

Mid-Year Treasury Management Report

Cabinet Member for Finance and Democracy

Date:	14 November 2018
Agenda Item:	4
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
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 Treasury Management performance in 2018/19.
- 1.2 Capital expenditure is projected to be **£9,024,500** and this is **(£3,544,000)** less than the Approved Revised Budget of **£12,568,500**. This projected reduction is principally due to the lower projected spend of **(£3,000,000)** for the Property Investment Strategy.
- 1.3 There is projected to be **(£482,000)** capital receipts received in 2018/19 compared to the Approved Budget of **(£300,000)**.
- 1.4 The funding of the Capital Programme in 2018/19 reflects the projected actual expenditure of **£9,024,500**.
- 1.5 The Balance Sheet projections indicate investment balances at the 31 March 2019 will be **£22,186,000¹** and these are **£1,275,000** higher than the Approved Budget of **£20,911,000**. This is due to higher than projected earmarked reserves from 2017/18.
- 1.6 The borrowing need of **£7,529,000** and its financing is projected to reduce by **(£3,023,000)** compared to the Approved Budget of **£10,552,000**. This is principally due to the lower projected spend for the Property Investment Strategy of **(£3,000,000)**.
- 1.7 The Council's investments achieved a risk status of **AA-** that was more secure than the aim of **A-** and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.
- 1.8 The Council will, under the revised Prudential Code, be required to approve a more comprehensive Capital Strategy.
- 1.9 The report confirms the Council was compliant with all Treasury Limits and Prudential Indicators for 2018/19.

2. Recommendations

- 2.1 To review the report and issues raised within.
- 2.2 To review the projected 2018/19 Prudential Indicators contained within the report.
- 2.3 To note the requirement to produce a Capital Strategy that will need to be approved by Full Council.

3. Background

The Capital Programme and Treasury Management

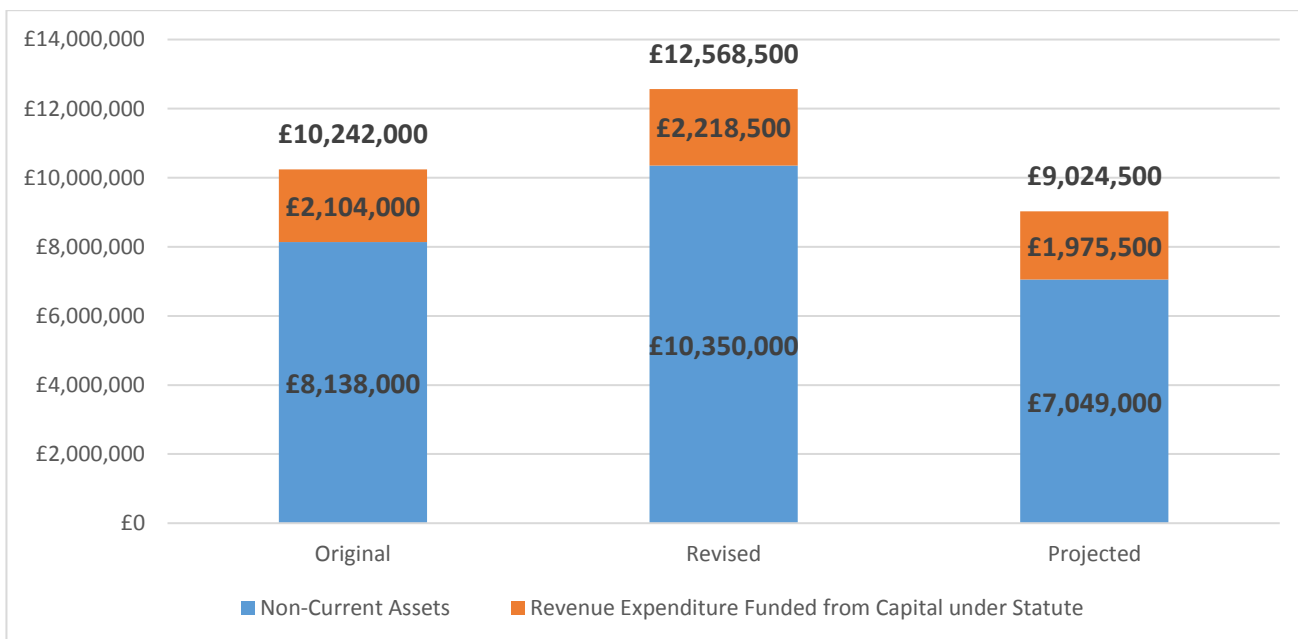
- 3.1. This Mid-Year Treasury Report is a requirement of the Council's reporting procedures. It covers the Treasury activity during 2018/19 and the projected Prudential Indicators for 2018/19.

¹ Investments are projected to be £22,085,000 and the Available for Sale Reserve related to the Property Fund investment is projected to be £101,000.

- 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 and Strategic Overview and Scrutiny Committee 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 2018/19;
 - 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).

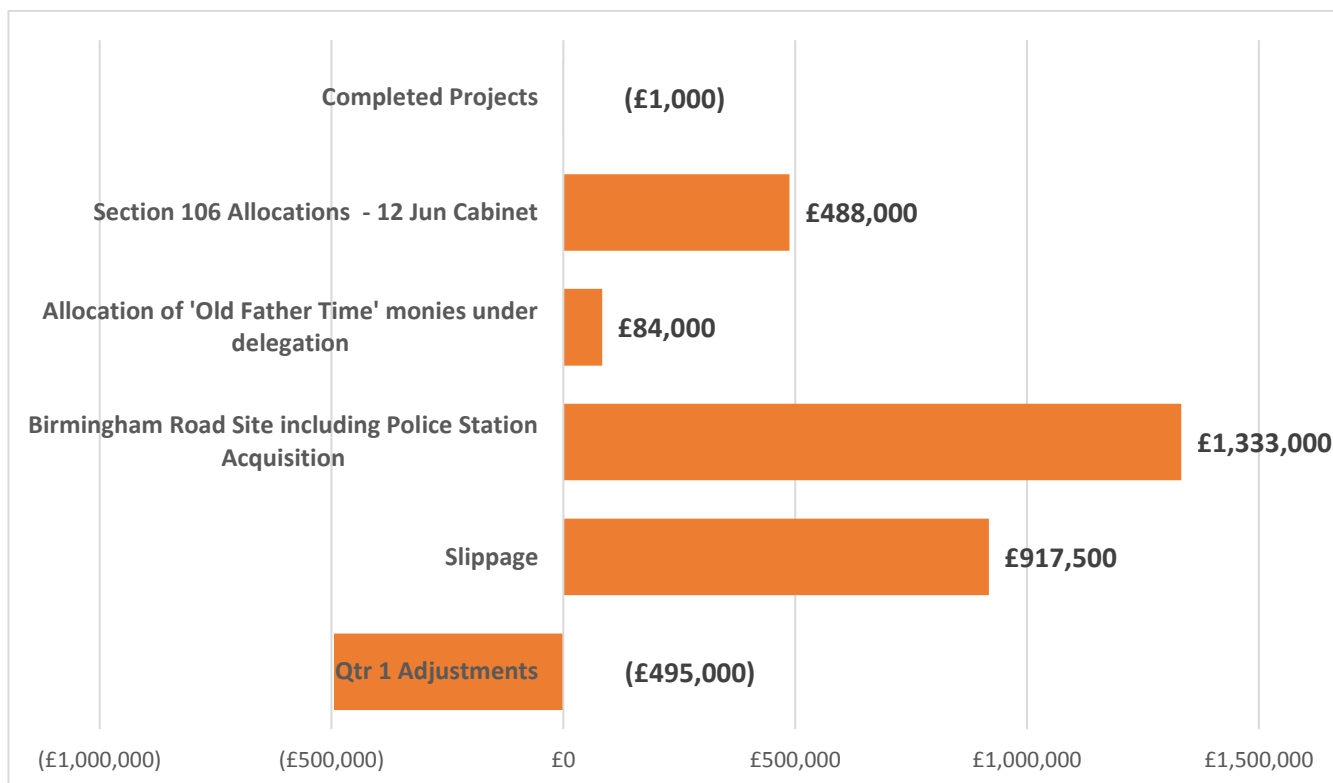
The Capital Programme

- 3.9. A summary of the Capital Programme performance from the Original Budget to the Projected Actual for 2018/19 is shown in detail at **APPENDIX A** and in the chart below:

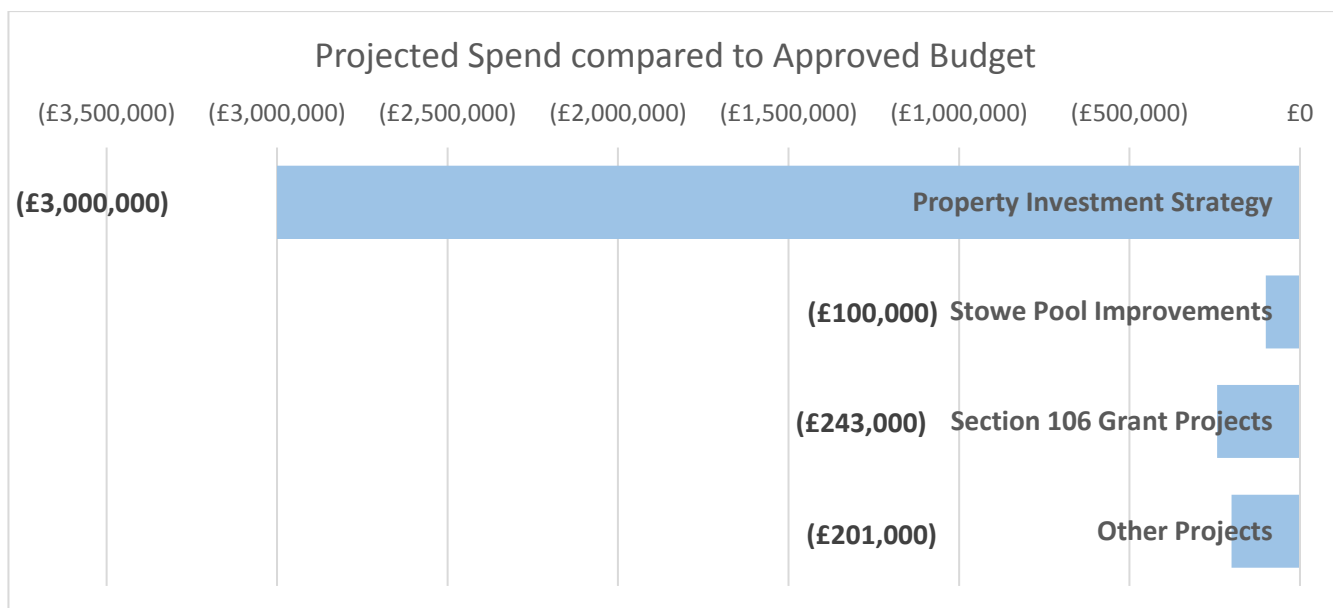


- 3.10. Capital expenditure is projected to be **£9,024,500** and this is **(£3,544,000)** less than the Approved Revised Budget of **£12,568,500** and **(£1,217,500)** less than the Original Budget of **£10,242,000**.

