

# Annual Treasury Management Report

Cabinet Member for Finance and Commissioning

Date: 15 October 2024  
Agenda item:  
Contact officer: Anthony Thomas  
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Email: Anthony.thomas@lichfielddc.gov.uk  
Key decision? YES  
Local ward members Full Council



Lichfield  
District Council

Full Council

## 1. Executive summary

- 1.1 The report covers the Treasury Management performance for the financial year 2023/24.
- 1.2 The Capital Programme was **(£7,292,041)** lower than the Approved Budget with under spending on Cinema Development **(£2,888,000)**, 32-44 Baker's Lane **(£1,582,000)** and Streethay Community Centre **(£725,000)** being the most significant projects.
- 1.3 Income from Capital Receipts was lower than the Approved Budget by **£2,252,915**. The main reasons are the planned sale of Venture House and the transfer of land at Bakers Lane were not completed.
- 1.4 The funding of the Capital Programme in 2023/24 reflects the actual expenditure of **(£3,527,959)**. This includes lower funding from capital receipts because the use of funding from other sources, that have more restrictions, was prioritised.
- 1.5 The actual Capital Financing Requirement (Borrowing Need) at **£1,750,227** is **(£98,773)** lower than the Approved Budget of **£1,849,000**. This is because **£100,000** of additional Treasury Management income has been set aside as Voluntary Revenue Provision to reduce annual debt repayment costs.
- 1.6 Minimum/Voluntary Revenue Provision at **£146,644** was higher than the Approved Budget of **£47,000** for the reason provided in para 1.5.
- 1.7 Assets less liabilities on the Balance Sheet at **£76,141,149<sup>1</sup>** is **£5,424,149** higher than the budget of **£70,717,000** and this variance is offset in Total Equity (Usable and Unusable Reserves). These variances are explained at 3.22 and 3.23 however; are in the main related to higher investment balances.
- 1.8 Investments at **£47,230,932** (The actual level of £46,351,721 plus accrued interest of £879,211) were **£4,470,932** higher than the Approved Budget of **£42,760,000**. This was due to higher working capital (amounts owed to other bodies or grants received in advance of payment) and higher unapplied grants and contributions. This is also reflected in the lower liability benchmark of **(£34,484,124)** compared to the Approved Budget of **(£33,882,000)** shown at **APPENDIX B**.
- 1.9 The net treasury position was **(£154,224)** higher than the Approved Budget of **(£1,811,270)**. This was due to more interest received on higher investment balances.
- 1.10 The Council's investments achieved a risk status of **A+**, which was more secure than the aim of **A-**, and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.
- 1.11 The report confirms the Council was compliant with all Treasury Limits and Prudential Indicators for 2023/24.

## 2. Recommendations

- 2.1 Council approve the actual 2023/24 Prudential Indicators contained within the report.

<sup>1</sup> Subject to the Audit Opinion for the 2023/24 Financial Statements.

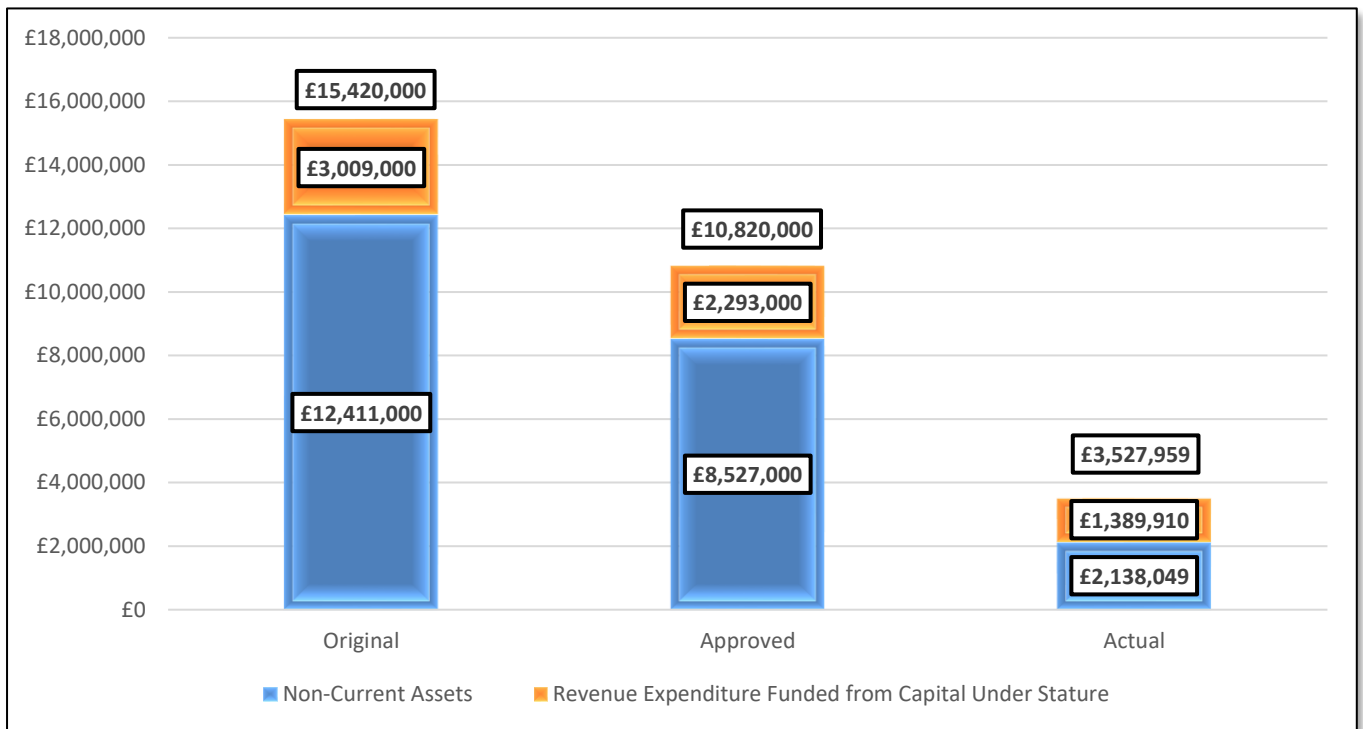
## 3. Background

### The Capital Programme and Treasury Management

- 3.1 This Annual Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2023/24 and the actual Prudential Indicators for 2023/24.
- 3.2 Treasury Management is defined as: *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*
- 3.3 Overall responsibility for Treasury Management remains with the Council. No Treasury Management activity is without risk; the effective identification and management of risk are integral to our Treasury Management objectives.
- 3.4 Our Treasury Management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members be informed of treasury management activities at least twice a year. We report regularly to the Cabinet and Audit and Member Standards Committee on Treasury policy, strategy and activity.
- 3.5 This report is prepared in accordance with the revised CIPFA Treasury Management Code and the revised Prudential code and
- presents details of capital spend, capital financing, borrowing and investment transactions;
  - reports on the risk implications of Treasury decisions and transactions;
  - gives details of the outturn position on Treasury Management transactions in 2023/24;
  - confirms compliance with Treasury limits and Prudential Indicators.
- 3.6 The performance of the Treasury Management function should be measured against the investment objectives of **Security** (the safe return of our monies), **Liquidity** (making sure we have sufficient money to pay for our services) and **Yield** (the return on our investments) contained in Statutory Guidance.
- 3.7 In addition, external borrowing is considered against the objectives of it being **affordable** (the impact on the budget and Council Tax), **prudent** and **sustainable** (over the whole life).

## The Capital Programme

3.8 A summary of the Capital Programme performance from Budget to the Actual for 2023/24 is shown in detail at **APPENDIX A** and in the chart below:



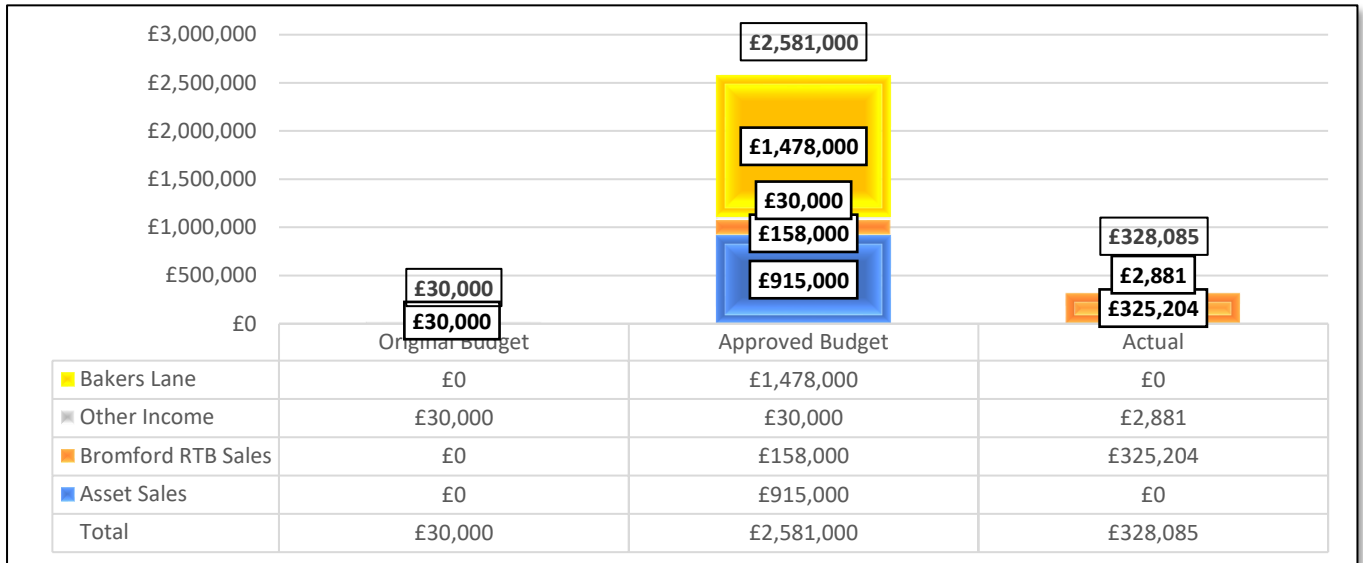
3.9 Capital expenditure was **£3,527,959** and this is **(£7,292,041)** or **67%** less than the Revised Approved Budget of **£10,820,000**.

