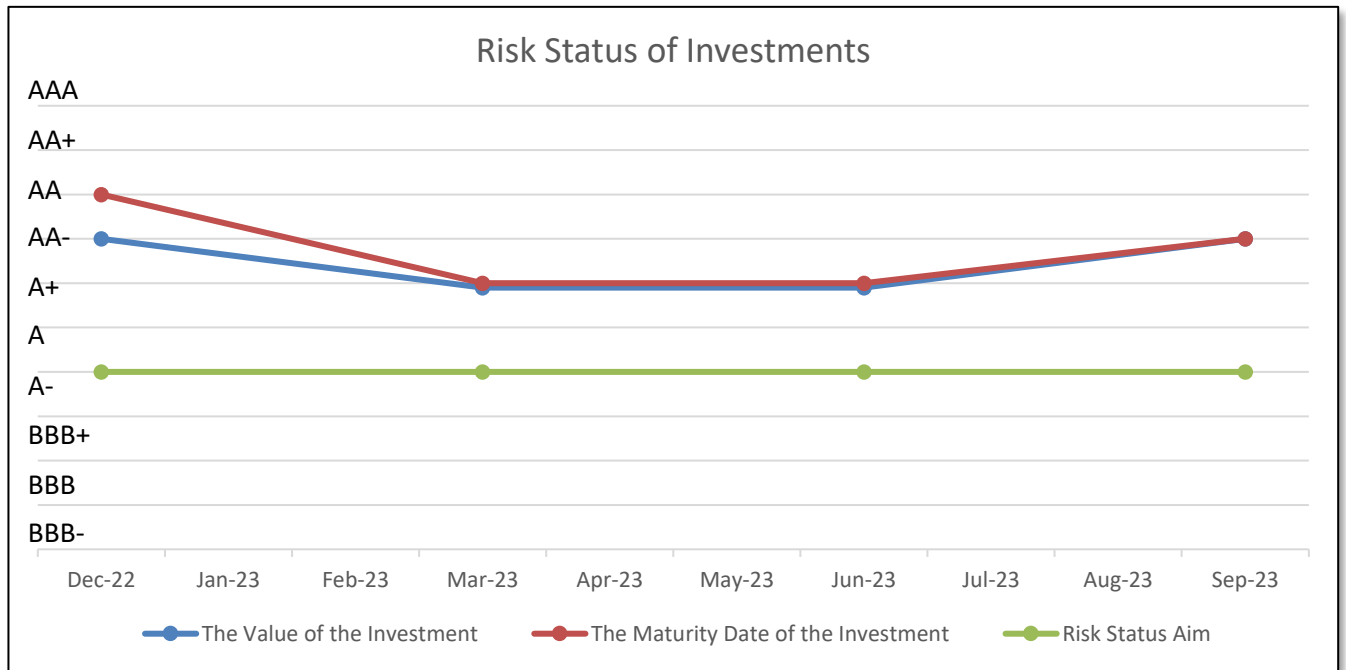


- 3.36. Overall in terms of strategic investments there is a ‘book loss’ of **£1,453,227** and the earmarked reserve to manage volatility risk is projected to be **£1,400,000**).
- 3.37. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance 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 expectation that over a three to five-year period total returns will exceed cash interest rates.

- 3.38. It is also important to note that the current statutory IFRS9 override has been extended to 31 March 2025. 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.
- 3.39. The statutory override is due to end on 31 March 2025 and current indications are that further extensions are unlikely, therefore any unrealised gain or loss after this date 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.
- 3.40. A revised approach to strategic investments is discussed later in this report.
- 3.41. The Council's portfolio size (with the Property and Diversified Income Funds valued at its current value of £12.5m), average credit score, diversification and exposure to 'Bail in' risk compared to Arlingclose Clients is shown below:

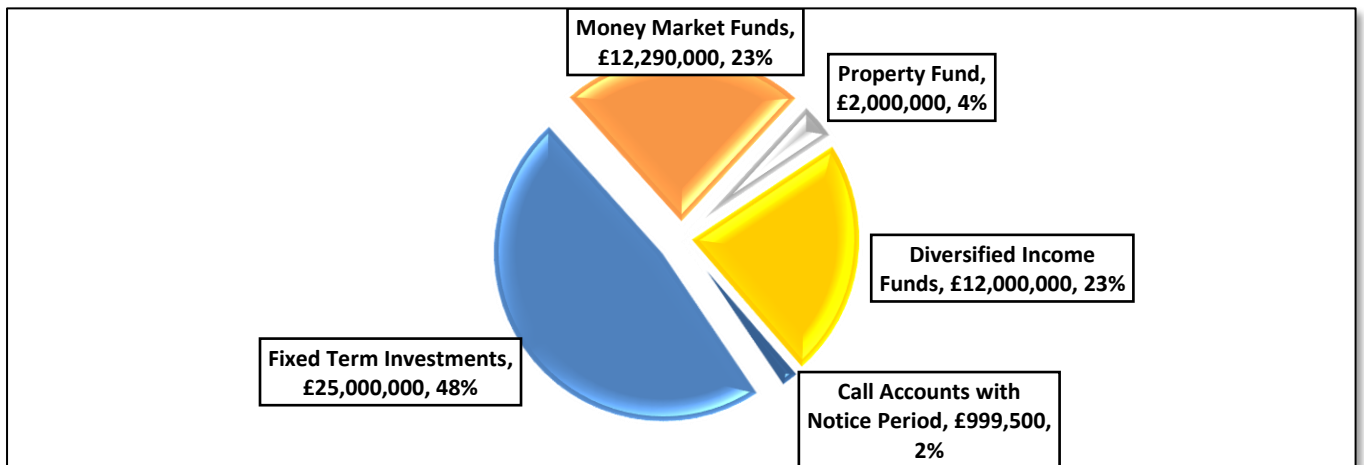


3.42. Our aim for the risk status of our investments was A- or higher. The risk status based on the length of the investment and the value for a 13 month period is summarised in the graph below:

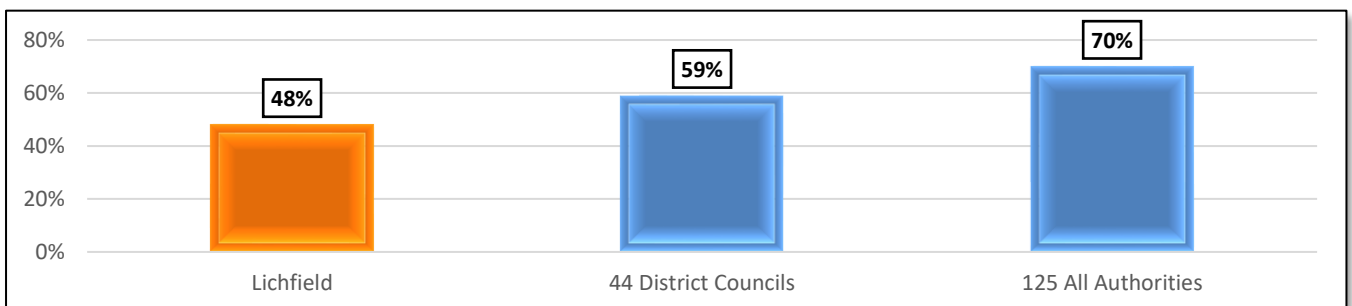


The Liquidity of our Investments

3.43. The Council has not had to temporarily borrow during 2023/24 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:

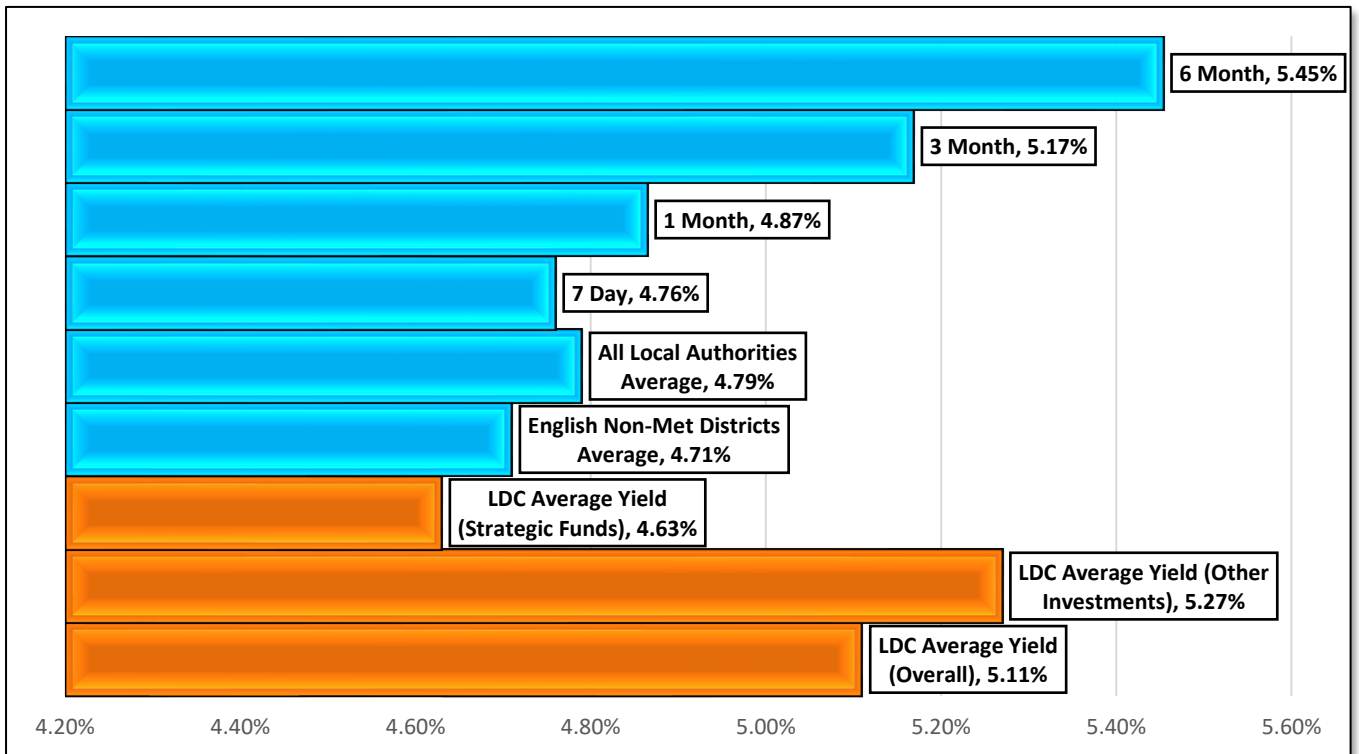


3.44. The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown below:



The Return or Yield of our Investments

3.45. 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

3.46. The Council currently has one external loan with the Public Works Loans Board with **£1,004,520** outstanding and this is shown in detail at **APPENDIX C**.

Review of the Approach to Strategic Investments

- 3.47. The Council currently has **£14m** in cash invested in pooled investment funds that has been invested over a six year period.
- 3.48. These investments were undertaken to manage risk through diversification of the investment portfolio whilst increasing yield in a very different financial/economic environment to today:
- The World was a relatively benign place.
 - Interest rates, debt and inflation were stable and at relatively low levels.
 - The Government implemented a statutory override meaning any gains or losses arising from changes in fair value of certain financial assets such as pooled funds do not impact on the revenue budget and therefore reserves.
 - The Council's borrowing need and external borrowing was at a relatively low level.
 - Pre pandemic and the current inflationary environment, Total Reserves were at a relatively high level.
- 3.49. In summary, the pooled fund performance over the period of investment up to 31 August 2023 is:
- Cumulative Capital Return is **(9.60%)** equating to a 'book loss' of **(£1,343,582)**.
 - Cumulative Income Return is **13.86%** and totals **£1,939,976**.
 - Cumulative Total Return is **4.26%** and totals **£596,394**.
- 3.50. An earmarked reserve to mitigate the risk of reductions in investment value was established when the initial investment in the property fund was established. An element of income return from all pooled investments was transferred to this earmarked reserve. Latterly some of the windfall investment income resulting from recent increases in interest rates (there is an inverse link between interest rates and capital return on pooled investments) has also been transferred.
- 3.51. The plan is to use further windfall investment income during 2023/24 to increase this earmarked reserve to **£1,400,000** or **10%** of investment value based on investment performance over the last five years to **31 March 2023**.
- 3.52. As mentioned above, the financial/economic environment and the risks it presents has changed significantly:
- The World has become a more uncertain place. There has been the COVID pandemic, the war in Ukraine, the raised level of inflation and its impact on cost of living and more recently the conflict in Gaza. There are also elections due in the UK and US that could lead to changes in administration. All this uncertainty increases financial/economic risk, and this will also mean pooled investment values are likely to be more volatile.
 - Interest rates, debt and inflation have increased significantly and will be further impacted by the financial/economic environment.
 - The Government has indicated it will not extend the statutory override beyond 31 March 2025 and this has been supported by CIPFA as a way of encouraging authorities to undertake investments of less perceived risk. This means that any reduction in value beyond the level of the earmarked reserve would need to be funded by other reserves. **In the event this loss utilises all reserves or they are insufficient then this would result in a Section 114 notice.**