3.11. The reasons for the budgetary increase of **£2,326,500** from the Original Budget of **£10,242,000** to the Approved Revised Budget of **£12,568,500** are shown in the graph below:



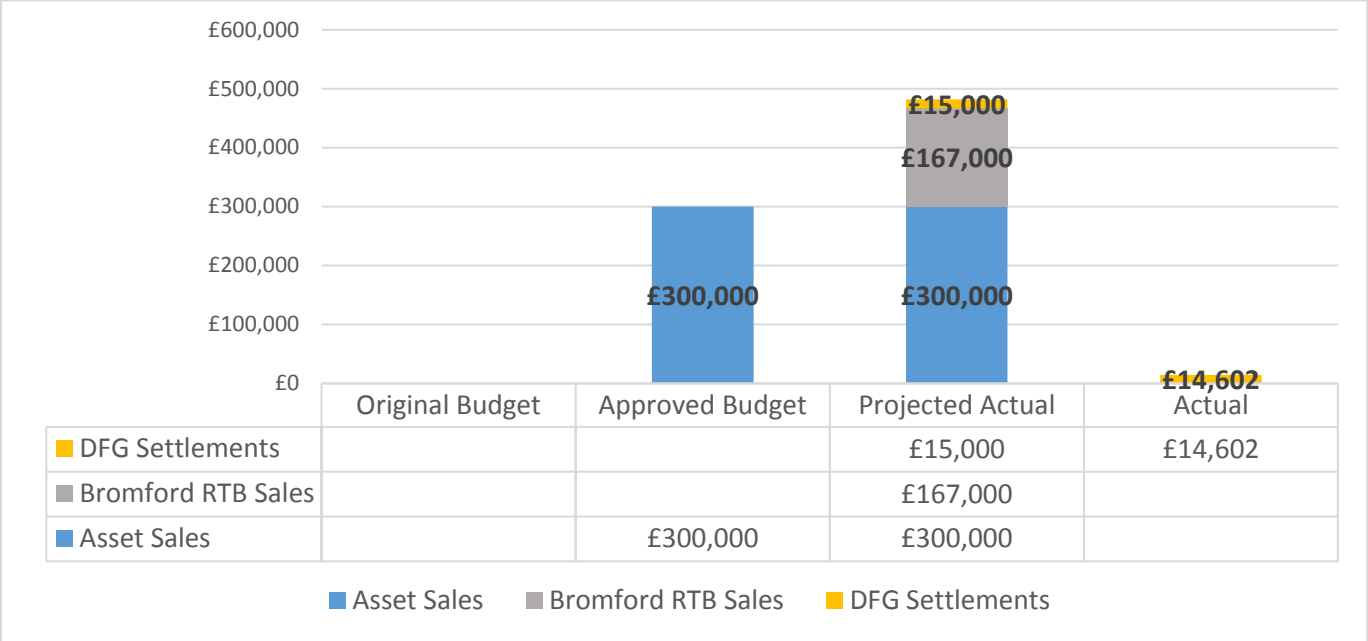
3.12. The main reasons for the variance to the Approved Revised Budget are shown in the graph below:



- **Property Investment Strategy** – The Property Investment Strategy was approved by Council on 16th October 2018 and at present the Council is in the process of recruiting an estates management team that will be integral to the delivery of this strategy. As a consequence it is prudent to assume that **£3,000,000** of the **£6,000,000** budget will be spent in 2018/19.
- **Stowe Pool Improvements** – This project is on hold whilst a review of future leisure provision is undertaken.
- **Section 106 Grant Projects** – Two projects have site start dates after winter and the other is in planning pre-application discussions.

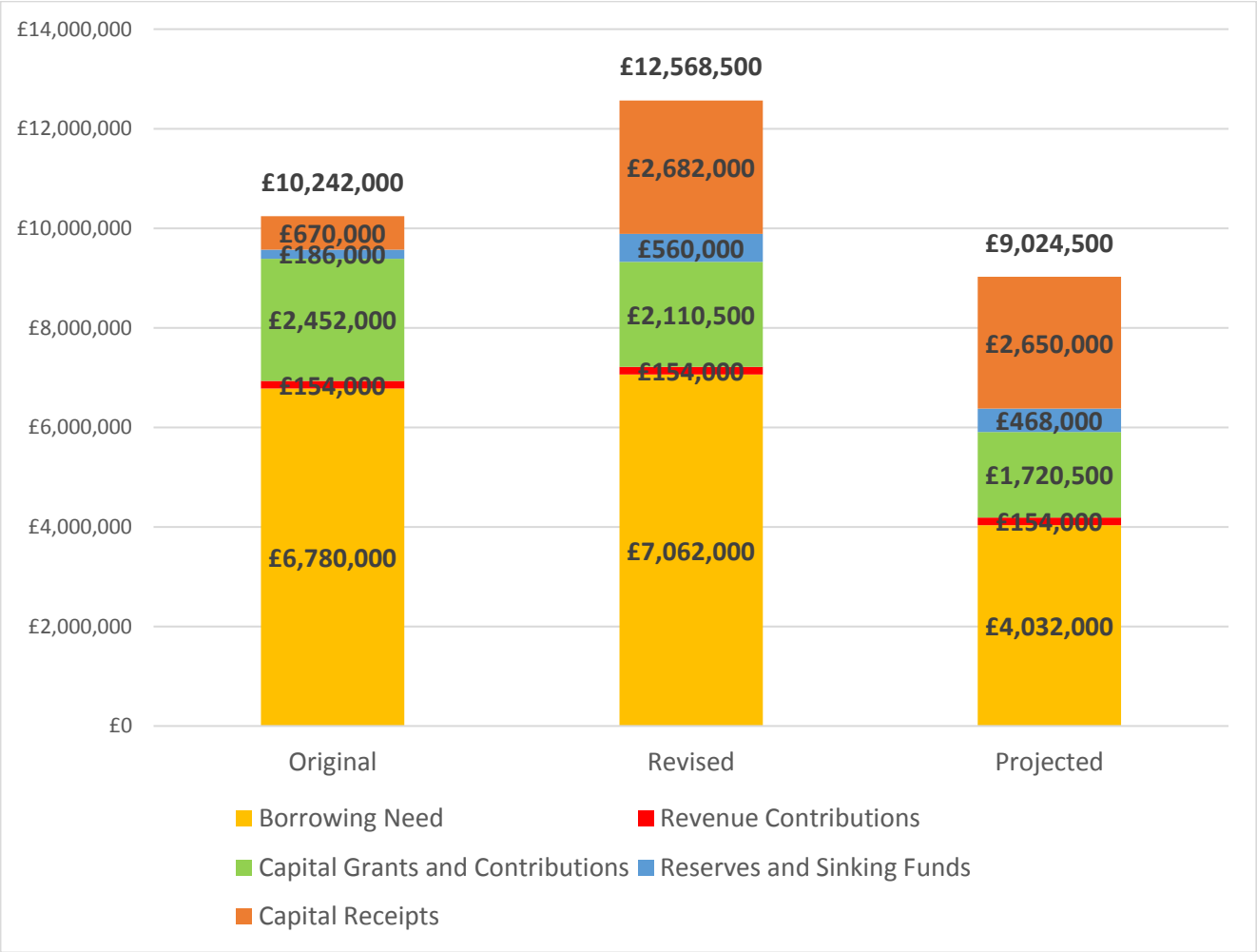
Capital Receipts

3.13. The Original Budget, Approved Budget (asset sales relate to the Mill Lane Link and Beacon Park Cottage), projected capital receipts and actual capital receipts received in the first six months are shown below:



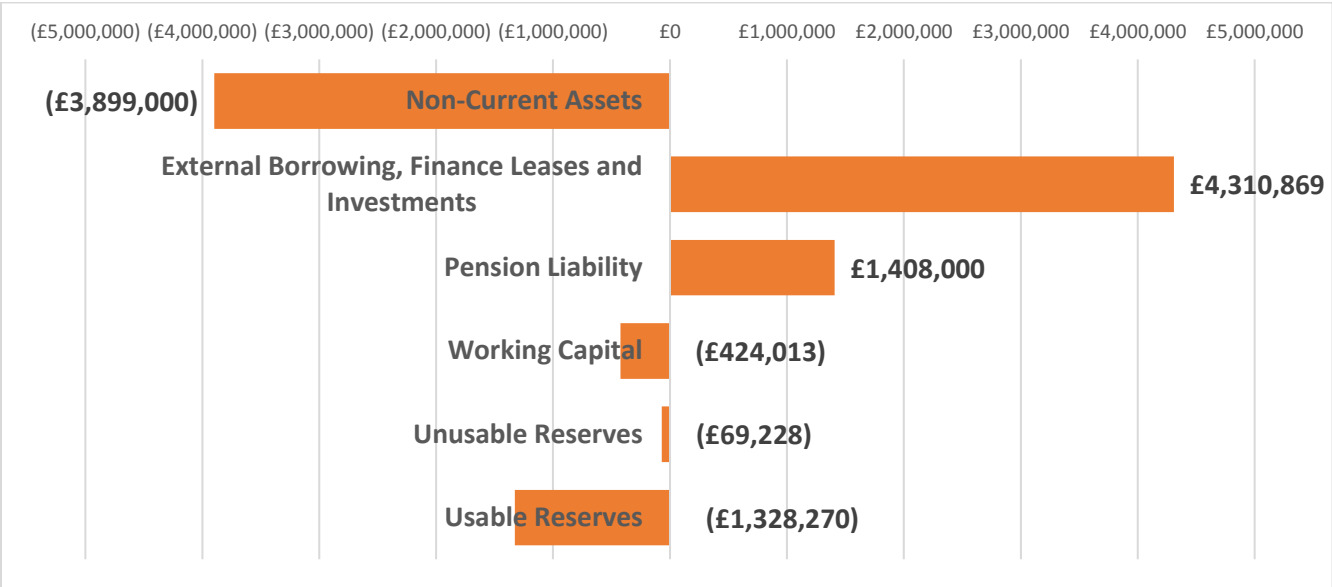
Capital Funding

3.14. The budgeted and actual sources of funding for the Capital Programme are shown in detail at **APPENDIX A** and the graph below:



Balance Sheet Projections.