3.10 There were variances compared to the Approved Budget related to the following:

	Variances	
	Slippage	Other
* Disabled Facilities Grants	£179,000	
* Conversion of 36a Bore Street	(£489,000)	
* Streethay Community Centre	(£725,000)	
* Replacement Leisure Centre	(£346,000)	
* Burntwood Community Hub	(£245,000)	
* New 3G Pitch in Lichfield	(£200,000)	
* Other Projects	(£394,000)	(£56,380)
<b>Enabling People Total</b>	<b>(£2,220,000)</b>	<b>(£56,380)</b>
* Bin Purchase (funded from the Revenue Budget)		(£9,506)
* Dual Stream Recycling		(£14,994)
* Public Conveniences	(£85,000)	
<b>Shaping Place Total</b>	<b>(£85,000)</b>	<b>(£24,200)</b>
* BRS Enabling Works	(£266,000)	
* Cinema Development	(£2,888,000)	
* 32-44 Baker's Lane	(£1,582,000)	
* Other Projects	(£100,000)	(£944)
<b>Developing Prosperity Total</b>	<b>(£4,836,000)</b>	<b>(£944)</b>
* Building a Better Council		(£52,000)
* Other Projects	(£21,000)	£3,483
<b>A Good Council Total</b>	<b>(£21,000)</b>	<b>(£48,517)</b>
<b>Total Variance</b>	<b>(£7,162,000)</b>	<b>(£130,041)</b>
	<b>(£7,292,041)</b>	

## Capital Receipts

3.11 The budgeted and actual capital receipts received are shown below:

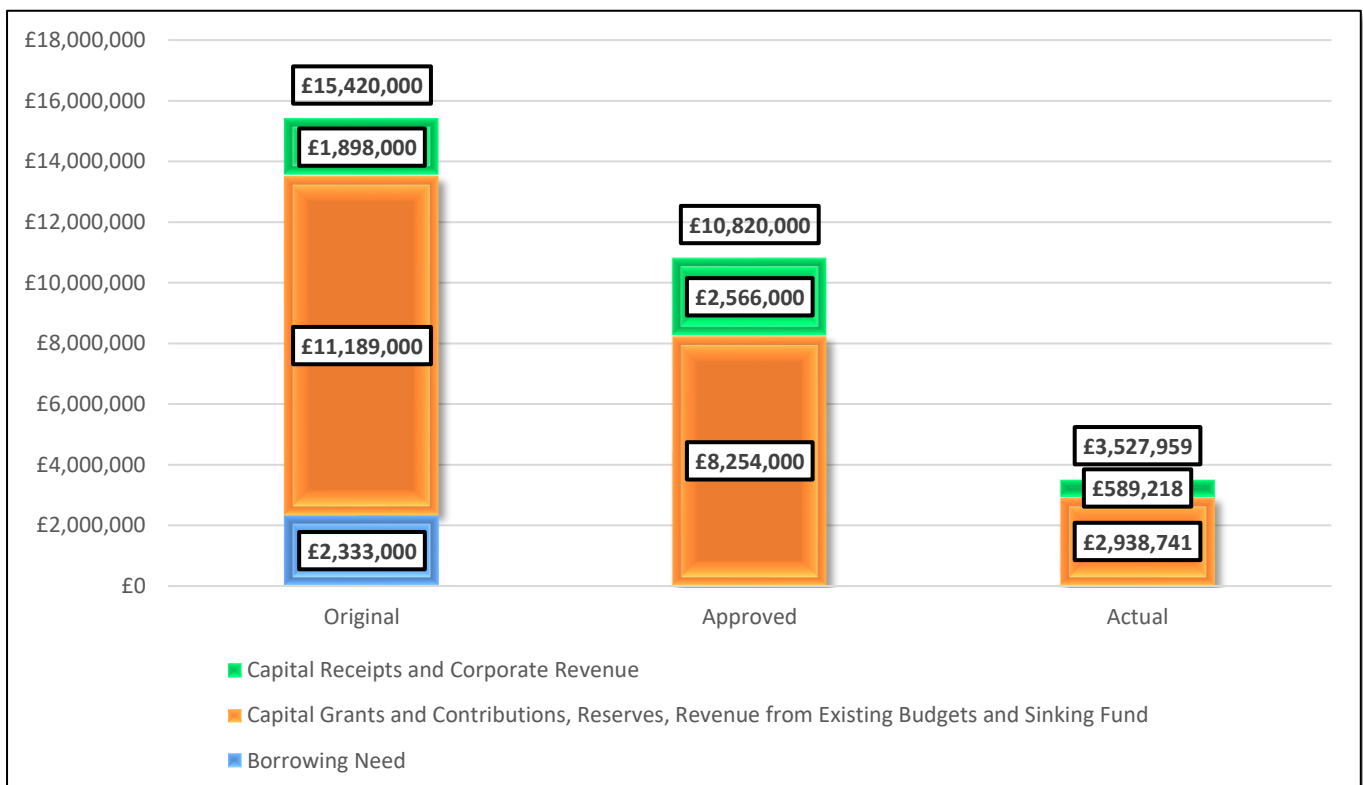


3.12 The asset sale was related to Venture House; however, it was not completed in 2023/24. A 'notional' capital receipt of (£1,478,000) related to the land exchange was assumed, however the exchange was not completed during 2023/24. This is an unusual accounting transaction and therefore we sought expert advice to ensure there is no external audit challenge and the advice has advised a different approach that will not involve a 'notional' capital receipt.

3.13 The Right to Buy capital receipts, under the policy approved by Council on 14 July 2020, will be earmarked towards capital investment to support delivery of the Housing, Homelessness and Rough Sleeping Strategy.