- Council approved an increase in the borrowing need by **£5,000,000** to fund the new leisure Centre. Council also approved that this will be funded by internal borrowing because it is currently lower cost, it can be repaid without penalty, and it reduces credit and counterparty risk because investments are reduced.
- The level of pooled investments has increased to **£14m** meaning greater exposure to fair value volatility.
- Council has agreed to use earmarked reserves for place shaping investment and therefore in the short to medium term there will be less reserves available to absorb losses greater than the **£1,400,000** earmarked reserve.

3.53. The significant changes in the financial/economic environment means it is prudent to review the approach to pooled or strategic investments.

3.54. A revised approach that includes pooled investments in the current financial/economic environment would seek to achieve the outcomes detailed below:

- In the absence of a statutory override, any residual risk is within acceptable risk levels, does not place the Council at risk of a Section 114 notice and is compliant with Statutory Guidance to prioritise **security** and **liquidity** over **yield**.
- It maintains diversification and reduces portfolio risk.
- The actual level of loss is within the level of the earmarked reserve.

3.55. The primary driver must be the ability to manage risk in the event the statutory override is not extended beyond 31 March 2025.

3.56. Therefore, it is recommended that:

- The Council initially reduces its level of strategic investments from **£14m to £9m** to provide the cash necessary for internal borrowing for the leisure centre. The actual timing of divestment will be based on retaining the least volatile investments and minimising the level of actual loss chargeable against the earmarked reserve.
- The Council, depending on the status of the statutory override, and any further internal borrowing, considers further reducing the level.

Alternative Options	In terms of the approach to strategic investments, there are a series of alternative options:				
	Desired Outcome	Do nothing £14m	Reduce by £5m to £9m	Reduce by £9m to £5m	Reduce to £0
	Potential loss scenarios:				
	20%	£2,800,000	£1,800,000	£1,000,000	£0
	40%	£5,600,000	£3,600,000	£2,000,000	£0
	Portfolio Diversification	Higher	Higher	Medium	Lower
Projected Level of Loss for option as at 31/08/2023	£0	£500,000	£900,000	£1,344,000	

Consultation	Consultation is undertaken as part of the Strategic Plan and with Leadership Team.
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Financial Implications

Projected Prudential indicators (PI) 2023/24:

- We can confirm that the Council is compliant with its Prudential Indicators for 2023/24; these were originally approved by Council at its meeting on 28 February 2023 and will be fully revised and approved by Council on 27 February 2024.
- 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 2023/24.
- None of the other Prudential Indicators have been breached. The Prudential Indicators are summarised in the table below:

Capital Strategy Indicators					
Prudential Indicators					
Indicators	2022/23 Actual	2023/24 Original	2023/24 Approved	2023/24 Projected	Compliant
Capital Investment					
Capital Expenditure (£m)	£3.573	£15.420	£19.323	£9.984	✓
Capital Financing Requirement (£m)	£1.897	¹ £4.425	£4.209	£1.850	✓
Gross Debt and the Capital Financing Requirement					
Gross Debt	(£1.065)	(£1.005)	(£1.005)	(£1.005)	✓
Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No	✓
Total Debt					
Authorised Limit (£m)	£1.509	£19.932	£19.932	£1.005	✓
Operational Boundary (£m)	£1.509	£7.505	£7.505	£1.005	✓
Proportion of Financing Costs to Net Revenue Stream (%)	4%	1%	1%	1%	✓