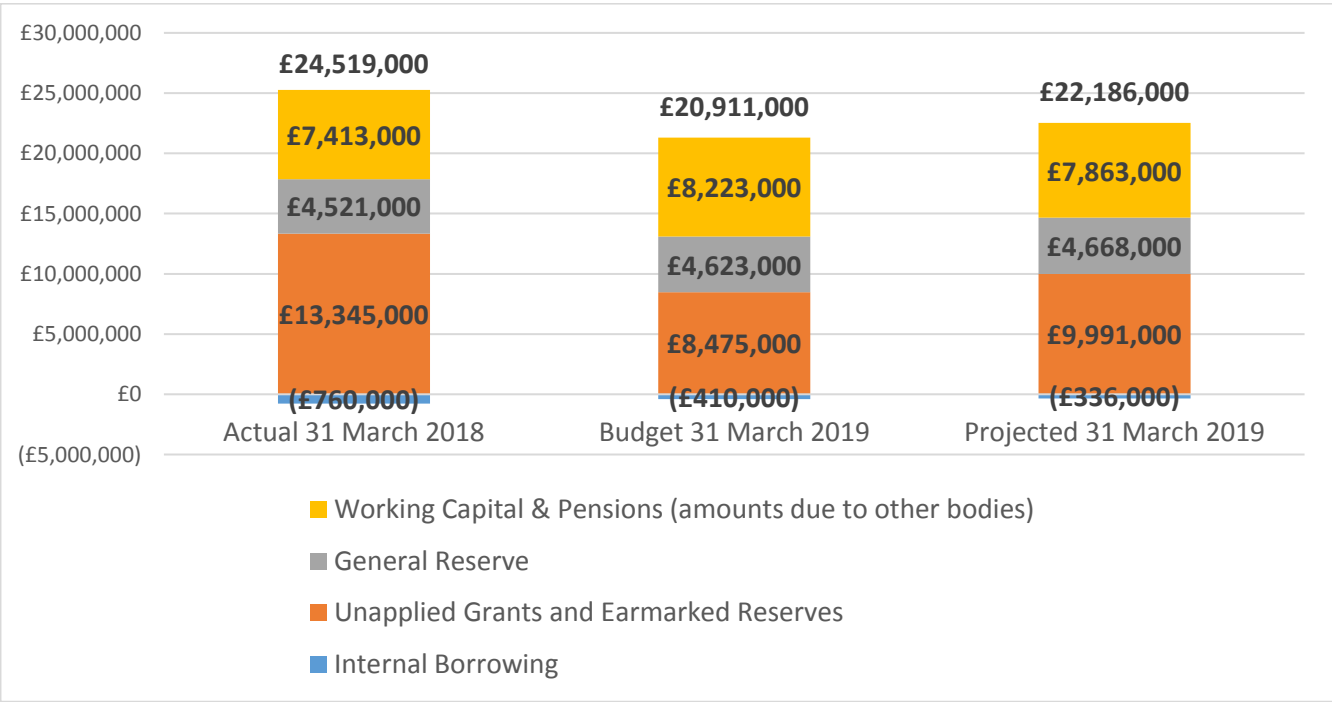
3.15. The Balance Sheet Projections for 2018/19 compared to the Budget are shown in detail at **APPENDIX B** and in summary below:



3.16. The main reasons for the variances are:

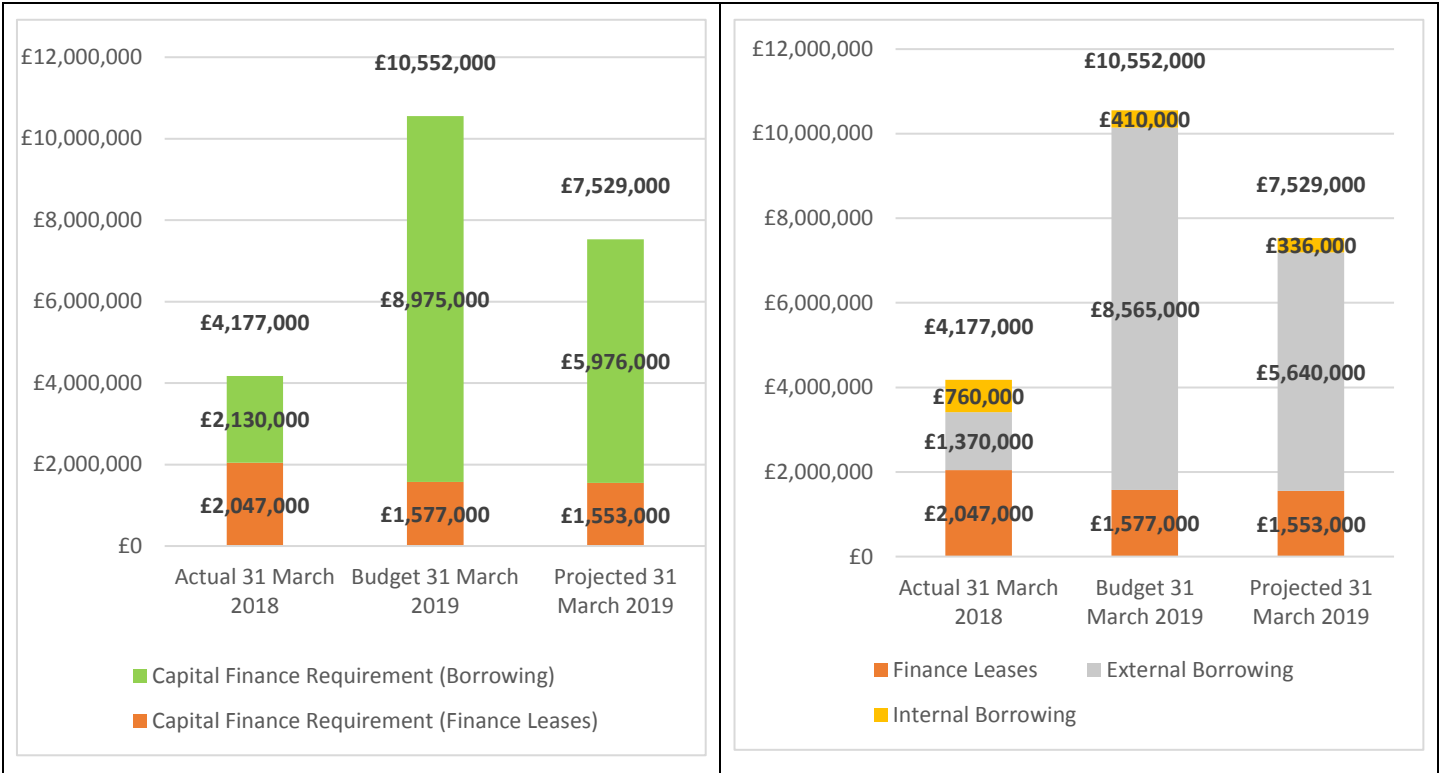
- **Non-Current Assets and External Borrowing:** The single largest item is the projected slippage of **(£3,000,000)** of the Property Investment Strategy budget and consequent projected lower external borrowing of **£3,000,000**.
- **Pensions Liability:** There are two elements to this projected variance of **(£1,408,000)**, the reduction in the Pension Fund Actuary’s valuation at 31 March 2018 of (£534,000) compared to the Budget and the early payment of past year service pensions for 2019/20 of (£874,000).
- **Usable Reserves:** Earmarked reserves are projected to increase by **(£1,497,000)** compared to the Budgeted Balance Sheet. The single largest increase is related to a transfer in 2017/18 of **(£630,000)** to the Business Rates earmarked reserve to manage the volatility and risks around the current and future Business Rates regimes.

3.17. The level of investments and the sources of cash are shown in the chart below:



Borrowing Need (Capital Financing Requirement) and its Financing

3.18. The actual for 2017/18 and Budgeted for 2018/19 Borrowing Need together with its financing is shown in the graphs below:

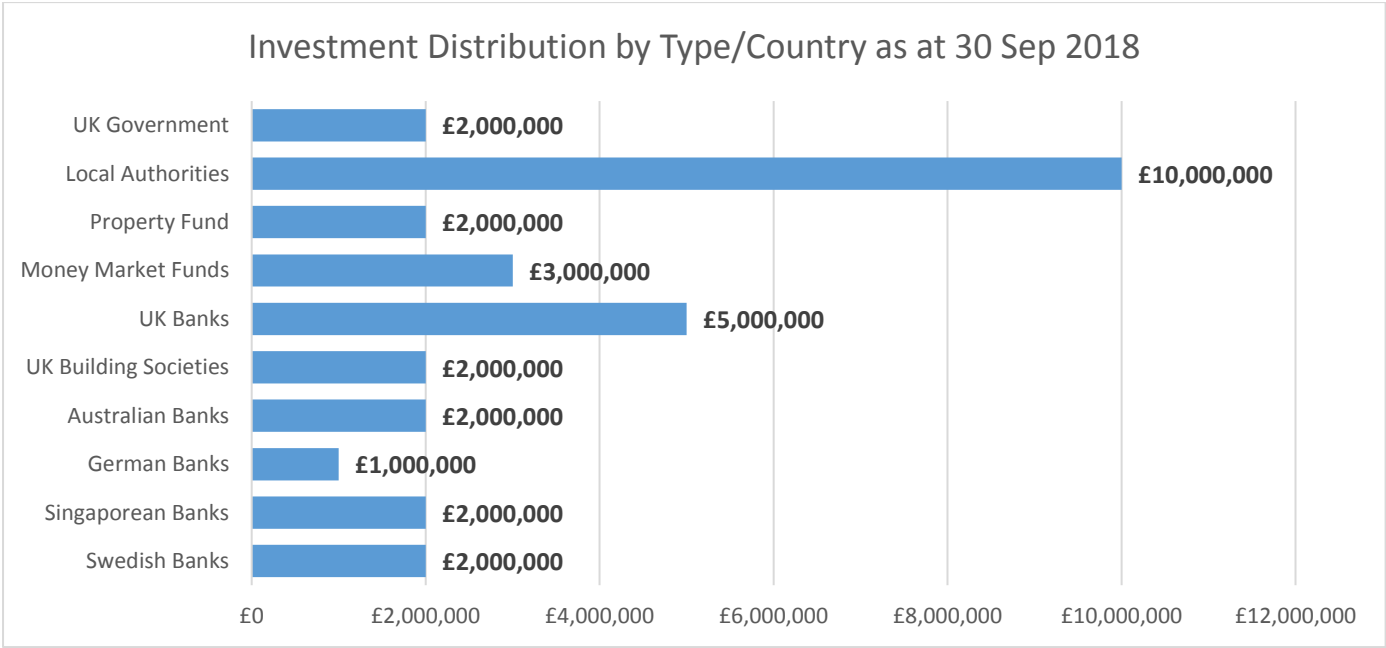


3.19. In line with the Approved Medium Term Financial Strategy, the Council externally borrowed from the Public Works Loans Board **£1,395,000** on 31 May 2018 for a ten year period.