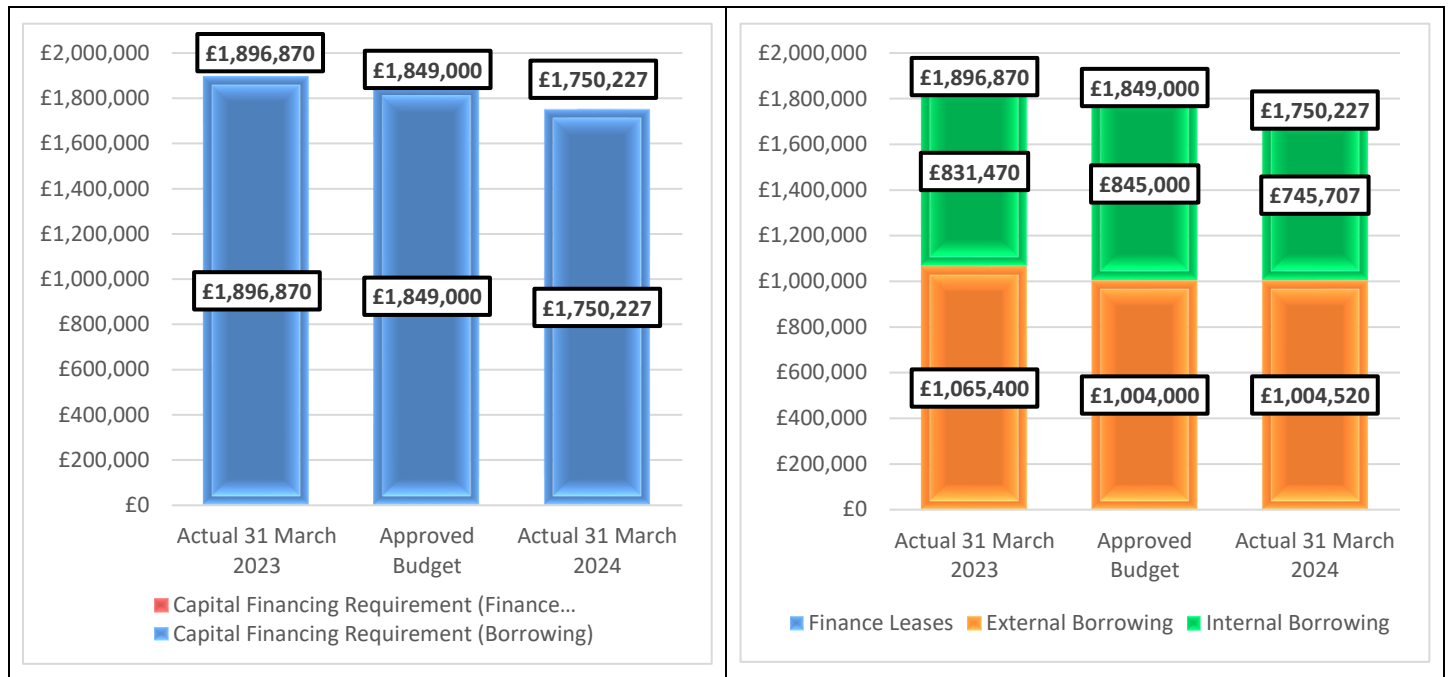
## The Funding of the Capital Programme

3.14 The budgeted and actual sources of funding for the Capital Programme are shown below:



## The Capital Financing Requirement (Borrowing Need) and its Financing

3.15 The actual and Budgeted Borrowing Need and its financing is shown below:

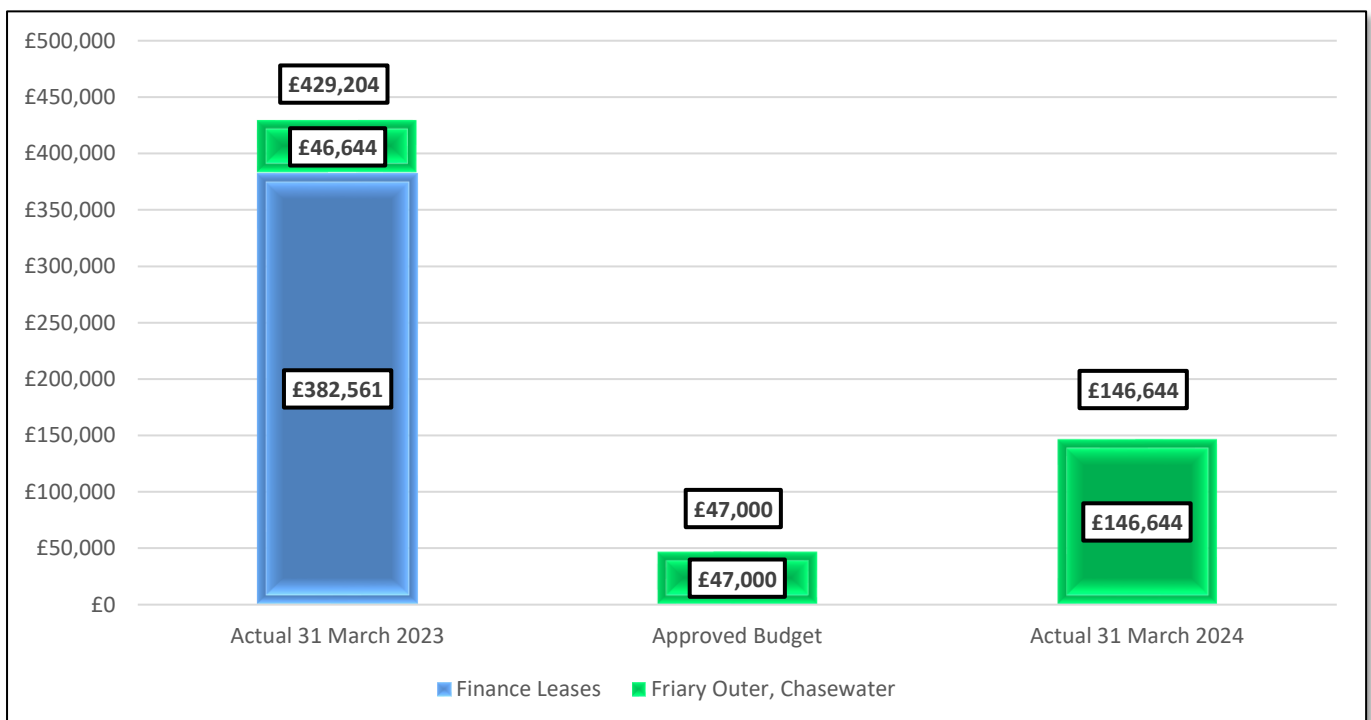


3.16 The Liability Benchmark (the lowest risk level of borrowing) was (£35,347,201) and is lower compared to the Approved Budget of (£31,756,000) as shown at APPENDIX B. This is primarily due to higher usable reserves.

3.17 It indicates that the Council does not currently need to externally borrow to fund its Capital Financing Requirement and was the reason Council was able to approve £5m of internal borrowing to fund the new leisure centre.

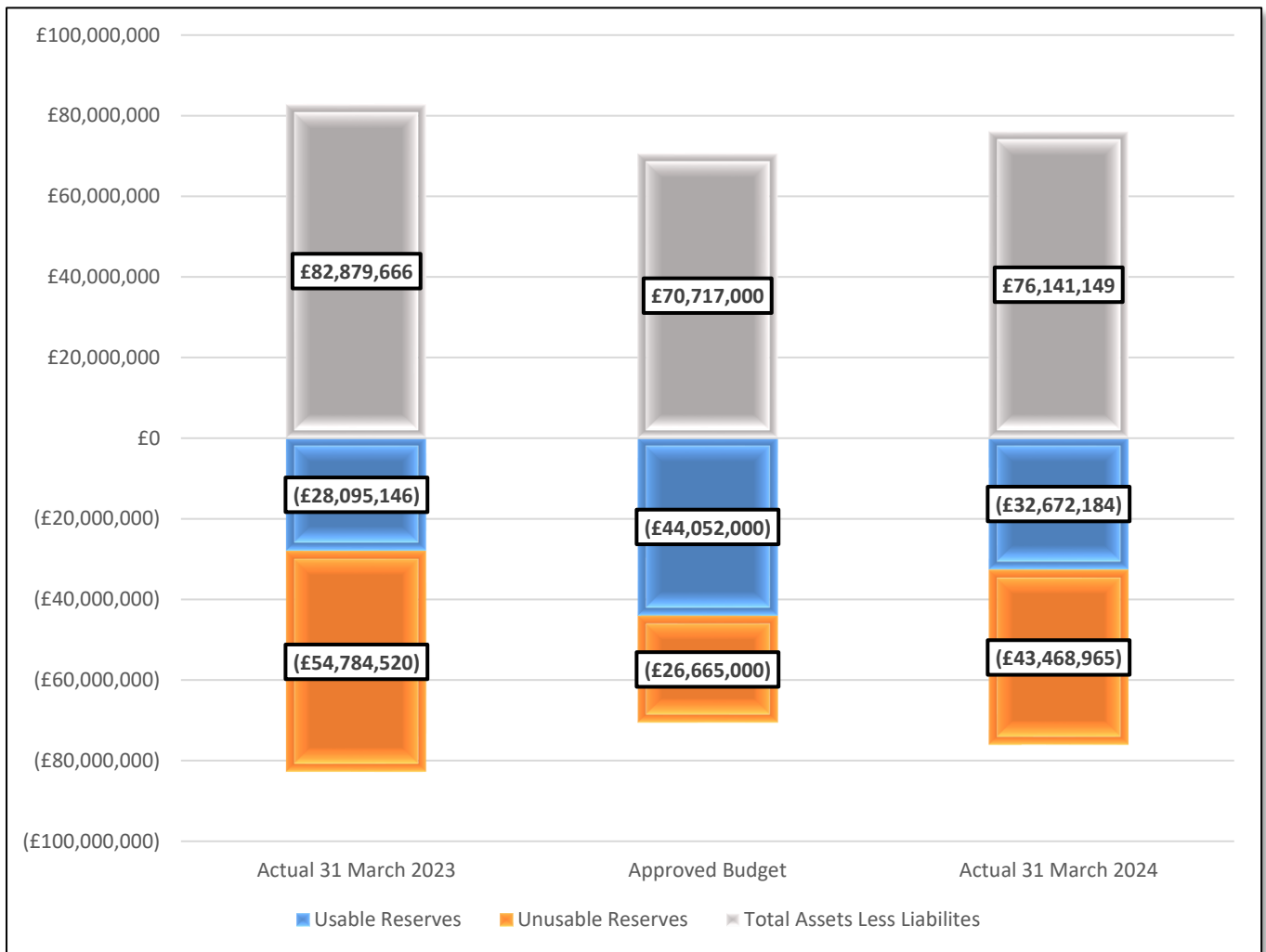
## Minimum Revenue Provision in 2023/24

3.18 The Minimum Revenue Provision charged to revenue in 2022/23, budgeted in 2023/24 and the actual in 2023/24 is shown below:



## The Balance Sheet

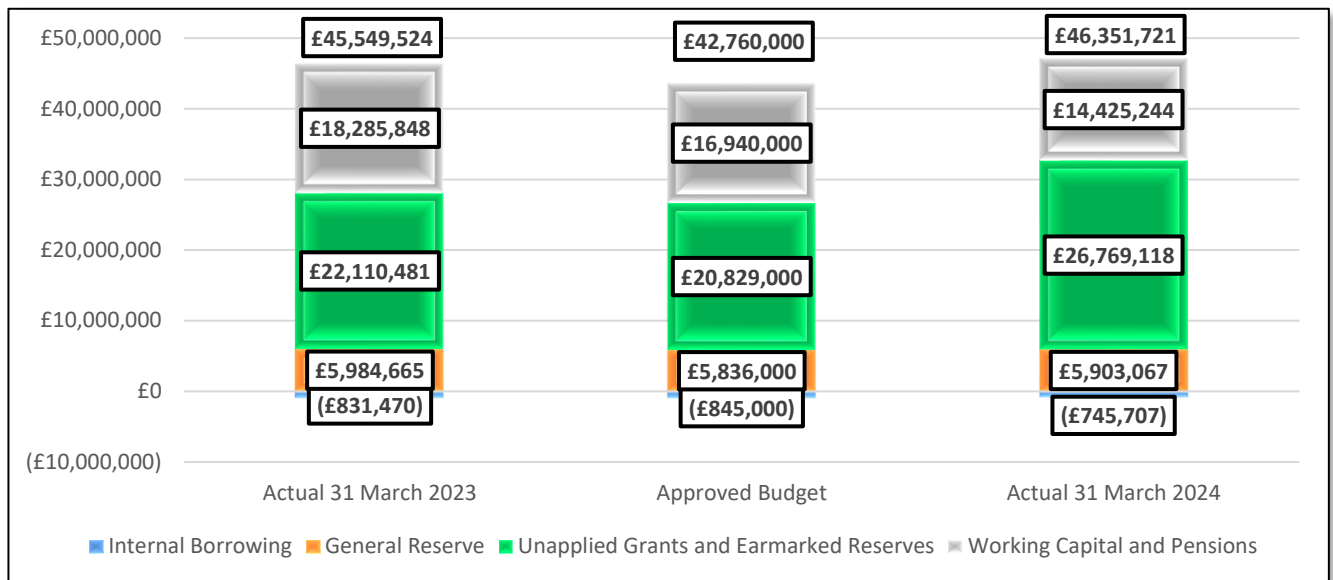
3.19 The actual Balance Sheet for 2022/23 together with the budgeted and actual Balance Sheet for 2023/24 are shown in detail at **APPENDIX B** and are summarised below:



3.20 The main reasons for the variance between the budgeted and actual Balance Sheet for 2023/24 are:

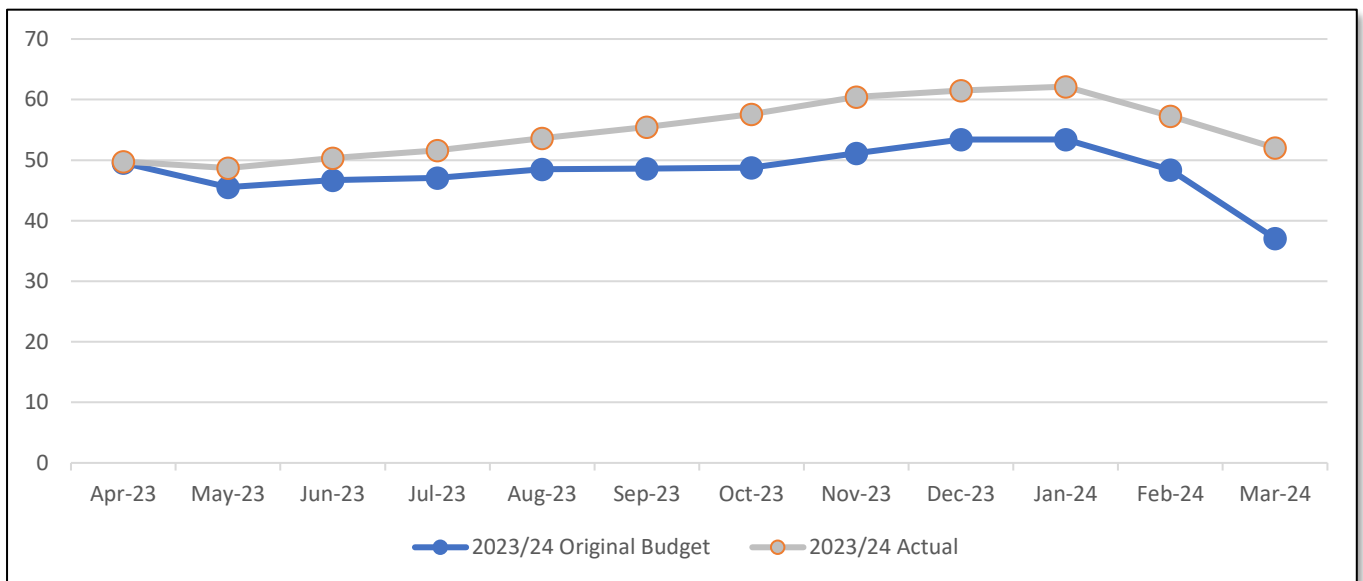
Area	Pensions £000	Assets £000	Current £000	Total £000
Higher Pension liability	(507)			(507)
Higher Investments due to more net cash from changes in reserves and working capital			4,471	4,471
Higher Non-current assets due to valuation increases and spend		1,474		1,474
Lower Working capital			2,115	2,115
Lower Long Term Debtors due to underspend on Cinema project			(2,130)	(2,130)
<b>Total Assets less Liabilities</b>	<b>(507)</b>	<b>1,474</b>	<b>4,457</b>	<b>5,424</b>
Higher Earmarked Reserves			(3,274)	(3,274)
Lower Capital Receipts and Burntwood Sinking Fund			233	233
Higher Unapplied Capital Grants			(2,898)	(2,898)
Higher General Reserves			(67)	(67)
<b>Total Usable Reserves</b>			<b>(6,006)</b>	<b>(6,006)</b>
Higher Pensions Reserve to match the Pension liability	507			507
Increase in Revaluation Reserve and Capital Adjustment Account		(1,474)	2,788	1,314
Lower Other Reserves including Collection Fund			(1,237)	(1,237)
<b>Total Unusable Reserves</b>	<b>507</b>	<b>(1,474)</b>	<b>1,551</b>	<b>583</b>
<b>Total Equity</b>	<b>507</b>	<b>(1,474)</b>	<b>(4,457)</b>	<b>(5,424)</b>

3.21 The level of investments (excluding accrued interest) and the sources of cash are shown in the chart below:



### Cash Flow Forecasts

3.22 The graph below shows the average investment levels (in £m) throughout the 2023/24 financial year compared to the Original budget:



3.23 The cash flow variance is primarily due to lower spend than forecast.

3.24 The Treasury Management Performance for both investment income and borrowing in 2023/24 was:

Treasury Management	2023/24			
	Revised Budget		Actual	
	Investment Income	Borrowing	Investment Income	Borrowing
Average Balance	£52.20m	£1.02m	£55.04m	£1.02m
Average Rate	4.92%	2.59%	4.93%	2.59%
Gross Investment Income	(£2,568,390)		(£2,716,833)	
Pooled Fund Transfer to Reserves	£679,710		£578,165	
External Interest		£26,410		£26,530
Internal Interest		£4,000		£0
Minimum Revenue Provision (less Finance Leases)		£47,000		£146,644
<b>Net Treasury Position</b>	<b>(£1,888,680)</b>	<b>£77,410</b>	<b>(£2,138,668)</b>	<b>£173,174</b>
	<b>(£1,811,270)</b>		<b>(£1,965,494)</b>	

## Investment Strategy

3.25 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.**

3.26 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.

3.27 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 (updated 27 February 2024).**

### Service Investments

3.28 There is one significant approved investment of a service nature for the cinema development. The investment and net return included in the Approved Budget (excluding the Buy Out Approved Budget of £3,999,000) are detailed below:

Cumulative (excluding the Buy Out)	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Approved Loan to the Joint Venture	£64,000	£2,952,000	£7,488,000	£7,488,000	£7,488,000	£7,488,000
Actual/Projected use of the Facility	£64,000	£64,000	£7,488,000	£7,488,000	£7,488,000	£7,488,000
Net Income (revenue budget neutral)	0	0	0	0	0	0
Net Return	0	0	0	0	0	0

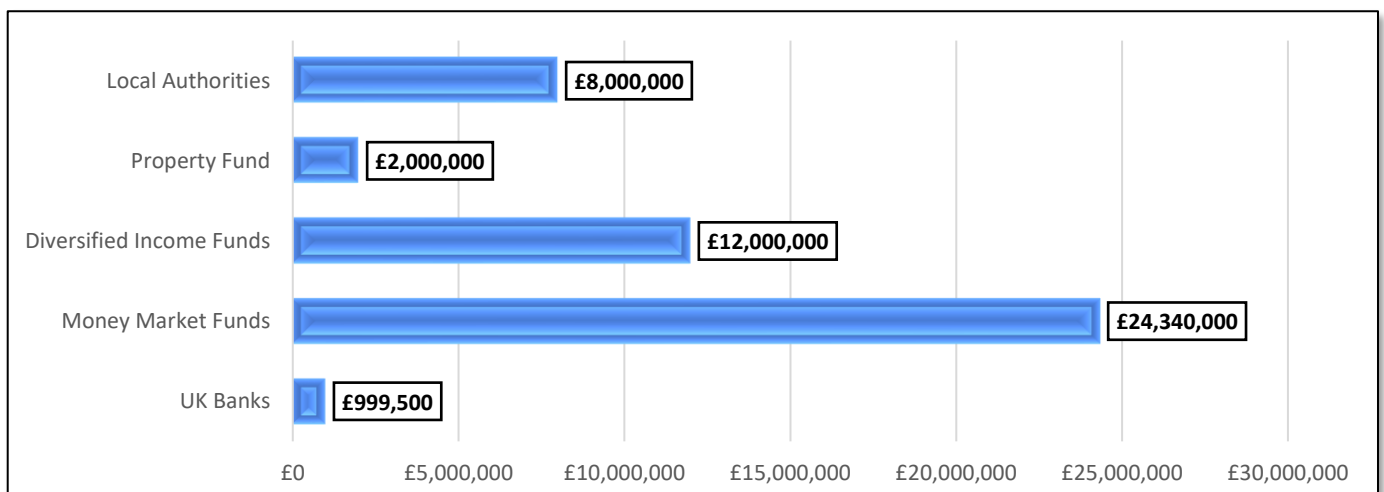
### Commercial Investments

3.29 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

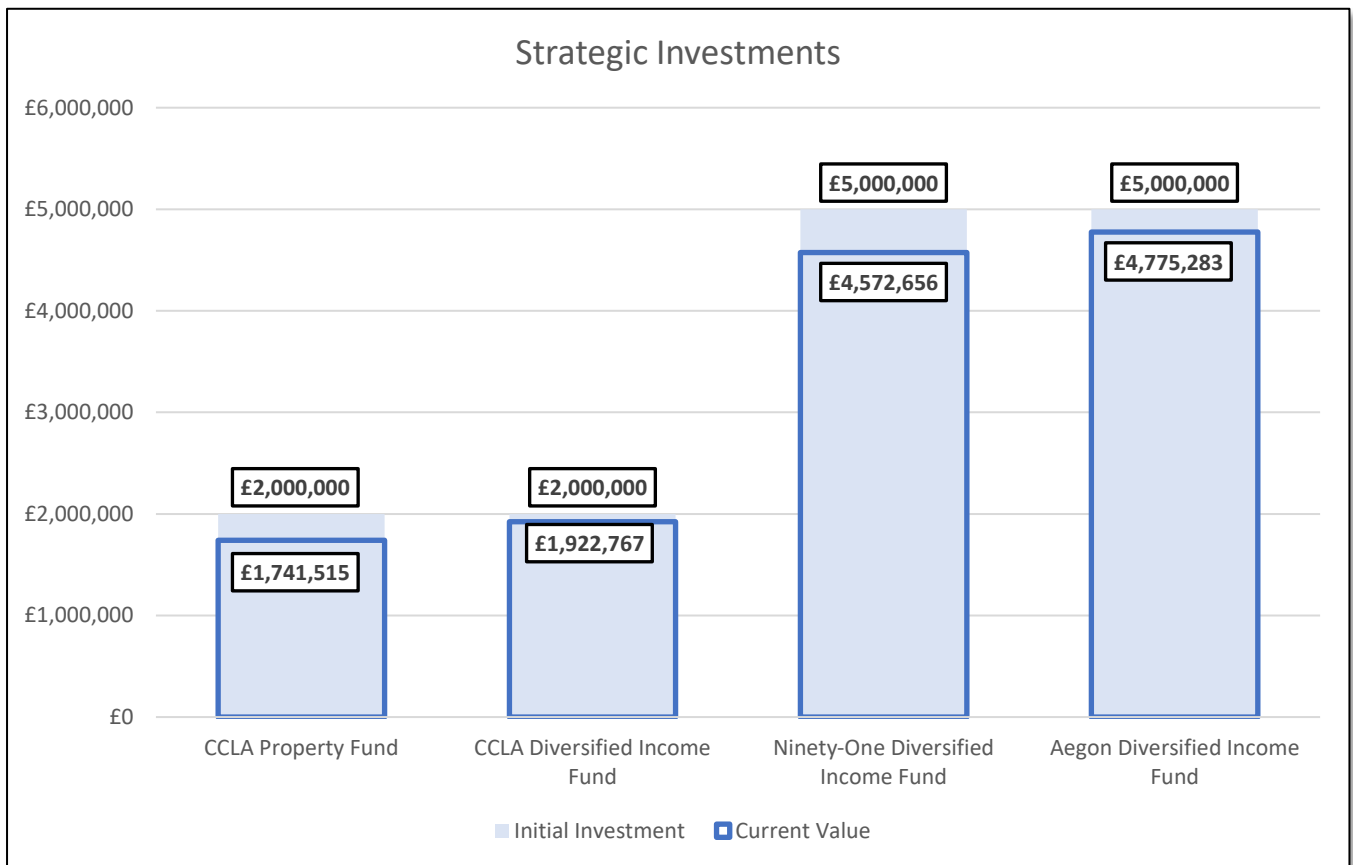
#### The Security of Our Investments

3.30 The investments the Council had at the 31 March 2024 of **£47,339,500** (with the Property and Diversified Income Funds valued at original investment for each) by type and Country are summarised below and in **APPENDIX C:**