Local Indicators					
Indicators	2022/23 Actual	2023/24 Original	2023/24 Approved	2023/24 Projected	Compliant
Replacement of Debt Finance or MRP (£m)	(£0.429)	(£0.047)	(£0.047)	(£0.047)	✓
Capital Receipts (£m)	(£0.022)	(£0.030)	(£0.945)	(£0.945)	✓
Funding Development based Costs for Leisure Centre (£m)	(£0.216)	£0.000	£0.000	£0.000	✓
Housing Capital Receipts (£m)	(£0.352)	£0.000	£0.000	£0.000 ²	✓
Liability Benchmark (£m)	£34.484	£22.437	£20.807	£29.851	✓
Treasury Management Investments (£m)	£45.550	£33.441	£31.811	£40.856	✓

Treasury Management Indicators					
Prudential Indicators					
	2022/23 Actual	Lower Limit	Upper Limit	2023/24 Projected	Compliant
Refinancing Rate Risk Indicator					
Under 12 months	6%	0%	100%	6%	✓
12 months and within 24 months	6%	0%	100%	6%	
24 months and within 5 years	17%	0%	100%	18%	
5 years and within 10 years	29%	0%	100%	30%	
10 years and within 20 years	43%	0%	100%	39%	
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%	

Indicators	2022/23 Actual	2023/24 Original	2023/23 Approved	2023/24 Projected	Compliant
Principal Sums invested for periods longer than a year (£m)	£14.000	£15.000	£15.000	£15.000	✓

¹ Updated from £4.590 figure included in the Medium Term Financial Strategy

² A projection has been requested from Bromford for 2023/24.

Local Indicators					
Indicators	2022/23 Actual	2023/24 Original	2023/24 Approved	2023/24 Projected	Compliant
	£m	£m	£m	£m	
Balance Sheet Summary and Forecast					
Borrowing Capital Financing Requirement	£1.897	£4.425	£4.209	£1.850	✓
Internal (over) Borrowing	£0.832	£3.420	£3.204	£0.845	✓
(Investments) or New Borrowing	(£45.550)	(£33.441)	(£31.811)	(£40.856)	✓
Liability Benchmark	(£34.484)	(£22.437)	(£20.807)	(£29.851)	✓
	2022/23 Actual	Target	2023/24 Actual		
Security					
Portfolio average credit rating	A+	A-	AA-		
Liquidity					
Temporary Borrowing undertaken	£0.000	£0.000	£0.000		
Total Cash Available within 100 days (maximum)	71%	90%	48%		
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.
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Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.
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Crime & Safety Issues	There are no additional Crime and Safety Issues.
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Data assessment	<p>The ability to deliver the outcomes set out in the Lichfield District Council Strategic Plan, and beyond, is dependent on the resources available in the MTFS. The MTFS identifies the level of resources available and spend necessary to deliver the outcomes across the entire District.</p> <p>However, the application of relevant data and the Social Progress Index can be considered for new budget pressures, savings and income proposals as they are developed.</p>
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Environmental Impact (including Climate Change and Biodiversity).	There are no additional Environmental Impacts.
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GDPR/Privacy Impact Assessment	There are no GDPR/Privacy Impact Assessment Issues.
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	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 2024	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: Green Impact: Green Severity of Risk: Green
C	The review of the New Homes Bonus regime	Likelihood: Red Impact: Red Severity of Risk: Red	The Council responded to the consultation. In the MTFs, no income is assumed beyond 2024/25.	Likelihood: Red Impact: Yellow Severity of Risk: Yellow
D	The increased Localisation of Business Rates, Business Rate Reset 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 / adapt the new strategic plan to the emerging landscape				
G	The Council cannot achieve its approved Delivery Plan	Likelihood: Yellow Impact: Red Severity of Risk: Red	There will need to be consideration of additional resourcing and/or reprioritisation.	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