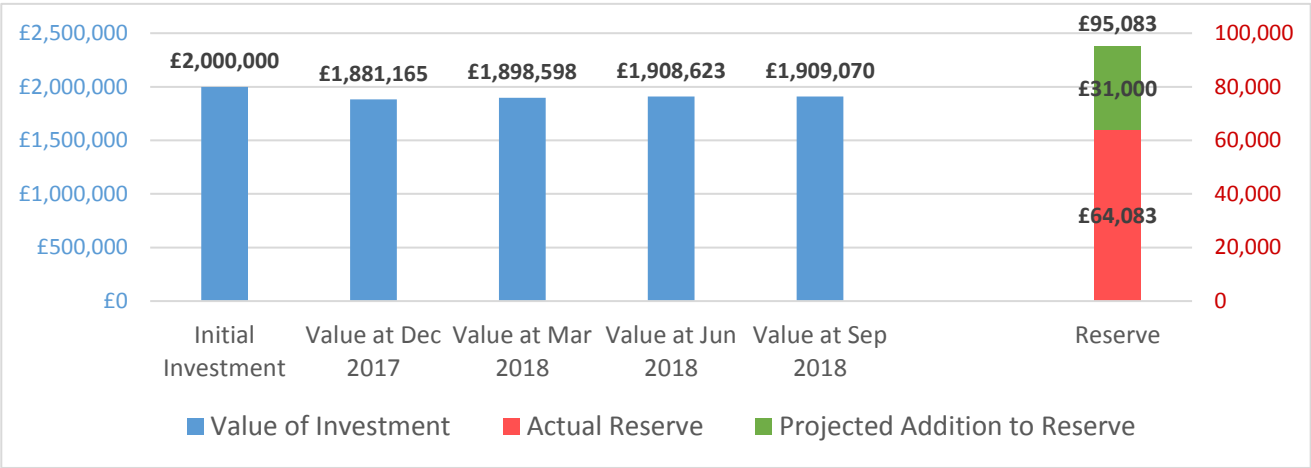
Investments

The Security of Our Investments

3.20. The investments the Council had at the 30 September 2018 of **£31.00m** (with the property fund valued at original investment of **£2.00m**) by type and Country are summarised in the graph below and in more detail at **APPENDIX C**:



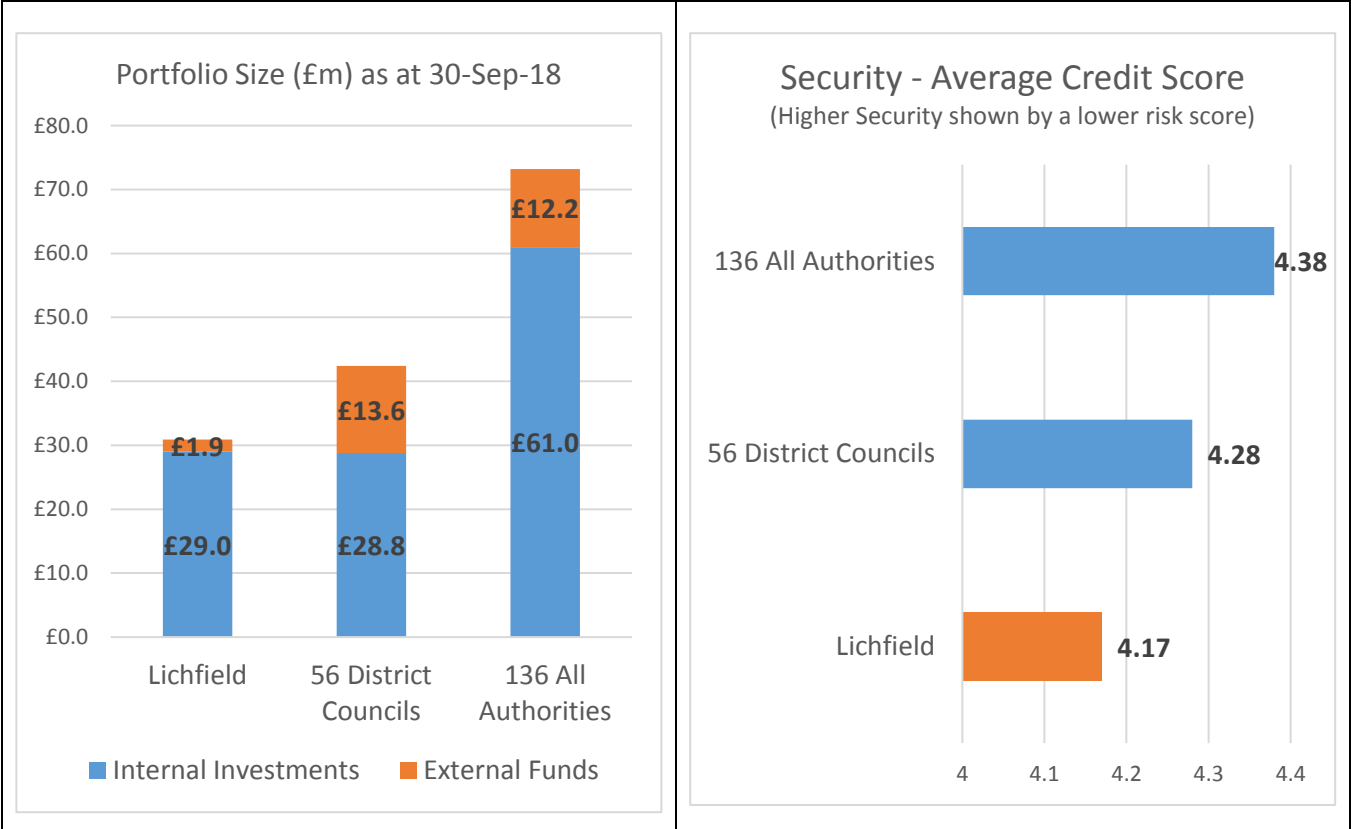
3.21. The current value of the Property Fund investment together with the value of the projected earmarked reserve at the end of 2018/19 intended to offset reductions in value is shown in the graph below:

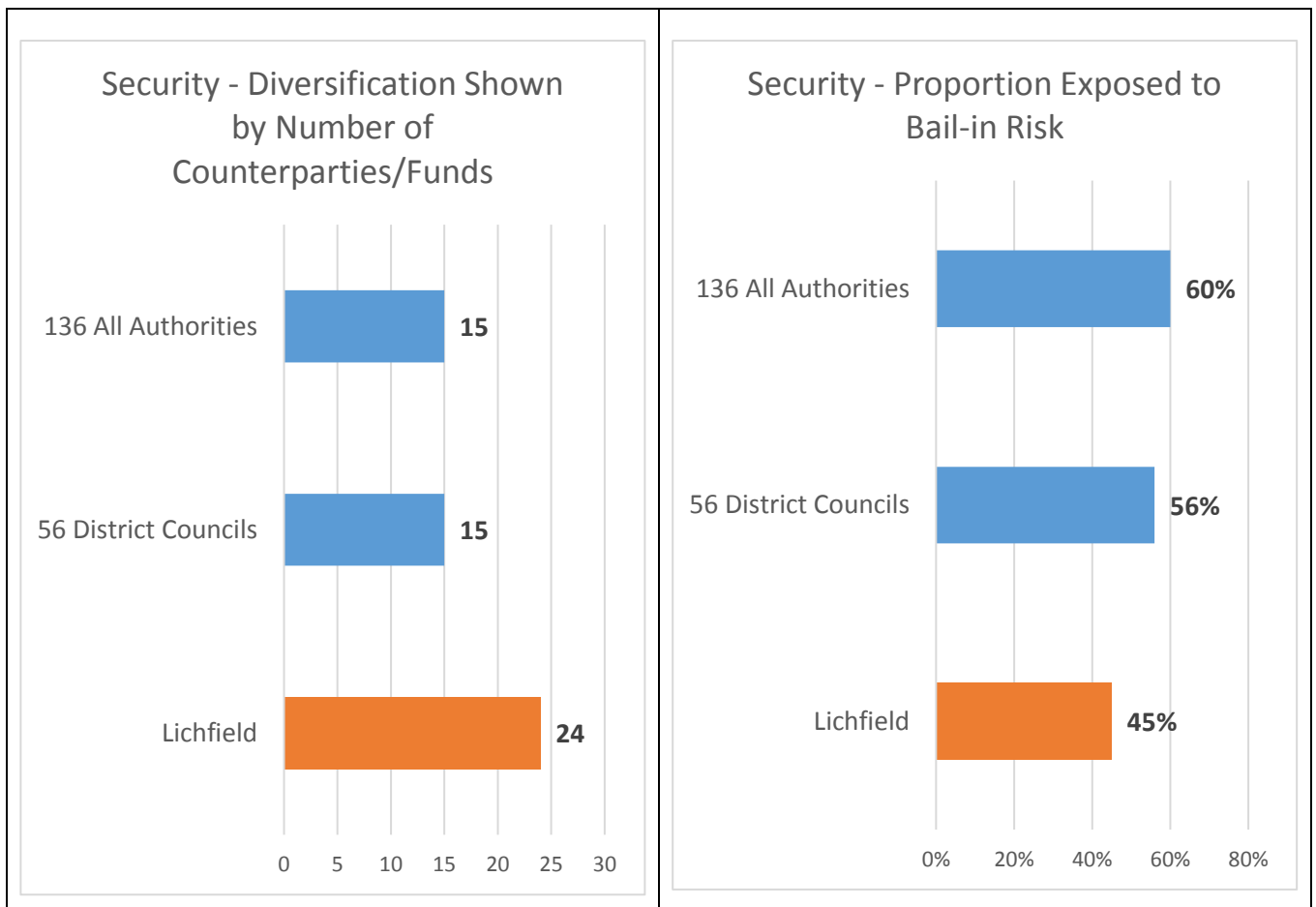


3.22. It is important to note that the ‘book loss’ on the investment is currently **£90,930** and the balance on the Volatility Reserve to offset any reduction in value is projected to be **(£95,083)**.

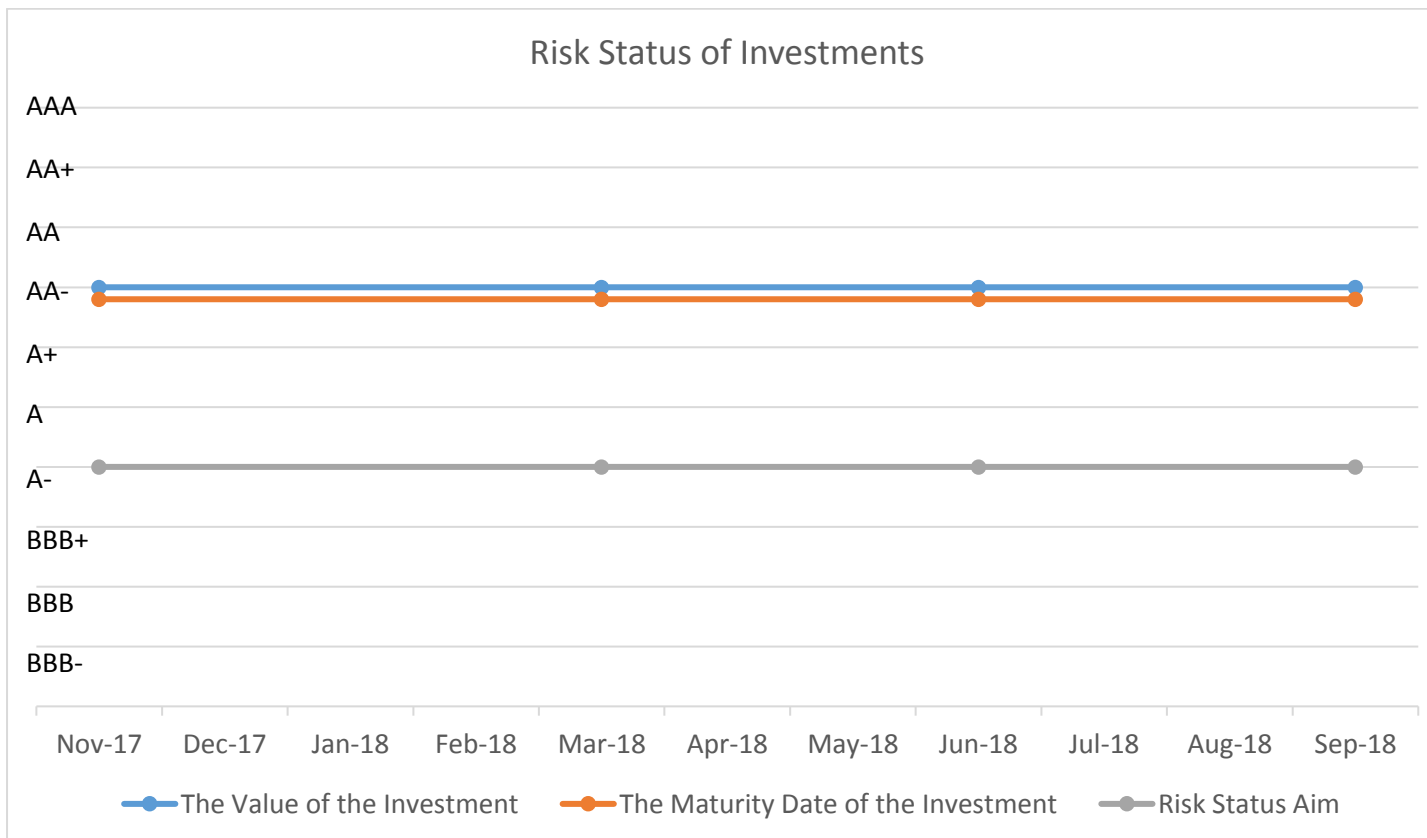
3.23. The Ministry of Housing, Communities and Local Government (MHCLG) consulted on statutory overrides relating to the International Financial Reporting Standard (IFRS) 9 Financial Instruments accounting standard from 2018/19. The consultation recognised that the requirement in IFRS 9 for certain investments to be accounted for as fair value through profit and loss may introduce “more income statement volatility” which may impact on budget calculations. The consultation proposed a time-limited statutory override and sought views whether it should be applied only to pooled property funds. The Authority responded to the consultation which closed on 28th September 2018.