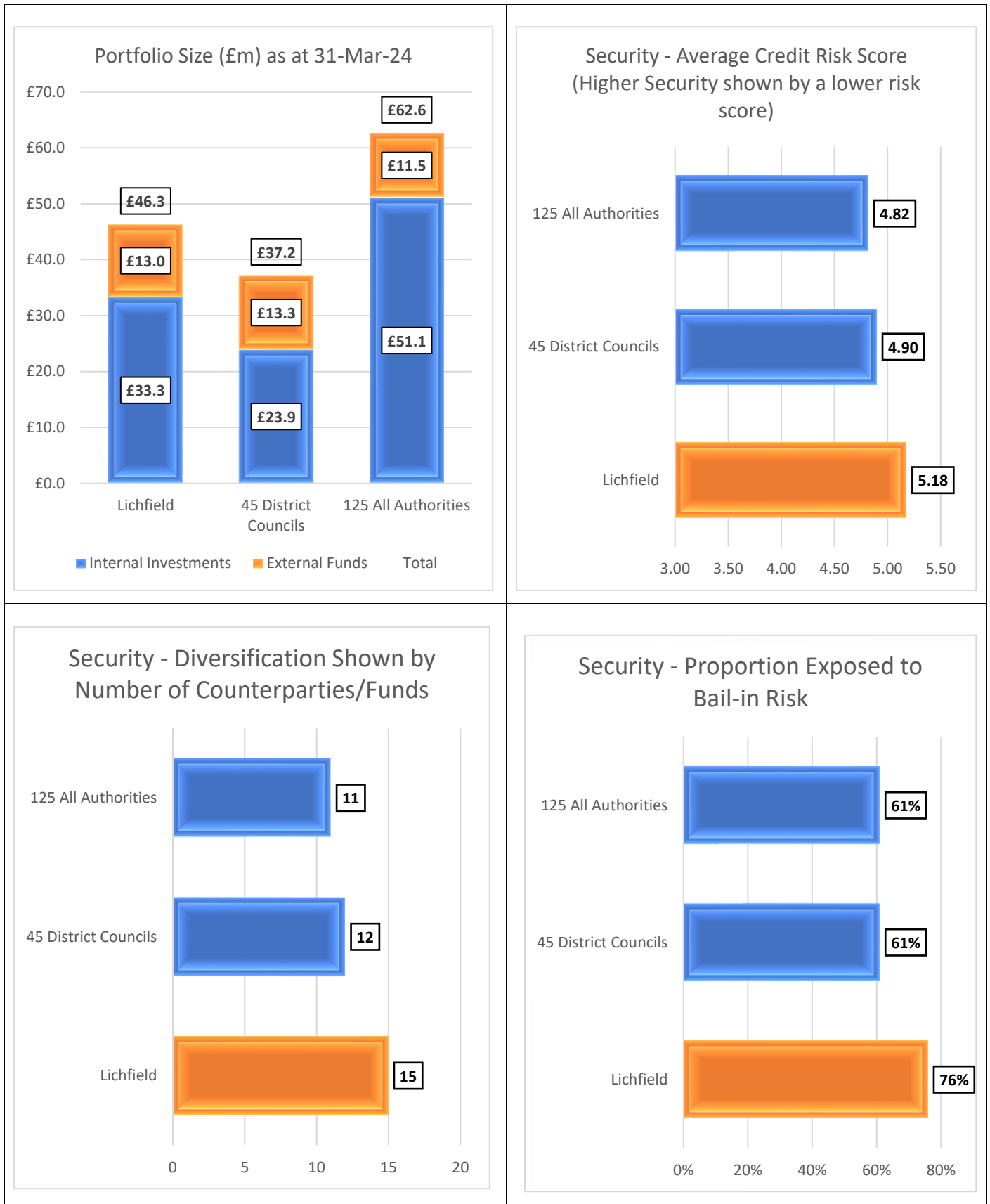
3.31 The current value of the Property Fund and Diversified Income Fund investments is:



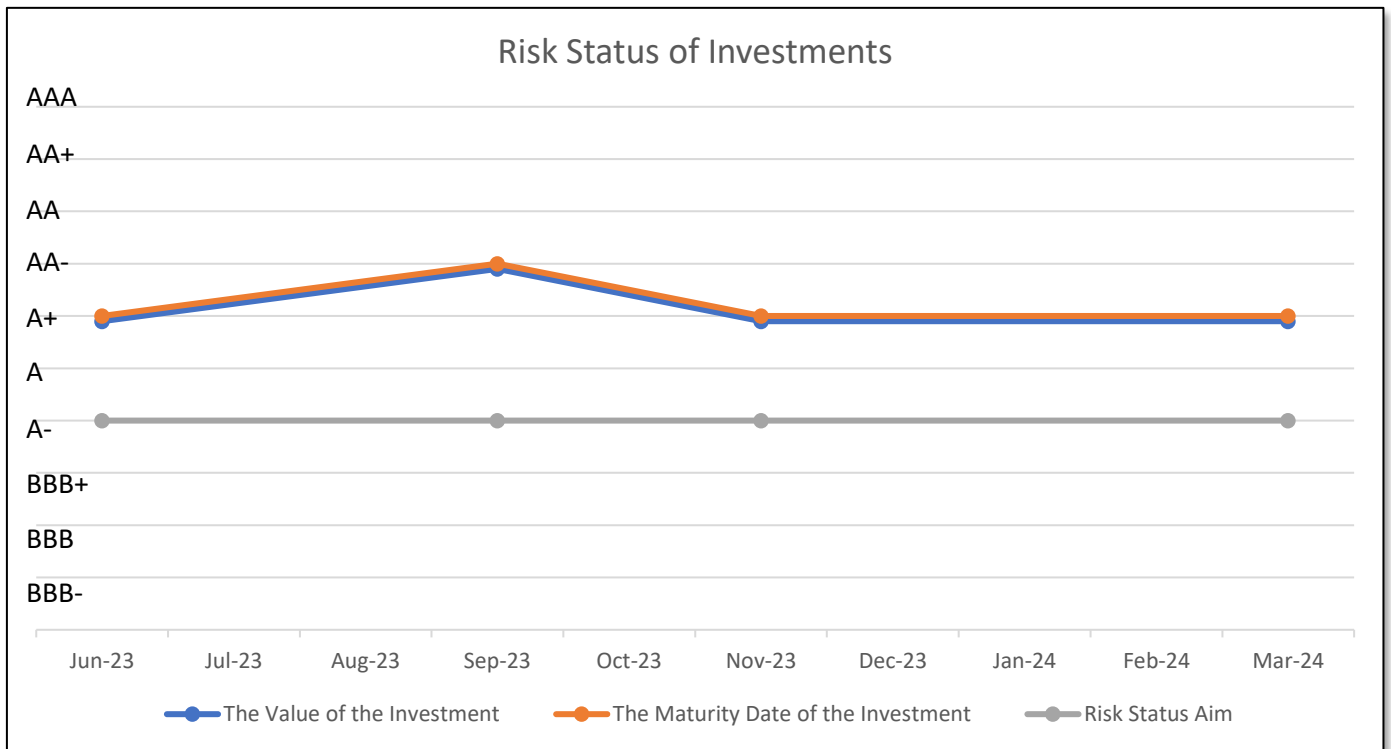
3.32 Overall, in terms of strategic investments there is a 'book loss' of **(£987,779)** and the earmarked reserve to manage volatility risk is **£1,400,000**. Therefore, there is **£412,221** more in the earmarked reserve than the current Net Book Loss as shown below:

Strategic Investments Volatility Reserve	
Opening Balance 01/04/2023	£821,835
Approved Transfers 2023/24	£578,165
<b>Closing Balance 31/03/2024</b>	<b>£1,400,000</b>
Fund Book Gains/(Losses)	
CCLA Property Fund	(£258,485)
CCLA Diversified Income Fund	(£77,233)
Ninety-One Diversified Income Fund	(£427,344)
Aegon Diversified Income Fund	(£224,717)
<b>Net Book Loss as at 31/03/2024</b>	<b>(£987,779)</b>
<b>Earmarked Reserve more than the Net Book Loss</b>	<b>£412,221</b>

3.33 The Council's portfolio size (with the property fund and diversified investment funds valued at their current values of **£13m**), average credit score, diversification and exposure to 'Bail in' risk compared to Arlingclose Clients is shown below:

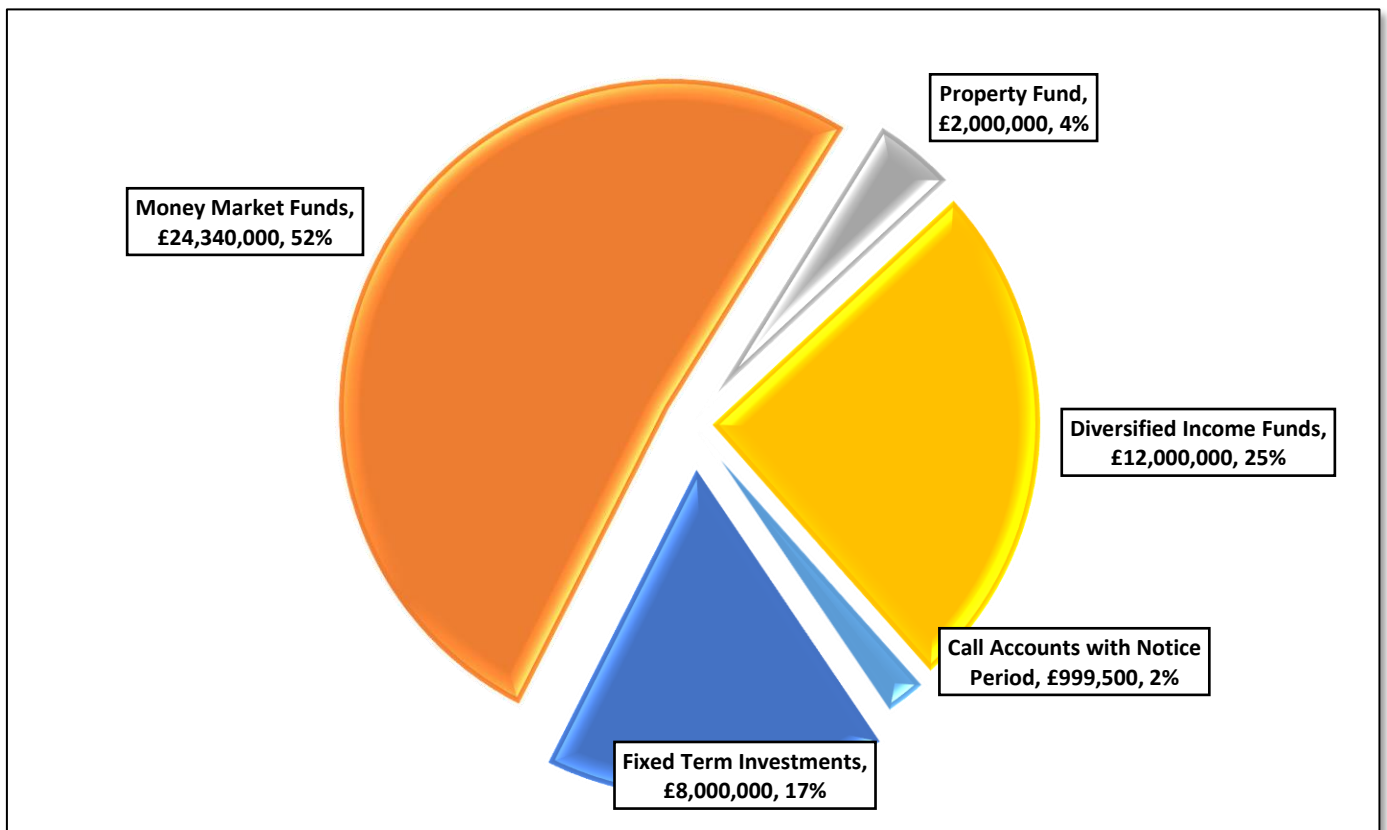


3.34 Our aim for the risk status of our investments was **A-** or higher. The risk status based on the length of the investment and the value for a 9 month period is summarised in the graph below:

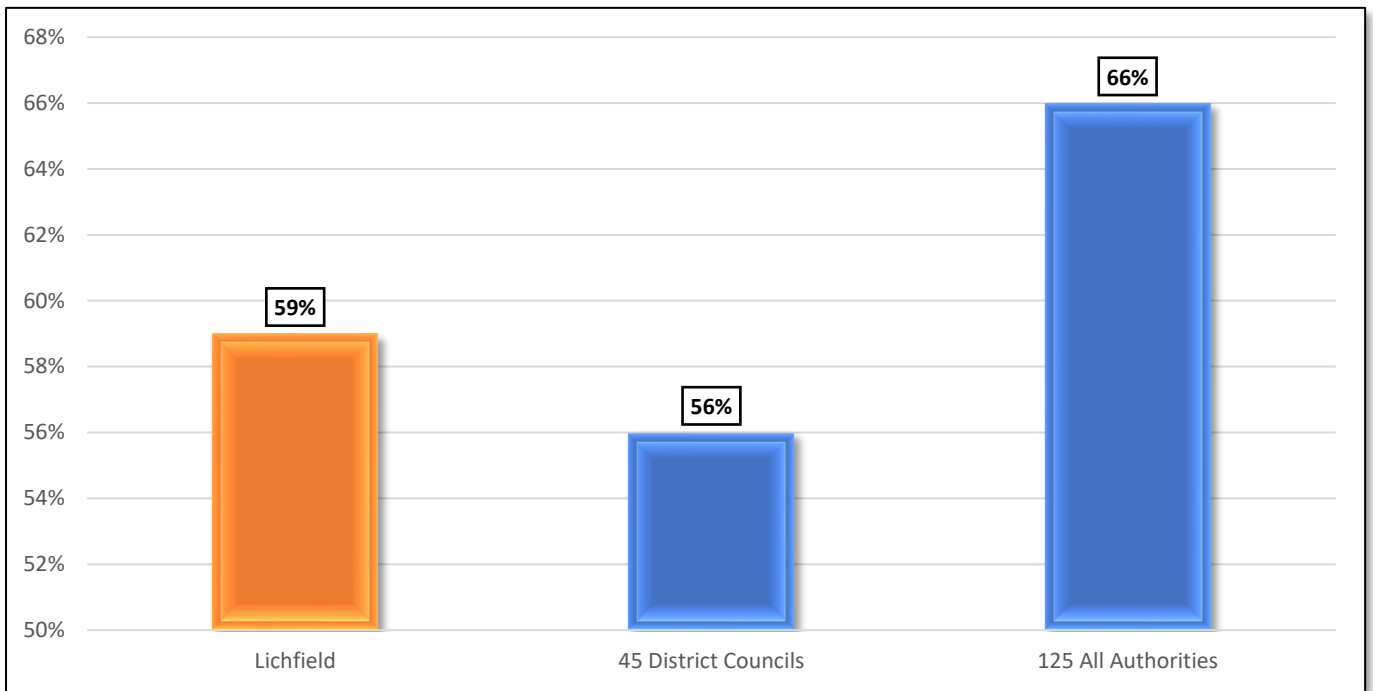


**The Liquidity of our Investments**

3.35 The Council has not had to temporarily borrow during 2023/24. A significant proportion of investments are retained in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services and to be able to take advantage of any further interest rate increases. The investments by type are shown below:

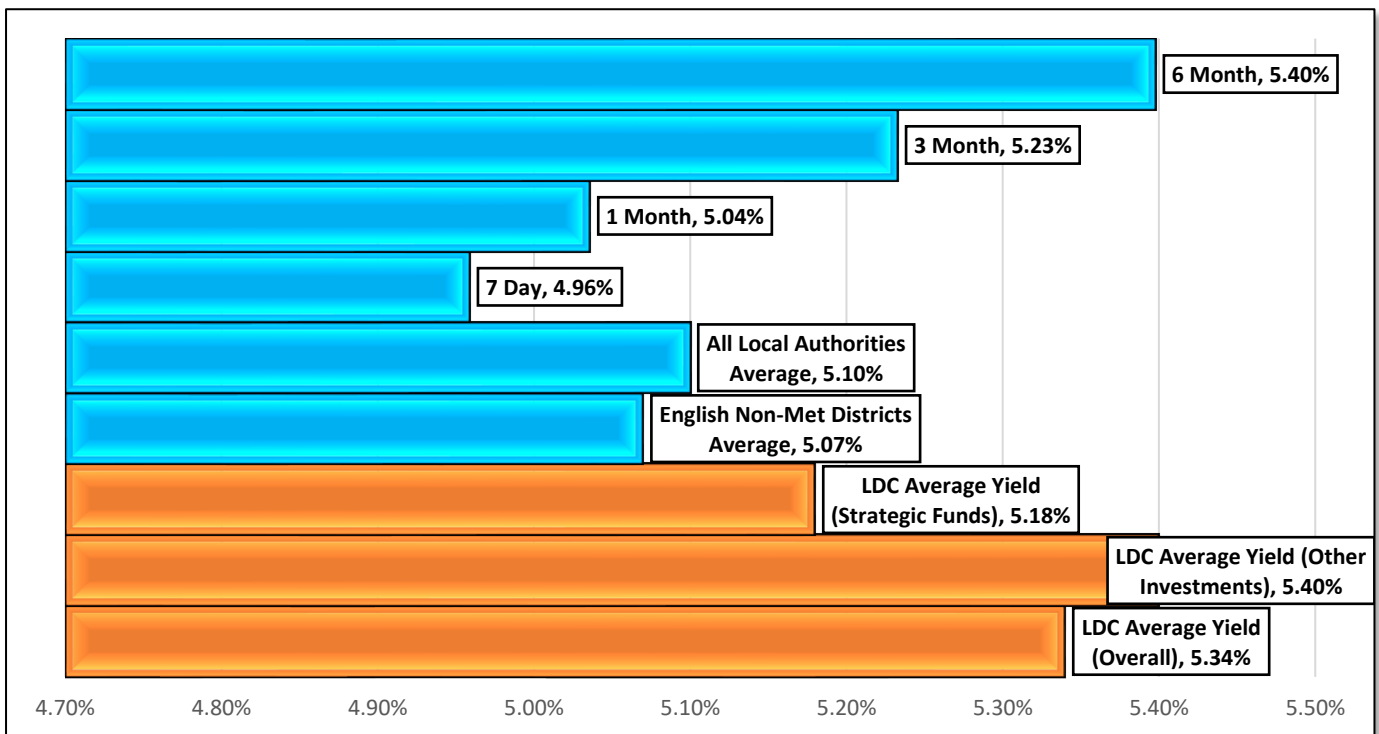


3.36 The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is below:



### The Return or Yield of our Investments

3.37 The yield at 31 March 2024 the Council achieved compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) is shown below:



3.38 The investment activity during the financial year generated (£2,716,833) of gross investment income compared to a budget of (£2,568,390).

### **External Borrowing**

3.39 At the end of the year, the Council had one long-dated PWLB loan totalling £1,004,520 that was largely unchanged over the year, other than for the scheduled semi-annual principal repayments, at an interest rate of 2.59% with 16 years to maturity. This is shown in detail at APPENDIX C.

## An Update on Strategic/Pooled Investments

- 3.40 The financial/economic environment including the imminent end of the statutory override for capital losses for strategic/pooled investments on 31 March 2025 presents significant financial risk to the Council.
- 3.41 Therefore, Audit and Member Standards Committee on 28 November 2023 considered a revised approach to strategic/pooled investments to reduce the risk exposure from £14m to £9m.
- 3.42 The Council appointed Arlingclose to advise on reducing the pooled fund portfolio from £14m to £9m whilst maintaining diversification in asset classes.
- 3.43 Arlingclose have undertaken an analysis of the existing portfolio and so that the portfolio is not left unbalanced after divestment, has advised a rebalancing of the blend of existing funds.
- 3.44 The rebalancing involves maintaining the £2m holding in the property fund and rebalancing the diversified or multi asset income funds.
- 3.45 The statutory override is in place for the financial year ending 31 March 2025 which will shield the revenue budget from unrealised losses on pooled funds unless the fund is sold. Rather than divesting now from the multi asset funds, with time on its side, Arlingclose believe there is benefit in waiting to divest.
- 3.46 This is because Arlingclose expect to see an improvement in bond market sentiment as lower inflation paves the way for interest rate cuts; lower bond yields would have a positive impact on the capital value of the multi asset funds.
- 3.47 Arlingclose advise a phased exit approach based on the number of shares in the fund rather than by value to maintain the desired balance across the portfolio.
- 3.48 Arlingclose also advise the maintenance on the earmarked reserve to mitigate residual financial risk of reductions in the value of the strategic investments following the end of the statutory override.