- CIPFA Code of Practice for Treasury Management in the Public Services
- The Prudential Code for Capital Finance in Local Authorities
- The Treasury Management Strategy Statement (TMSS) 2023/24 – Audit and Member Standards Committee 2 February 2023
- Annual Treasury Management Report 2022/23 – Audit and Member Standards Committee 20 July 2023

Relevant web links

Capital Programme Performance in 2023/24

Project		Original Budget	Approved Budget	Actual to Date	Projected Actual	Variance
New Build Parish Office/Community Hub	R	30,000	92,000	0	0	(92,000)
Burntwood Leisure Centre Sinking Fund Projects	A	69,000	144,000	45,543	144,000	0
Friary Grange - Short Term Refurbishment	A	0	134,000	27,130	134,000	0
Replacement Leisure Centre	A	5,087,000	5,123,000	263,641	826,000	(4,297,000)
Burntwood Leisure Centre - Decarbonisation Scheme	A	0	0	29,196	29,000	29,000
Accessible Homes (Disabled Facilities Grants)	R	1,615,000	1,796,000	805,239	670,000	(1,126,000)
Decent Homes Standard	R	97,000	72,000	0	72,000	0
Energy Insulation Programme	R	22,000	22,000	0	22,000	0
Unallocated S106 Affordable Housing Monies	A	260,000	264,000	0	264,000	0
Conversion of 36a Bore Street	A	542,000	492,000	0	492,000	0
Streethay Community Centre	R	600,000	850,000	11,713	850,000	0
Changing Places Fund	A	0	36,000	36,809	36,000	0
Zip Wire in Burntwood	A	0	30,000	0	30,000	0
Burntwood Community Hub	R	250,000	250,000	0	250,000	0
Climbing Wall at Burntwood Leisure Centre	A	50,000	50,000	0	50,000	0
Soft play facility at Burntwood Leisure Centre	A	50,000	50,000	0	50,000	0
Adventure Golf at Beacon Park	A	150,000	150,000	0	150,000	0
Paddle Tennis courts	A	200,000	200,000	1,575	200,000	0
New 3G Pitch in Lichfield	A	200,000	200,000	0	200,000	0
Mavesyn Ridware Village Hall Play Area	R	0	5,000	0	5,000	0
Fradley BMX Pumptrack	R	0	33,000	0	0	(33,000)
Upgrading electrical heating in St Stephens Church	R	0	4,000	4,380	4,000	0
Fence at Chasetown Memorial Bowling Green	R	0	10,000	0	10,000	0
Enabling People Total		9,222,000	10,007,000	1,225,225	4,488,000	(5,519,000)
Loan to Council Dev Co.	A	93,000	150,000	0	0	(150,000)
Lichfield St Johns Community Link (CIL)	R	35,000	35,000	0	0	(35,000)
Public Conveniences	A	0	85,000	0	85,000	0
Bin Purchase	A	150,000	150,000	0	150,000	0
Vehicle Replacement Programme (Other)	A	281,000	318,000	77,950	318,000	0
Dual Stream Recycling	A	0	31,000	16,006	31,000	0
Falkland Road Fosseyway Canal Walk	R	260,000	260,000	0	0	(260,000)
Shaping Place Total		819,000	1,029,000	93,956	584,000	(445,000)
Coach Park	A	300,000	349,000	0	274,000	(75,000)
Car Parks Variable Message Signing	A	0	130,000	1,155	148,000	18,000
Pay on Exit System at Friary Multi Storey	A	0	2,000	0	0	(2,000)
Pay on Exit System at Lombard Street	A	150,000	150,000	0	150,000	0
Electric Vehicle Charge Points	A	70,000	80,000	0	80,000	0
BRS Enabling Works	A	685,000	1,070,000	0	268,000	(802,000)
Cinema Development	R	3,326,000	3,795,000	0	2,888,000	(907,000)
New 3G Pitch at Chasetown Football Club	R	100,000	100,000	0	100,000	0
Incubator Phase 3	A	300,000	380,000	419,858	380,000	0
Rural Business Grant: micro & small enterprises	R	0	50,000	0	0	(50,000)
Rural Business Grant: visitor economy	R	0	25,000	0	0	(25,000)
Rural Communities Grant: travel enhancements	R	0	25,000	0	0	(25,000)
32-44 Bakers Lane	A	0	1,582,000	0	0	(1,582,000)
Developing Prosperity Total		4,931,000	7,738,000	421,013	4,288,000	(3,450,000)
Property Planned Maintenance	A	213,000	133,000	73,814	133,000	0
IT Infrastructure	A	235,000	254,000	29,230	254,000	0
Building a Better Council	A	0	77,000	25,000	77,000	0
Committee Audio-Visual Hybrid Meeting Platform	A	0	85,000	0	85,000	0
Council Car Park Extension	A	0	0	0	75,000	75,000
Good Council Total		448,000	549,000	128,044	624,000	75,000
Approved Budget		15,420,000	19,323,000	1,868,237	9,984,000	(9,339,000)
Asset	A	9,085,000	11,775,000	1,019,776	4,989,000	(6,786,000)
REFCUS (Revenue Expenditure Funded from Capital Under Statute)	R	6,335,000	7,548,000	848,461	4,995,000	(2,553,000)
Funding Source		Original Budget	Approved Budget		Projected Actual	Variance
Capital Receipts		1,660,000	3,659,000		1,178,000	(2,481,000)
Corporate Revenue		238,000	173,000		173,000	0
Borrowing Need - Borrowing and Finance Leases		2,333,000	2,359,000		0	(2,359,000)
Capital Grants and Contributions		4,522,000	5,151,000		3,534,000	(1,617,000)
Reserves, Existing Revenue and Sinking Funds		6,667,000	7,981,000		5,099,000	(2,882,000)
Capital Programme Total		15,420,000	19,323,000		9,984,000	(9,339,000)