3.24. A comparison of the Council’s portfolio size of **£30.909m** (with the property fund valued at its current value of **£1.909m**), average credit score, level of diversification and level of exposure to ‘Bail in’ risk compared to all Arlingclose Clients is shown in the charts below:



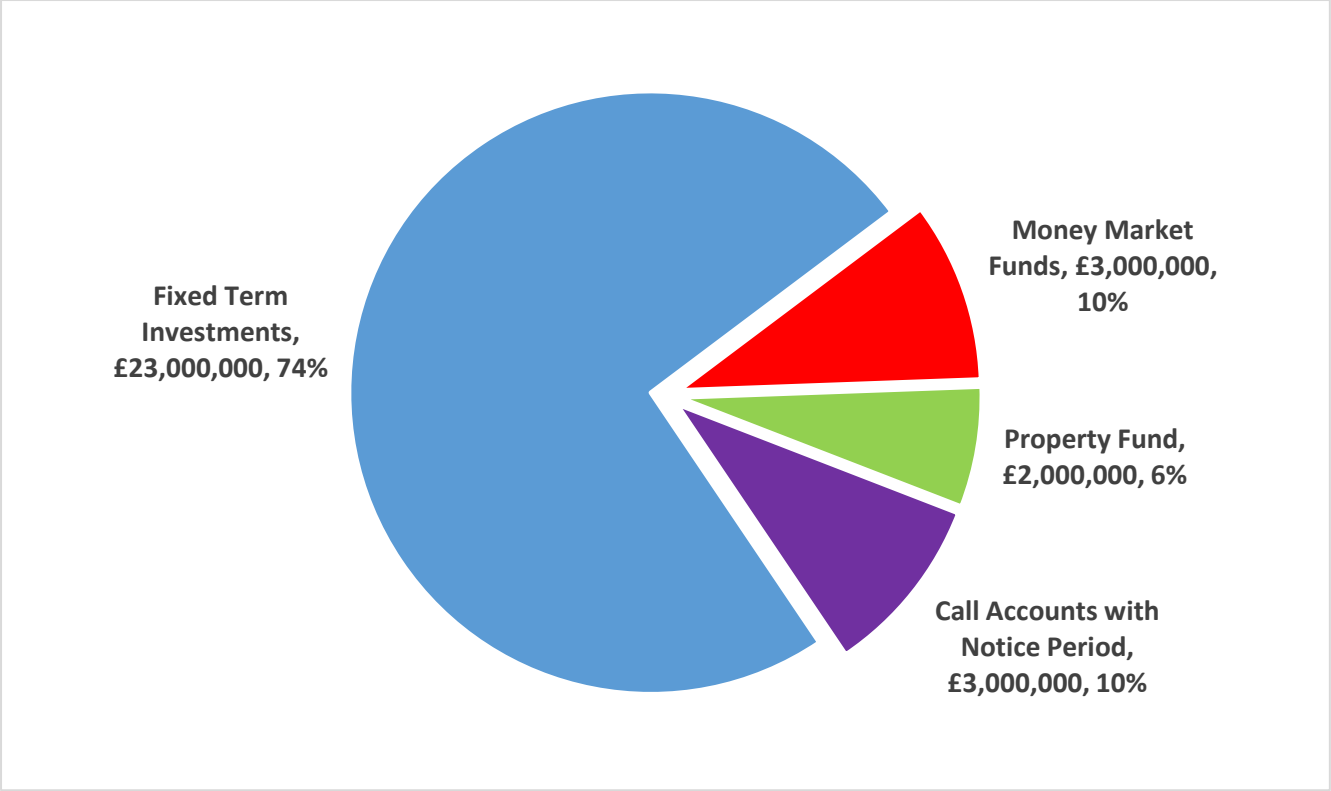


3.25. Our aim for the risk status of our investments was **A-**. The risk status based on the length of the investment and the value for a 12 month period is summarised in the graph below:

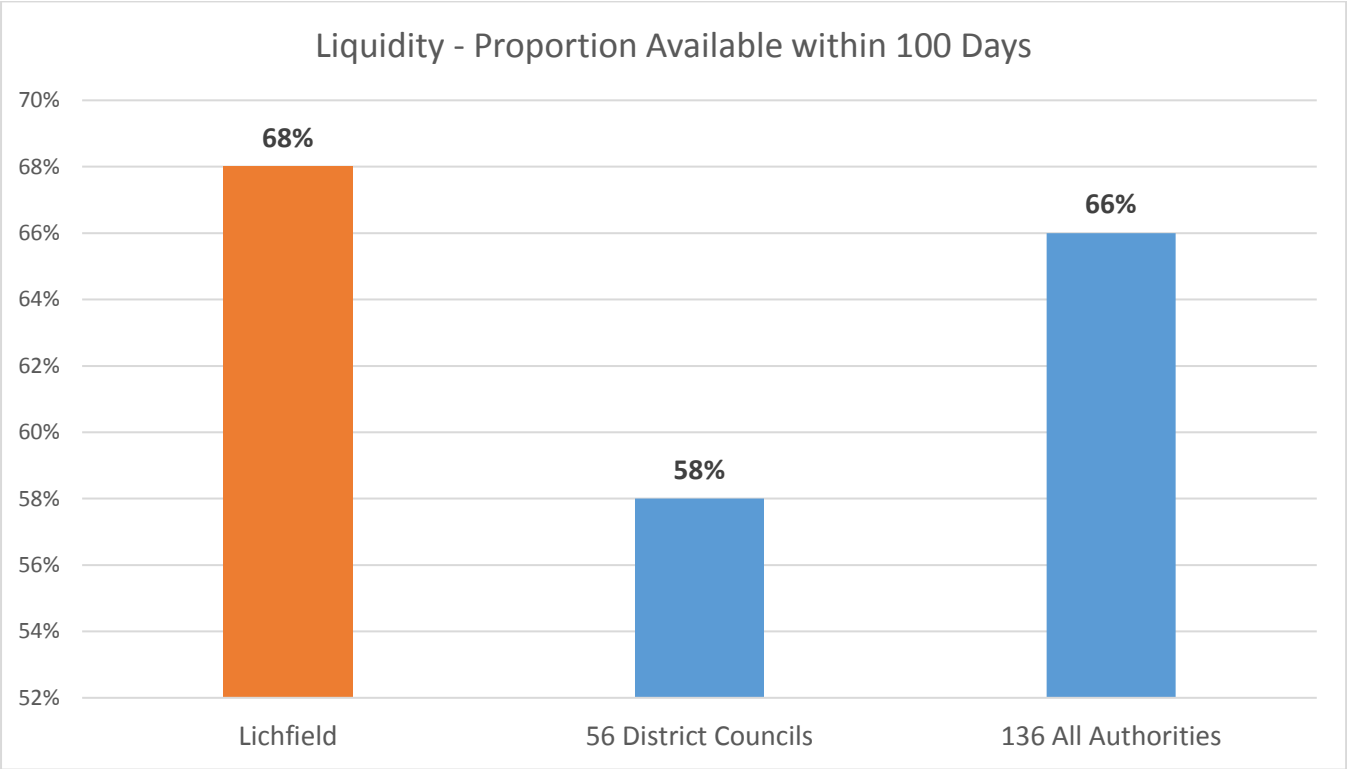


The Liquidity of our Investments

3.26. The Council has not had to temporarily borrow during 2018/19 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 fund at its original value of **£2m**) are shown in the graph below:

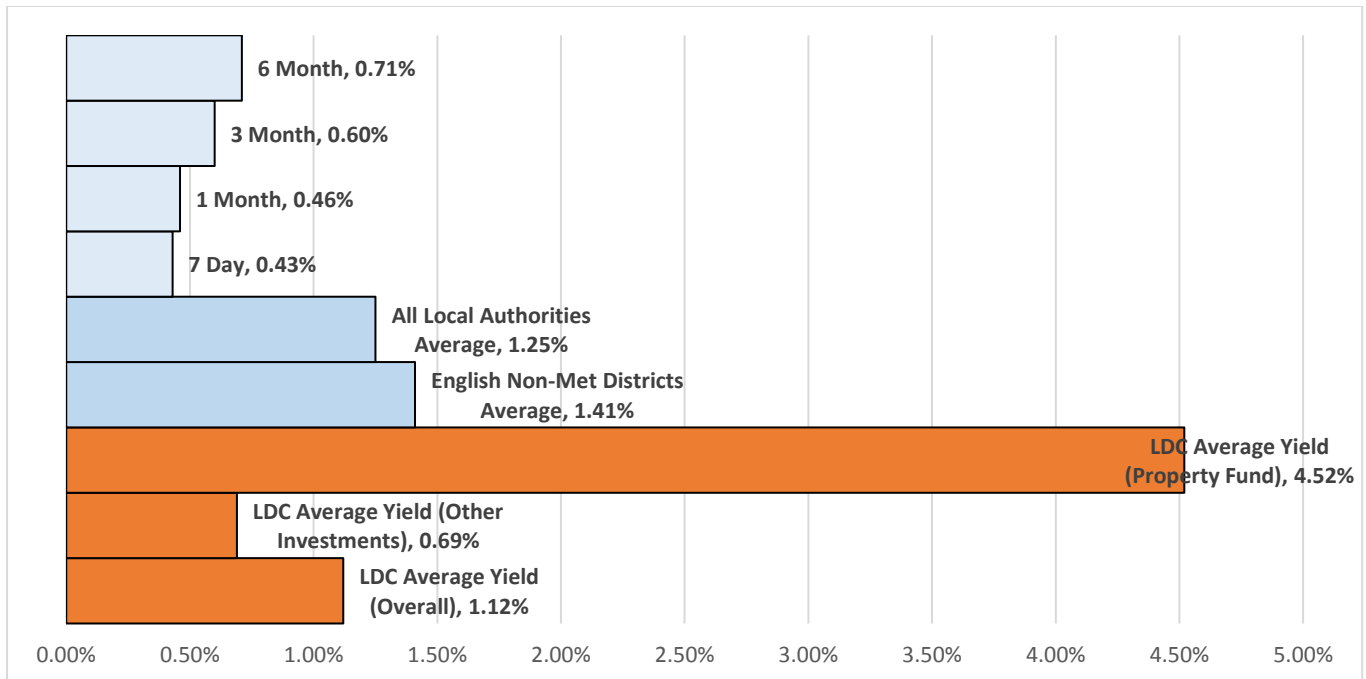


3.27. The proportion of the investment portfolio available within 100 days compared to all Arlingclose clients is shown in the graph below:



The Return or Yield of our Investments

3.28. The yield the Council was achieving as at 30 September compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) and all Arlingclose clients is shown in the graph below:



- 3.29. The gross investment income is projected to be **(£270,000)** during the financial year and this is **(£87,000)** higher than the Approved budget of **(£183,000)**.
- 3.30. This projection includes income related to the property fund investment and this is projected to achieve income of **(£81,000)** at a yield of **4.23%**. The budget assumes **(£31,000)** will be transferred to the volatility reserve and **(£50,000)** will be retained in Revenue.
- 3.31. However, **(£67,350)** has already been committed by Council on 16 October 2018 to fund the one year extension to the Assistant Chief Executive post.