<b>Alternative options</b>	There are no alternative options.
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<b>Consultation</b>	Audit Committee reviewed the information on 18 July 2024 and Cabinet reviewed on 30 July 2024.
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<b>Financial implications</b>	<p><b>Prudential indicators (PI) 2023/24:</b></p> <ul style="list-style-type: none"> <li>We can confirm that the Council has complied with its Prudential and Local Indicators for 2023/24; these were originally approved by Council at its meeting on 28 February 2023 and were fully revised and approved by Council on 27 February 2024.</li> <li>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.</li> <li>None of the other Prudential and Local Indicators have been breached. The Prudential and Local Indicators are summarised in the table below:</li> </ul>
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Capital Strategy Indicators					
Prudential Indicators					
Indicators	2022/23 Actual	2023/24 Original	2023/24 Revised	2023/24 Actual	Compliant
<b>Capital Investment</b>					
Capital Expenditure (£m)	£3.573	£15.420	£10.820	£3.528	✓
Capital Financing Requirement (£m)	£1.897	£4.425	£1.850	£1.750	✓
<b>Gross Debt and the Capital Financing Requirement</b>					
Gross Debt (£m)	(£1.065)	(£1.005)	(£1.005)	(£1.005)	✓
Borrowing in Advance – is Gross Debt higher than the Capital Financing Requirement	No	No	No	No	✓
<b>Total Debt</b>					
Authorised Limit (£m)	£1.509	£19.932	£19.932	£1.065	✓
Operational Boundary (£m)	£1.509	£7.505	£7.505	£1.065	✓
Proportion of Financing Costs to Net Revenue Stream (%)	4%	1%	1%	1%	✓

Local Indicators					
Indicators	2022/23 Actual	2023/24 Original	2023/24 Revised	2023/24 Actual	Compliant
Replacement of Debt Finance or MRP (£m)	(£0.429)	(£0.047)	(£0.047)	(£0.147)	✓
Funding Development Costs for Leisure Centre (£m)	(£0.216) <sup>2</sup>				
Capital Receipts (£m)	(£0.022)	(£0.030)	(£2.423)	(£0.003)	✓
Housing Capital Receipts (£m)	(£0.352)	£0.000	(£0.158)	(£0.325)	✓
Liability Benchmark (£m)	(£34.484)	(£22.437)	(£31.756)	(£35.347)	✓
Treasury Management Investments (£m) (less accrued interest)	£45.550	£33.441	£42.760	£46.352	✓

Treasury Management Indicators				
Prudential Indicators				
	Lower Limit	Upper Limit	As at 31/03/24	Compliant
<b>Refinancing Rate Risk Indicator</b>				
Under 12 months	0%	100%	6.06%	
12 months and within 24 months	0%	100%	6.06%	
24 months and within 5 years	0%	100%	18.18%	
5 years and within 10 years	0%	100%	30.30%	
10 years and within 20 years	0%	100%	39.39%	✓
20 years and within 30 years	0%	100%		
30 years and within 40 years	0%	100%		
40 years and within 50 years	0%	100%		
50 years and above	0%	100%		

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

Local Indicators					
Indicators	2022/23 Actual	2023/24 Original	2023/24 Revised	2023/24 Actual	Compliant
<b>Balance Sheet Summary and Forecast</b>					
Borrowing Capital Financing Requirement	£1.897	£4.425	£1.850	£1.750	✓
Internal (over) Borrowing	£0.832	£3.420	£0.845	£0.746	✓
Investments (or New Borrowing) (less accrued interest)	£45,550	£33.441	£42.760	£46.352	✓
Liability Benchmark	(£34.484)	(£22.437)	(£31.756)	(£35.347)	✓

	Target	2023/24 Actual	Compliant
<b>Security</b>			
Portfolio average credit rating	A-	A+	✓
<b>Liquidity</b>			
Temporary Borrowing undertaken	£0.000	£0.000	✓
Total Cash Available within 100 days (maximum)	90%	83%	✓

Approved by Section 151 Officer	Yes
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Legal implications	No specific legal implications. The recommended Medium Term Financial Strategy, is part of the Budget Framework and will therefore require the approval of Full Council.
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Approved by Monitoring Officer	Yes
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Contribution to Lichfield District 2050	The MTFS underpins the delivery of the Strategic Plan.
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Data assessment	This assessment is not applicable to this report and its content due to statutory and regulatory requirements.
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<sup>2</sup> This figure was not included in the MTFS report in February 2024

Equality, diversity and human rights implications	There are no additional Equality, Diversity or Human Rights implications.
EIA logged by Equalities Officer	Yes Equalities Officer confirmed not required.

Crime & safety Issues	There are no additional Crime and Safety Issues.
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Environmental impact (including climate change and biodiversity)	There are no additional Environmental Impacts. Environmental, Social and Governance (ESG) of counterparties is a factor that will likely form part of the revised Treasury Management Code.
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GDPR / privacy impact assessment	There are no additional GDPR/Privacy Impact Assessment Impacts.
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	Risk description & risk owner	Original score (RYG)	How we manage it	New score (RYG)
<b>Strategic Risk SR1 - Non achievement of the Council's key priorities contained in the Strategic Plan due to the availability of Finance</b>				
A	Council Tax is not set by the Statutory Date of <b>11 March 2024</b>	Likelihood: Green Impact: Red Severity of Risk: Yellow	Full Council set with reference to when major preceptors and Parishes have approved their Council Tax.	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	In the MTFs, no income is assumed beyond 2025/26.	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	Maintain a watching brief on economic forecasts, ensure estimates reflect latest economic projections. Where possible, ensure income increases are maximised to mitigate any additional cost.	Likelihood: Yellow Impact: Yellow Severity of Risk: Yellow
G	Interest Rate Risk if Internal Borrowing is replaced by External Borrowing	Likelihood: Yellow Impact: Yellow	The level of internal borrowing is a relatively low level at £5.495m and the cost is budgeted at 3.5%.	Likelihood: Yellow Impact: Green

		Severity of Risk: Yellow		Severity of Risk: Green
<b>Strategic Risk SR3: Capacity and capability to deliver / adapt the new strategic plan to the emerging landscape</b>				
H	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
I	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
J	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

<b>Background documents</b>	<ul style="list-style-type: none"> <li>• The Prudential Code for Capital Finance in Local Authorities</li> <li>• The Treasury Management Strategy Statement (TMSS) 2023/24 – Audit and Member Standards Committee 2 February 2023</li> <li>• Mid-Year Treasury Management Report – Audit and Member Standards Committee 28 November 2023</li> <li>• The Treasury Management Strategy Statement (TMSS) 2024/25 – Audit and Member Standards Committee 1 February 2024</li> </ul>
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<b>Relevant web links</b>	
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## Capital Programme Performance in 2023/24

Project	Original Budget	Approved Budget	Actual	Variance
New Build Parish Office/Community Hub	30,000	0	0	0
Burntwood Leisure Centre Sinking Fund Projects	69,000	144,000	86,681	(57,319)
Friary Grange - Short Term Refurbishment	0	134,000	27,130	(106,870)
Replacement Leisure Centre	5,087,000	826,000	480,334	(345,666)
Burntwood Leisure Centre - Decarbonisation Scheme	0	29,000	29,196	196
Accessible Homes (Disabled Facilities Grants)	1,615,000	950,000	1,128,905	178,905
Decent Homes Standard	97,000	0	0	0
Energy Insulation Programme	22,000	0	0	0
Delivering Temporary Accommodation	260,000	0	0	0
Conversion of 36a Bore Street	542,000	492,000	3,460	(488,540)
Streethay Community Centre	600,000	850,000	124,645	(725,355)
Changing Places Fund	0	36,000	36,809	809
Zip Wire in Burntwood	0	30,000	30,000	0
Burntwood Community Hub	250,000	250,000	4,850	(245,150)
Climbing Wall at Burntwood Leisure Centre	50,000	50,000	0	(50,000)
Pre-school soft play facility at Burntwood Leisure Centre	50,000	50,000	62,987	12,987
Adventure Golf at Beacon Park	150,000	150,000	0	(150,000)
Padel Tennis courts	200,000	200,000	105,010	(94,990)
New 3G Pitch in Lichfield	200,000	200,000	0	(200,000)
Mavesyn Ridware Village Hall Play Area Improvements	0	5,000	0	(5,000)
Upgrading electrical heating in St Stephens Church, Fradley	0	4,000	4,380	380
Fence at Chasetown Memorial Bowling Green	0	10,000	9,250	(750)
Play Equipment at Beacon Park	0	11,000	10,984	(16)
<b>Enabling People Total</b>	<b>9,222,000</b>	<b>4,421,000</b>	<b>2,144,620</b>	<b>(2,276,380)</b>
Loan to Council Dev Co.	93,000	0	0	0
Lichfield St Johns Community Link (CIL)	35,000	0	0	0
Lichfield Public Conveniences	0	40,000	0	(40,000)
Bin Purchase	150,000	150,000	140,494	(9,506)
Dual Stream Recycling	0	31,000	16,006	(14,994)
Vehicle Replacement Programme (Other)	281,000	120,000	120,300	300
Burntwood Public Conveniences	0	45,000	0	(45,000)
Falkland Road Fosseyway Canal Walk	260,000	0	0	0
<b>Shaping Place Total</b>	<b>819,000</b>	<b>386,000</b>	<b>276,800</b>	<b>(109,200)</b>
Coach Park	300,000	100,000	0	(100,000)
Car Parks Variable Message Signing	0	160,000	158,753	(1,247)
Pay on Exit System at Lombard Street	150,000	0	0	0
Electric Vehicle Charge Points	70,000	0	0	0
BRS Enabling Works	685,000	268,000	1,895	(266,105)
Cinema Development	3,326,000	2,888,000	403	(2,887,597)
New 3G Pitch at Chasetown Football Club	100,000	100,000	100,000	0
Incubator Phase 3	300,000	395,000	395,005	5
32-44 Bakers Lane	0	1,582,000	0	(1,582,000)
<b>Developing Prosperity Total</b>	<b>4,931,000</b>	<b>5,493,000</b>	<b>656,056</b>	<b>(4,836,944)</b>
Property Planned Maintenance	213,000	133,000	275,612	142,612
IT Infrastructure	235,000	150,000	80,078	(69,922)
Building a Better Council	0	77,000	25,000	(52,000)
Committee Audio-Visual Hybrid Meeting Platform	0	85,000	0	(85,000)
Council Car Park Extension	0	75,000	69,793	(5,207)
<b>Good Council Total</b>	<b>448,000</b>	<b>520,000</b>	<b>450,483</b>	<b>(69,517)</b>
<b>Total</b>	<b>15,420,000</b>	<b>10,820,000</b>	<b>3,527,959</b>	<b>(7,292,041)</b>