Balance Sheet Projections

(May not sum due to rounding)

	Type	2022/23 Actual ³ £000s	2023/24 Original £000s	2023/24 Projected £000s	2023/24 Variance £000s
Non-Current Assets	ASSET	52,071	55,927	54,640	(1,287)
Equity Investment in Local Authority Company	ASSET	225	225	225	0
Long Term Debtors	DEBT	57	143	57	(86)
Long Term Debtors - Cinema	DEBT	64	0	2,952	2,952
Long Term Debtors (Company Loan)	LOAN	0	150	0	(150)
Investments	INV	45,550 ⁴	33,441	40,856	7,415
Borrowing	BOLE	(1,066)	(1,004)	(1,005)	(1)
Finance Leases	BOLE	0	0	0	0
Working Capital	CRED	(19,067)	(22,434)	(19,316)	3,118
Pensions	CRED	5,046	(26,090)	6,650	32,740
TOTAL ASSETS LESS LIABILITIES		82,880	40,357	85,060	44,702

<u>Unusable Reserves</u>					
Revaluation Reserve	REV	(14,969)	(11,897)	(14,969)	(3,072)
Capital Adjustment Account	CAP	(35,494)	(39,980)	(40,998)	(1,018)
Deferred Credits	CRED	(47)	(47)	(47)	0
Pension Scheme	CRED	(5,046)	27,543	(5,197)	(32,740)
Benefits Payable During Employment Adjustment Account	CRED	409	409	409	0
Collection Fund	CRED	(867)	0	(1,229)	(1,229)
Available for Sale Financial Instruments Reserve	CRED	1,230	1,197	1,453	256
<u>Usable Reserves</u>					
Unapplied Grants and Contributions	UGER	(4,188)	(2,397)	(2,563)	(166)
Usable Capital Receipts	UGER	(2,281)	(1,169)	(2,049)	(880)
Earmarked Reserves - Unrestricted	UGER	(11,700)	(3,999)	(11,331)	(7,332)
Earmarked Reserves - Restricted	UGER	(3,942)	(3,942)	(3,031)	911
General Fund Balance	GEN	(5,985)	(6,075)	(5,509)	566
TOTAL EQUITY		(82,880)	(40,357)	(85,060)	(44,702)