The new Requirements of the Treasury Management Code and Prudential Code

- 3.32. CIPFA published updated Treasury Management and Prudential Codes just before Christmas 2017 although this was too late to be incorporated into the Medium Term Financial Strategy.

Treasury Management Code

- 3.33. The Treasury Management Code now includes reference to non-financial assets which an organisation holds primarily for financial returns, such as investment property portfolios. All investments require an appropriate investment management and risk management framework under the Code.
- 3.34. In addition, whilst overall responsibility for Capital Strategies and Treasury Management remains with Full Council it will be possible to delegate responsibility for detailed Treasury Management Policies to the Audit and Member Standards Committee in addition to their current responsibility for implementation and regular monitoring of Treasury Management Policies and practices.

Prudential Code

- 3.35. The updated Prudential Code requires the completion of a Capital Strategy that will need to be approved by Full Council.
- 3.36. The Council includes within its Medium Term Financial Strategy a Capital Strategy based largely on the approach where Asset Management Plans and Capital Strategies were required to be viewed and graded by Government.

3.37. The new Code introduces more comprehensive requirements:

“In order to demonstrate that a Council takes capital and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability, and affordability, Councils should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.”

3.38. The objectives of the Capital Strategy are:

“The capital strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.”

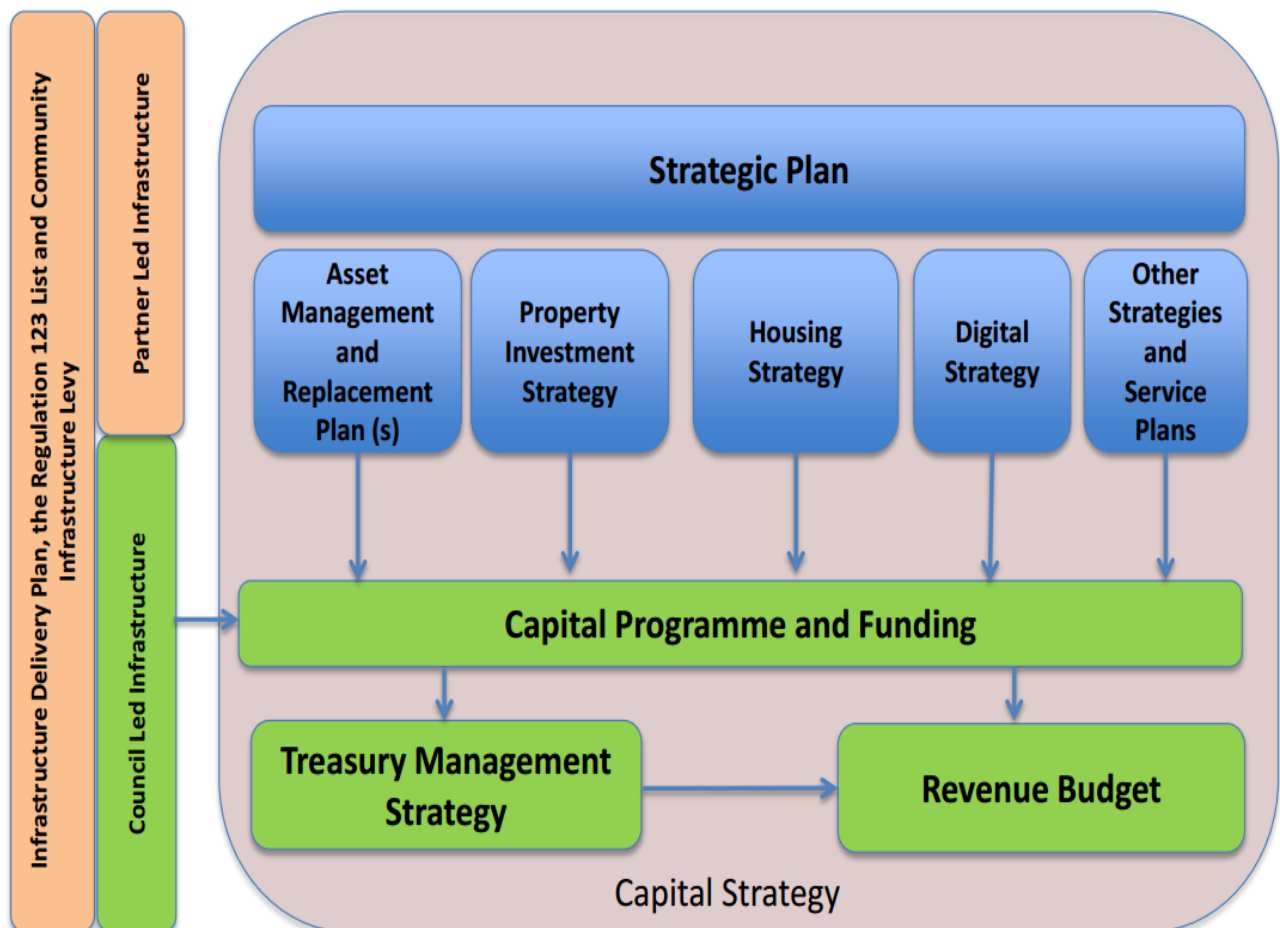
3.39. The Capital Strategy should also:

“Include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.”

3.40. The Capital Strategy should form part of the Councils integrated revenue, capital and balance sheet planning. It will be a long-term plan of capital investment and how it will be delivered:

- A document that will consider all aspects of capital expenditure which relates to corporate objectives.
- Asset planning and asset management plans.

3.41. The Council already undertakes elements of the new requirements although some areas such as the Asset Management Plan will need further development. The Prudential Code now requires all of this information to be all brought together in a single place as shown below:



- 3.42. The Prudential Code states that a Capital Strategy should cover the following topics:
- Capital expenditure, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions.
 - Debt management, including projections for the level of borrowing, capital financing requirement and liability benchmark, provision for the repayment of debt, the authorised limit and operational boundary for the coming year and the authority’s approach to treasury management.
 - Commercial activities, including due diligence processes, the authority’s risk appetite, proportionality in respect of overall resources, requirements for independent and expert advice and scrutiny arrangements.
 - Other long-term liabilities, such as financial guarantees.
 - Knowledge and skills, including a summary of that available to the authority and its link to the authority’s risk appetite.
- 3.43. The Prudential Code also indicates:
- “In developing the capital strategy a balance should be struck between the amount of detail included and accessibility to the key audience. Where detailed information is required thought should be given to how this is made available, its format and the training needs of members to encourage active engagement. The role of the formal scrutiny process should not be overlooked in ensuring effective challenge. Links should be made where appropriate to the treasury management strategy. **The chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.**”
- 3.44. The requirements of the Capital Strategy will be included in the reports to Audit and Member Standards, Cabinet and Full Council during early 2019 for approval.

Alternative Options	There are no alternative options.
Consultation	Consultation is undertaken as part of the Strategic Plan 2016-20 and with Leadership Team.

Financial Implications

Projected Prudential indicators (PI) 2018/19:

- We can confirm that the Council is compliant with its Prudential Indicators for 2018/19; these were originally approved by Council at its meeting on 20 February 2018 and will be fully revised and approved by Council on 19 February 2019.
- 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 2018/19.
- None of the other Prudential Indicators have been breached. The Prudential Indicators are shown in detail at **APPENDIX D** and are summarised in the table below :

PI	Description	2018/19	2018/19	2018/19	Compliant
		Original	Approved	Projected	
1	Capital Expenditure (£m)	£10.242m	£12.569m	£9.025m	✓
2	Ratio of Financing Costs to Net Revenue Stream (%)	7%	6%	5%	✓
3	Capital Financing Requirement (£m)	£10.552m	£10.540m	£7.528m	✓
4	Gross external borrowing does not exceed the Capital Financing Requirement in the current year plus the next two years	True	True	True	✓
4	Actual External Debt including Finance Leases (£m)	(£3.418m)	(£3.418m)	(£7.193m)	✓
5	Authorised Limit (Maximum) (£m)	£21.377m	£21.377m	£15.894m	✓
6	Operational Boundary (Maximum) (£m)	£13.122m	£13.122m	£7.693m	✓
7	Adoption of CIPFA Code of Practice in Treasury Management	Yes			✓
8	Is our Gross Debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need?	No	No	No	✓
	<u>Interest Rate Exposures (%)</u>				
9	Upper Limit for Investments (Fixed Interest Rate Exposure)	(100%)	(100%)	(100%)	✓
9	Upper Limit for Investments (Variable Interest Rate Exposure)	100%	100%	100%	
10	Upper Limit for Borrowings (Fixed Interest Rate Exposure)	(100%)	(100%)	(100%)	
10	Upper Limit for Borrowings (Variable Interest Rate Exposure)	30%	30%	30%	
	<u>Maturity Structure of Fixed Rate Borrowing (Upper Limit) (%)</u>	<u>Lower Limit</u>	<u>Upper Limit</u>	<u>Actual</u>	
11	Under 12 months	0%	100%	7.24%	✓
11	12 months and within 24 months	0%	100%	7.32%	
11	24 months and within 5 years	0%	100%	22.49%	
11	5 years and within 10 years	0%	100%	36.43%	
11	10 years and within 20 years	0%	100%	23.06%	
11	20 years and within 30 years	0%	100%	3.46%	
11	30 years and within 40 years	0%	100%	0.00%	
11	40 years and within 50 years	0%	100%	0.00%	
11	50 years and above	0%	100%	0.00%	
12	Principal sums invested > 364 days (£m)	£6.000	£6.000	£2.000	
13	Credit Risk	We consider security; liquidity and yield, in that order, when making investment decisions			✓

Contribution to the Delivery of the Strategic Plan

The MTFS underpins the delivery of the Strategic Plan 2016-20.

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.