Funding Source	Original Budget	Approved Budget	Actual	Variance
Capital Receipts	1,660,000	2,393,000	416,218	(1,976,782)
Corporate Revenue	238,000	173,000	173,000	0
Borrowing Need - Borrowing and Finance Leases	2,333,000	0	0	0
Capital Grants and Contributions	4,522,000	3,456,000	2,236,935	(1,219,065)
Reserves, Existing Revenue Budgets and Sinking Funds	6,667,000	4,798,000	701,806	(4,096,194)
<b>Capital Programme Total</b>	<b>15,420,000</b>	<b>10,820,000</b>	<b>3,527,959</b>	<b>(7,292,041)</b>

Funding Source	Original Budget	Approved Budget	Actual	Variance
Non-Current Assets	12,411,000	8,527,000	2,138,049	(6,388,941)
REFCUS	3,009,000	2,293,000	1,389,910	(903,090)
<b>Capital Programme Total</b>	<b>15,420,000</b>	<b>10,820,000</b>	<b>3,527,959</b>	<b>(7,292,041)</b>

## The Council's Balance Sheet

(Rounding may mean there are small differences across the report)

	Type	2022/23	2023/24	2023/24	Variance to
		Actual £000s	Budget £000s	Actual £000s	Approved Budget £000s
Non-Current Assets	ASSET	52,071	55,290	56,764	1,474
Equity Investment in Local Authority Company	ASSET	225	225	225	0
Long Term Debtors	DEBT	57	57	814	757
Long Term Debtors - Cinema	DEBT	64	2,952	65	(2,887)
Investments (including accrued interest)	INV	45,550	42,760	47,231	4,471
Borrowing	BOLE	(1,066)	(1,005)	(1,005)	0
Working Capital	CRED	(19,067)	(19,036)	(16,920)	2,116
Pensions	CRED	(11,630)	(10,526)	(11,033)	(507)
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>66,204</b>	<b>70,717</b>	<b>76,141</b>	<b>5,424</b>

<b>Unusable Reserves</b>					
Revaluation Reserve	REV	(14,969)	(14,969)	(19,176)	(4,207)
Capital Adjustment Account	CAP	(35,494)	(41,648)	(36,127)	5,521
Deferred Credits	CRED	(47)	(47)	(47)	0
Pension Scheme	CRED	11,630	11,979	12,486	507
Benefits Payable During Employment Adjustment Account	CRED	409	409	409	0
Collection Fund	CRED	(867)	(1,229)	(2,001)	(772)
Available for Sale Financial Instruments Reserve	CRED	1,230	1,453	988	(465)
<b>Usable Reserves</b>					
Unapplied Grants and Contributions	UGER	(4,189)	(3,623)	(6,521)	(2,898)
Usable Capital Receipts	UGER	(2,282)	(2,470)	(2,237)	233
Earmarked Reserves - Unrestricted	UGER	(11,699)	(11,592)	(14,818)	(3,226)
Earmarked Reserves - Restricted	UGER	(3,941)	(3,145)	(3,193)	(48)
General Fund Balance	GEN	(5,985)	(5,836)	(5,903)	(67)
<b>TOTAL EQUITY</b>		<b>(66,204)</b>	<b>(70,717)</b>	<b>(76,141)</b>	<b>(5,424)</b>

<b>Reserves Available to cover investment Losses</b>		<b>(17,684)</b>	<b>(17,428)</b>	<b>(20,721)</b>	<b>(3,293)</b>
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<b>Summary</b>					
Capital Funding	CAP	(35,494)	(41,648)	(36,127)	5,521
Revaluation Reserve	REV	(14,969)	(14,969)	(19,176)	(4,207)
Borrowing and Leasing	BOLE	(1,066)	(1,005)	(1,005)	0
Non-Current Assets	ASSET	52,296	55,515	56,989	1,474
Investments (including accrued interest)	INV	45,550	42,760	47,231	4,471
Unapplied Grants & Earmarked Reserves	UGER	(22,111)	(20,829)	(26,769)	(5,940)
General Reserve	GEN	(5,985)	(5,836)	(5,903)	(67)
Long Term Debtors	DEBT	57	57	814	757
Long Term Debtors - Cinema	DEBT	64	2,952	65	(2,887)
Working Capital & Pensions	CRED	(18,342)	(16,997)	(16,118)	879
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Internal Borrowing</b>		<b>831</b>	<b>845</b>	<b>746</b>	<b>(99)</b>

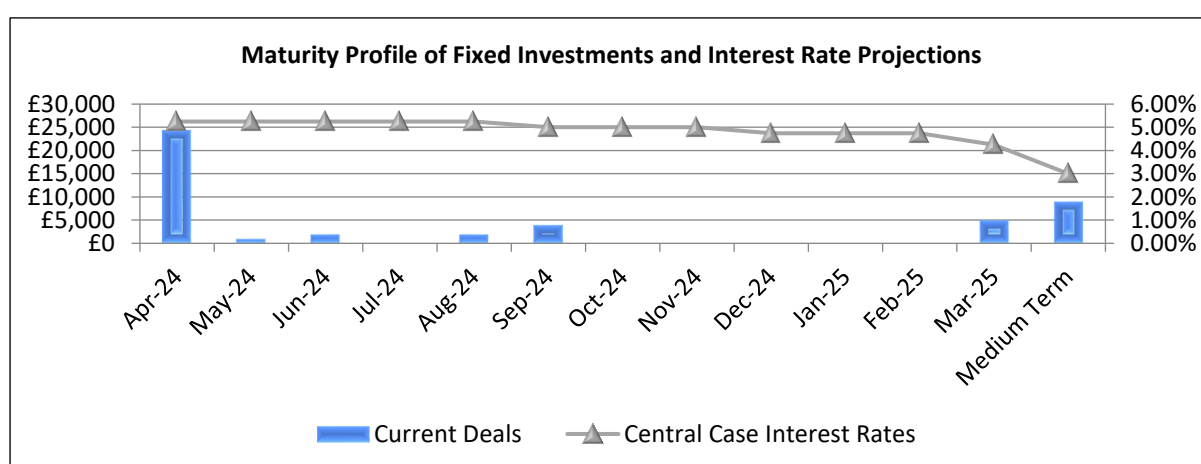
<b>Liability Benchmark</b>					
Capital Financing Requirement (Borrowing)		1,896	1,849	1,750	(99)
Working Capital		(18,285)	(16,940)	(14,425)	2,515
Usable Reserves		(28,096)	(26,665)	(32,672)	(6,007)
Minimum Level of Investments		10,000	10,000	10,000	0
<b>Total</b>		<b>(34,485)</b>	<b>(31,756)</b>	<b>(35,347)</b>	<b>(3,591)</b>

## Treasury Management Investments in the 2023/24 Financial Year

The table below shows a breakdown of our investments at the 31 March 2024:

Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Non-UK Organisation
<b>Money Market Funds</b>						
Invesco Aim	£4,000,000	01-Apr-24	Instant Access	5.26%	AAA-mf	N/A
Blackrock Institutional	£2,340,000	01-Apr-24	Instant Access	5.24%	AAA-mf	N/A
Legal & General	£4,000,000	01-Apr-24	Instant Access	5.28%	AAA-mf	N/A
Federated	£5,000,000	01-Apr-24	Instant Access	5.29%	AAA-mf	N/A
BNP Paribas MMF	£4,000,000	01-Apr-24	Instant Access	5.11%	AAA-mf	N/A
CCLA MMF	£5,000,000	01-Apr-24	Instant Access	5.23%	AAA-mf	N/A
<b>Strategic Funds</b>						
CCLA Property Fund	£2,000,000	N/A	N/A	4.62%	N/A	No
Ninety-One Diversified Income Fund	£5,000,000	N/A	N/A	4.35%	N/A	No
CCLA Diversified Income Fund	£2,000,000	N/A	N/A	2.82%	N/A	No
Aegon Diversified Income Fund	£5,000,000	N/A	N/A	5.96%	N/A	No
<b>Fixed Term Investments</b>						
North Lanarkshire Council	£2,000,000	17-Sep-24	170	5.80%	LOCAL	
Mid Suffolk District Council	£2,000,000	14-Jun-24	75	5.65%	LOCAL	
West Dunbartonshire	£2,000,000	05-Aug-24	127	6.00%	LOCAL	
Folkestone and Hythe District Council	£2,000,000	09-Sep-24	162	6.00%	LOCAL	
<b>Call Accounts with Notice Period</b>						
HSBC	£999,500	01-May-24	31	5.35%	A+	
<b>Total Investments</b>	<b>£47,339,500</b>					
Less change in value of Strategic Funds	(£987,779)					
<b>Total Investments (Prudential Indicators)</b>	<b>£46,351,721</b>					
Add accrued interest and cash in hand	£879,211					
<b>Total Investments (Balance Sheet)</b>	<b>£47,230,932</b>					

The maturity profile of these investments at 31 March 2024, compared to our Treasury Management advisor Arlingclose interest rate forecasts, is shown in the graph below:



## External Borrowing

	Principal	Average Rate	Years to Final Maturity	(Premium) /Discount
PWLB Fixed Equal Instalment of Principal (EIP)	£1,004,520	2.59%	16.0	£75,040
<b>TOTAL BORROWING</b>	<b>£1,004,520</b>	<b>2.59%</b>	<b>16.0</b>	<b>£75,040</b>