Capital Funding	CAP	(35,494)	(39,980)	(40,998)	(1,018)
Revaluation Reserve	REV	(14,969)	(11,897)	(14,969)	(3,072)
Borrowing and Leasing	BOLE	(1,066)	(1,005)	(1,005)	(0)
Non-Current Assets	ASSET	52,296	56,152	54,865	(1,287)
Investments	INV	45,550	33,441	40,856	7,415
Unapplied Grants & Earmarked Reserves	UGER	(22,111)	(11,508)	(18,973)	(7,465)
General Reserve	GEN	(5,985)	(6,075)	(5,509)	566
Long Term Debtors	DEBT	57	143	57	(86)
Long Term Debtors (Joint Venture)	DEBT	64	0	2,952	2,952
Long Term Debtors (Company Loan)	LOAN	0	150	0	(150)
Working Capital & Pensions	CRED	(18,342)	(19,422)	(17,277)	2,145
Balance Sheet Summary Total		0	0	0	0
Internal Borrowing		831	3,420	845	(2,575)

Capital Financing Requirement (Borrowing)		1,897	4,425	1,850	(2,575)
Working Capital, Pensions and Long Term Debtors		(18,285)	(19,279)	(17,220)	2,059
Usable Reserves		(28,096)	(17,583)	(24,482)	(6,899)
Minimum Level of Investments		10,000	10,000	10,000	0
Liability Benchmark		(34,484)	(22,437)	(29,851)	(7,414)

³ Subject to Audit

⁴ Minor re-categorisation between Investments and Working Capital when compared to Annual Treasury Management Report – July 2023

Treasury Management Investments in the 2023/24 Financial Year

The table below shows a breakdown of our investments at the 30 September 2023:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Non-UK Organisation
Money Market Funds						
Legal & General	£2,290,000	01-Oct-23	Instant Access	5.30%	0	N/A
Federated	£5,000,000	01-Oct-23	Instant Access	5.30%	0	N/A
CCLA MMF	£5,000,000	01-Oct-23	Instant Access	4.98%	0	N/A
Strategic Funds						
CCLA Property Fund	£2,000,000	N/A	N/A	4.34%	N/A	No
Ninety-One Diversified Income Fund	£5,000,000	N/A	N/A	4.21%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	4.02%	N/A	No
Aegon Diversified Income Fund	£5,000,000	N/A	N/A	5.68%	N/A	No
Fixed Term Investments						
Brentwood Borough Council	£2,000,000	01-Mar-24	153	4.40%	LOCAL	
Folkestone and Hythe District Council	£2,000,000	07-Mar-24	159	4.40%	LOCAL	
Debt Management Office	£5,000,000	19-Dec-23	80	5.41%	UK Government	
North Lanarkshire Council	£2,000,000	17-Sep-24	353	5.80%	LOCAL	
Debt Management Office	£6,000,000	22-Jan-24	114	5.36%	UK Government	
Debt Management Office	£6,000,000	20-Nov-23	51	5.31%	UK Government	
West Dunbartonshire	£2,000,000	04-Mar-24	156	5.60%	LOCAL	
Call Accounts with Notice Period						
HSBC	£999,500	31-Oct-23	31	5.35%	A+	
Total Investments	£52,289,500					

Strategic Investments Volatility Reserve	
Opening Balance 01/04/2023	£720,290
Approved Transfers 2023/24	£74,000
Projected Transfers Qtr 2	£605,710
Projected Closing Balance 31/03/2024	£1,400,000
Fund Book Gains/(Losses)	
CCLA Property Fund	(£211,488)
CCLA Diversified Income Fund	(£195,531)
Ninety-One Diversified Income Fund	(£527,393)
Aegon Diversified Income Fund	(£518,815)
Net Book Loss as at 30/09/2023	(£1,453,227)
Projected Shortfall	(£53,227)

The External Borrowing Portfolio

The Council's external borrowing portfolio including the premiums for early repayment is shown below:

	Principal	Average Rate	Years to Final Maturity	(Premium) /Discount
PWLB Fixed Equal Instalment of Principal (EIP)	£1,004,520	2.59%	16.5	£123,905
TOTAL BORROWING	£1,004,520	2.59%	16.5	£123,905