	Risk Description	How We Manage It	Severity of Risk
A	Management of the Council's Revenue and Capital budget is critical to the successful delivery of key Council priorities, and control measures need to be in place to manage the re-scheduling or re-profiling of projects and to respond to the changing financial climate including the impact of the EU Referendum	Close monitoring of expenditure. Maximising the potential of efficiency gains. Early identification of any unexpected impact on costs, for example, central Government policy, movement in the markets, and changes in the economic climate. Prioritisation of capital expenditure. Project management of projects.	Red - Severe
B	Counterparty default	This Approved Annual Investment Strategy utilises more counterparties and financial instruments to diversify the portfolio and reduce this risk.	Yellow - Material
C	Collection performance for Council Tax and Business Rates reduces	Regular monitoring in the Money Matters Reports throughout the financial year.	Yellow - Material
D	Actual cash flows are different to those that are planned	The Council maintains a comprehensive cash flow model that is updated on a daily basis to reflect actual and planned cash flows. An element of the Council's investment portfolio will be invested in instant access accounts.	Yellow - Material
E	Planned capital receipts are not received	The Council plans to dispose of a number of assets to fund capital investment.	Green - Tolerable
F	New Government policies including the level of cuts to Communities and Local Government	To ensure any new policies such as those related to Business Rates and New Homes Bonus are evaluated and the impact is incorporated into the MTFS.	Red - Severe

Background documents

- CIPFA Code of Practice for Treasury Management in the Public Services
- The Prudential Code for Capital Finance in Local Authorities
- Money Matters: Council Tax, National Non Domestic Rates and Pension Contributions – Cabinet 17 January 2017.
- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2017-22 Cabinet – Cabinet 13 February 2018.
- Money Matters: 2017/18 Review of Financial Performance against the Financial Strategy – Cabinet 12 June 2018.
- Allocation of Non-Site Specific Section 106 related to Planning Applications (x3) – Cabinet 12 June 2018.
- Money Matters: 2018/19 Review of Financial Performance against the Financial Strategy – Cabinet 4 September 2018.

Relevant web links

APPENDIX A

Capital Programme 2018/19

Project	Original Budget	Approved Budget	Actual To Date	Projected Actual	Projected Variance
Burntwood Leisure Centre Enhancement Projects	£42,000	£232,000		£140,000	(£92,000)
Play Area at Hawksyard	£1,000	£0		£0	
Squash Court and Sports Hall Floors (FGLC)		£50,000		£50,000	
Leisure Review: Capital Investment	£750,000	£1,032,000	£425,673	£1,032,000	
Renovation and Replacement of Play Equipment at Hill Ridware Village Hall		£71,000		£0	(£71,000)
New Build Parish Office/Community Hub		£92,000		£0	(£92,000)
Fradley Village Heating & CCTV		£15,000		£15,000	
Fradley Youth & Community Centre Cladding & Porch		£15,000		£15,000	
Replacement of children's play equipment at Upper Lodge Play Area		£21,000	£15,000	£21,000	
Armitage with Handsacre Village Hall heating upgrade		£20,000	£15,000	£20,000	
Armitage with Handsacre Village Hall storage container		£16,000	£10,000	£16,000	
Re-siting/improvement of Armitage War Memorial and surrounding area		£120,000		£120,000	
Replacement of canopy and installation of artificial grass at Armitage		£13,000		£13,000	
Accessible Homes (Disabled Facilities Grants)	£772,000	£928,000	£394,218	£928,000	
Home Repair Assistance Grants	£15,000	£35,000		£35,000	
Decent Homes Standard	£437,000	£0		£0	
Energy Insulation Programme	£20,000	£41,000	£3,887	£41,000	
DCLG Monies	£212,000	£0		£0	
Unallocated S106 Affordable Housing Monies	£400,000	£400,000		£400,000	
Housing Redevelopment Scheme - Packington		£40,000		£40,000	
Healthy and Safe Communities	£2,649,000	£3,141,000	£863,778	£2,886,000	(£255,000)
Darnford Park	£13,000	£13,000		£0	(£13,000)
Canal Towpath Improvements (Brereton & Ravenhill)		£105,000		£25,000	(£80,000)
Vehicle Replacement Programme	£168,000	£168,000	£14,750	£138,000	(£30,000)
Shortbutts Park, Lichfield	£23,000	£23,000		£0	(£23,000)
Env. Improvements - Upper St John St & Birmingham Road	£7,000	£7,000		£7,000	
Stowe Pool Improvements	£100,000	£100,000		£0	(£100,000)
The Leomansley Area Improvement Project	£3,000	£3,000		£3,000	
Canal Culvert at Huddlesford	£90,000	£0		£0	
Cannock Chase SAC	£43,000	£43,000	£28,907	£43,000	
Clean, Green and Welcoming Places to Live	£447,000	£462,000	£43,657	£216,000	(£246,000)
Data Management System	£6,000	£11,000		£11,000	
Birmingham Road Site Support	£313,000	£330,000	£122,171	£330,000	
Birmingham Road Site - Castle Dyke/Frog Lane Enhancement	£100,000	£81,000		£81,000	
Birmingham Road Site - Railway Station Forecourt Enhancements	£5,000	£0		£0	
Birmingham Road Site - Coach Park	£450,000	£243,000	£5,000	£243,000	
Birmingham Road Site - Police Station Acquisition		£1,805,000	£1,785,027	£1,805,000	
Sankey's Corner Environmental Improvements		£3,000	£3,000	£3,000	
City Centre Strategy and Interpretation		£1,500		£1,500	
Car Parks Variable Message Signing	£32,000	£32,000		£0	(£32,000)
Old Mining College - Refurbish access and signs		£14,000		£14,000	
Lichfield Festival Parade and Website (Lichfield City Art Fund)		£14,000	£13,752	£14,000	
St Mary's Cultural Hub (Lichfield City Art Fund)		£45,000	£31,729	£45,000	
Erasmus Darwin Lunar Legacy (Lichfield City Art Fund)		£25,000	£6,256	£25,000	

APPENDIX A

Project	Original Budget	Approved Budget	Actual To Date	Projected Actual	Projected Variance
A Vibrant and Prosperous Economy	£906,000	£2,604,500	£1,966,935	£2,572,500	(£32,000)
Property Investment Strategy	£6,000,000	£6,000,000		£3,000,000	(£3,000,000)
Depot Sinking Fund		£11,000		£0	(£11,000)
IT and Channel Shift Programme	£152,000	£162,000	£70,074	£162,000	
Asset Management - Works resulting from Condition Survey	£88,000	£188,000	£50,898	£188,000	
A Council that is Fit for the Future	£6,240,000	£6,361,000	£120,972	£3,350,000	(£3,011,000)
Capital Programme Total	£10,242,000	£12,568,500	£2,995,343	£9,024,500	(£3,544,000)

- **Variance projected to be more than £100,000 / Variance projected to be less than £100,000**

Funding Source	Original Budget	Approved Budget
Capital Receipts	£670,000	£2,682,000
Revenue Contributions	£154,000	£154,000
Council Funding	£824,000	£2,836,000
Borrowing Need – Borrowing and Finance Leases	£6,780,000	£7,062,000
Capital Grants and Contributions	£2,452,000	£2,110,500
Reserves and Sinking Funds	£186,000	£560,000
Capital Programme Total	£10,242,000	£12,568,500

Projected Actual	Projected Variance
£2,650,000	(£32,000)
£154,000	
£2,804,000	(£32,000)
£4,032,000	(£3,030,000)
£1,720,500	(£390,000)
£468,000	(£92,000)
£9,024,500	(£3,544,000)

Balance Sheet Projections

Figures may not sum due to rounding

	Type	2017/18 Actual £000s	2018/19 Budget £000s	2018/19 Projected £000s	2018/19 Variance £000s
Property, Plant and Equipment	ASSET	41,968	43,257	42,704	(553)
Heritage Assets	ASSET	515	515	515	0
Investment Property	ASSET	5,200	11,572	8,200	(3,372)
Intangible Assets	ASSET	76	50	76	26
Assets Held for Sale	ASSET	300	0	0	0
Investments	BOLE	24,418	20,724	22,085	1,361
Borrowing	BOLE	(1,370)	(8,565)	(5,640)	2,925
Finance Leases	BOLE	(2,048)	(1,577)	(1,553)	25
Working Capital	CRED	(9,134)	(8,399)	(8,823)	(424)
Pensions	PEN	(34,393)	(36,562)	(35,154)	1,408
TOTAL ASSETS LESS LIABILITIES		25,533	21,015	22,411	1,394

<u>Unusable Reserves</u>					
Revaluation Reserve	UNRES	(9,016)	(7,800)	(9,016)	(1,216)
Capital Adjustment Account	UNRES	(34,865)	(37,042)	(34,950)	2,092
Deferred Credits	UNRES	(47)	(47)	(47)	0
Pension Scheme	UNRES	36,028	36,562	36,028	(534)
Benefits Payable During Employment Adjustment Account	UNRES	132	225	132	(93)
Available for Sale Financial Instruments Reserve	UNRES	101	187	101	(86)
Collection Fund	UNRES	(611)	0	(232)	(232)
<u>Usable Reserves</u>					
Unapplied Grants and Contributions - General	USRES	(705)	(4)	(649)	(644)
Unapplied Grants and Contributions - Cannock Chase	USRES	(349)	(185)	(327)	(141)
Unapplied Grants and Contributions - Section 106	USRES	(588)	(42)	(184)	(141)
Usable Capital Receipts	USRES	(2,936)	(1,787)	(846)	941
Usable Capital Receipts - Arts Statue	USRES	(134)	(134)	(50)	84
Burntwood Leisure Centre Sinking Fund	USRES	(236)	(3)	(96)	(93)
City Centre Redevelopment Sinking Fund	USRES	(25)	(25)	(25)	0
Elections	USRES	(194)	(226)	(194)	32
Public Open Spaces	USRES	(439)	(476)	(439)	37
Three Spires Multi Storey	USRES	(2,057)	(2,279)	(2,207)	72
Building Regulations	USRES	(147)	(209)	(147)	62
Other Earmarked Reserves	USRES	(4,904)	(3,079)	(4,576)	(1,497)
Grant Aid - Development	USRES	(20)	(26)	(20)	6
General Fund Balance	USRES	(4,521)	(4,623)	(4,668)	(45)
TOTAL EQUITY		(25,533)	(21,015)	(22,411)	(1,394)

	Type	2017/18 Actual £000s	2018/19 Budget £000s	2018/19 Projected £000s	2018/19 Variance £000s
<u>Summary</u>					
Non-Current Assets	ASSET	48,059	55,394	51,495	(3,899)
External Borrowing, Finance Leases and Investments	BOLE	21,000	10,582	14,892	4,311
Pension Liability	PEN	(34,393)	(36,562)	(35,154)	1,408
Working Capital	CRED	(9,134)	(8,399)	(8,823)	(424)
Unusable Reserves	UNRES	(8,278)	(7,915)	(7,984)	(69)
Usable Reserves	USRES	(17,255)	(13,099)	(14,427)	(1,328)
TOTAL		0	0	0	0

Investments in the 2018/19 Financial Year

The table below shows a breakdown of our investments at the end of September 2018:

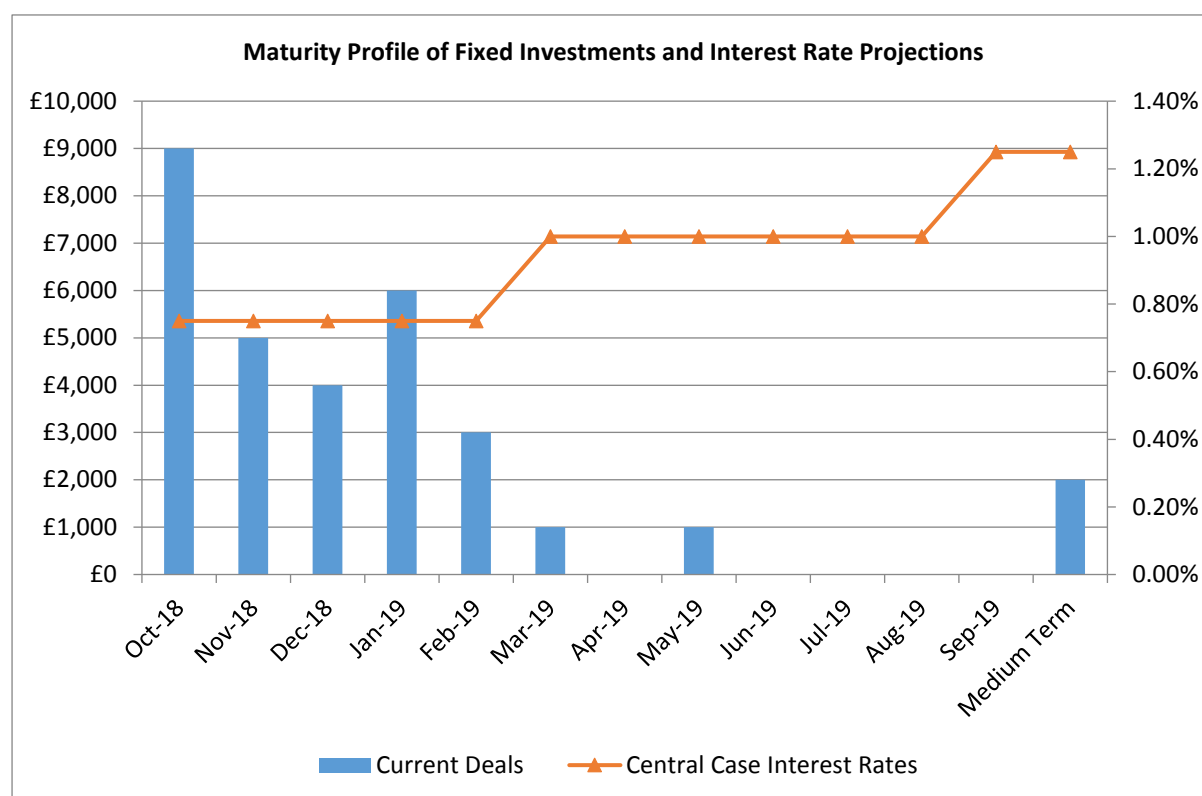
Counterparty	Principal	Matures	Days to Maturity	Rate	Credit Rating	Foreign Parent
Money Market Funds						
Legal & General	£1,000,000	01-Oct-18	Instant Access	0.67%	0	N/A
BNP Paribas MMF	£1,000,000	01-Oct-18	Instant Access	0.63%	0	N/A
Amundi	£1,000,000	01-Oct-18	Instant Access	0.65%	0	N/A
Property Fund						
CCLA Property Fund	£2,000,000	N/A	N/A	3.97%	N/A	No
Fixed Term Investments						
Coventry Building Society	£1,000,000	05-Oct-18	5	0.63%	A	No
Commonwealth Bank of Australia	£1,000,000	05-Nov-18	36	0.66%	AA-	Yes
Nationwide	£1,000,000	15-Nov-18	46	0.56%	A	No
Lloyds	£1,000,000	15-Nov-18	46	0.75%	A+	No
United Overseas Bank	£1,000,000	17-May-19	229	0.84%	AA-	Yes
Surrey Heath Borough Council	£2,000,000	13-Dec-18	74	0.60%	LOCAL	No
DBS Bank	£1,000,000	03-Dec-18	64	0.71%	AA-	Yes
Australia and New Zealand Banking Group	£1,000,000	12-Dec-18	73	0.70%	AA-	Yes
Merthyr Tydfil Council	£2,000,000	29-Oct-18	29	0.52%	LOCAL	No
Slough Borough Council	£2,000,000	07-Jan-19	99	0.60%	LOCAL	No
Landesbank Hessen-Thüringen	£1,000,000	09-Oct-18	9	0.53%	A	Yes
Close Bros	£1,000,000	21-Jan-19	113	0.80%	A	No
North Ayrshire Council	£2,000,000	23-Jan-19	115	0.80%	LOCAL	No
Woking Borough Council	£2,000,000	26-Feb-19	149	0.85%	LOCAL	No
Barclays Bank	£1,000,000	30-Nov-18	61	0.67%	A	No
Call Accounts with Notice Period						
Santander	£1,000,000	29-Mar-19	180	0.95%	A	Yes
Goldman Sachs International Bank	£1,000,000	03-Jan-19	95	0.65%	A	Yes
Svenska Handelsbanken AB	£1,000,000	04-Nov-18	35	0.65%	AA-	Yes
Treasury Bills	£2,000,000	22-Oct-18	22	0.67%	UK Gov.	No
Certificates of Deposit						
Nordea Bank AB	£1,000,000	08-Feb-19	131	0.84%	AA-	No
Total Investments	£31,000,000					

External Borrowing

The Council currently has two external loans:

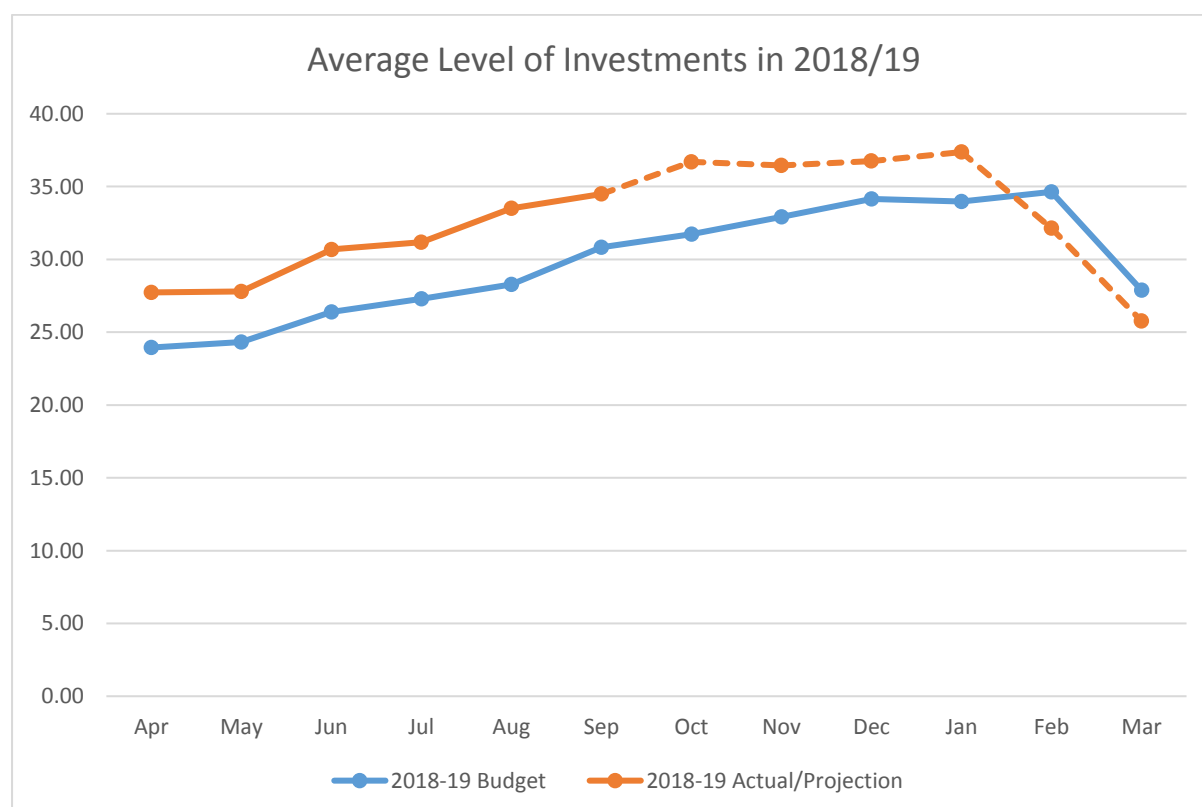
Source	Loan Amount	Interest Rate	Projected Outstanding Balance 31-March-19	Maturity Date
Public Works Loans Board (PWLb)	£1,522,000	2.59%	£1,308,920	08-04-2040
Public Works Loans Board (PWLb)	£1,395,000	1.71%	£1,330,747	31-05-2028

The maturity profile of these investments at 30 September 2018 compared to our Treasury Management advisor Arlingclose interest rate forecasts is shown in the graph below:



Cash Flow for 2018/19

The graph below compares the budget for average investment levels in 2018/19 with the actual levels.



Performance of the Treasury Management Function

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).

	Budget	Actual
<u>Security</u>		
Risk Status (Length of Investment)	A-	AA-
Risk Status (Value of the Investment)		AA-
<u>Liquidity</u>		
Length of Investments (days)	N/A	82 days
Temporary Borrowing	£0	£0
<u>Yield</u>		
Average amount we had available to invest (£m)	£29.57m	£30.90m
Average Interest Rate (%)	0.64%	0.81%
7-day London Inter-bank Bid (LIBID) rate	0.36%	
1 month London Inter-bank Bid (LIBID) rate	0.38%	
3 month London Inter-bank Bid (LIBID) rate	0.55%	
6 month London Inter-bank Bid (LIBID) rate	0.67%	
Gross Investment Income	(£183,000)	(£270,000)
Net Treasury Position including borrowing	£104,860	£64,710

Projected Prudential Indicators for 2018/19

Estimates of Capital Expenditure

No. 1 Capital Financing	2018/19 Original £m	2018/19 Approved £m	2018/19 Projected £m
Non-Current Assets	8.138	10.350	7.049
Revenue Expenditure funded from Capital under Statute	2.104	2.219	1.976
Total	£10.242	£12.569	£9.025

No. 1 Capital Financing	2018/19 Original £m	2018/19 Approved £m	2018/19 Projected £m
Capital Receipts	0.670	2.682	2.650
Burntwood Sinking Fund	0.042	0.232	0.140
Capital Grants and Contributions	2.452	2.111	1.721
Earmarked Reserves	0.144	0.328	0.328
Revenue Contributions	0.154	0.154	0.154
Finance Leases, Invest to Save and Borrowing	6.780	7.062	4.032
Total	£10.242	£12.569	£9.025

Ratio of Financing Costs to Net Revenue Stream

No. 2 Ratio of Financing Costs to Net Revenue Stream	2018/19 Original £m	2018/19 Approved £m	2018/19 Projected £m
Gross Investment Income	(0.187)	(0.183)	(0.270)
Internal Interest	0.004	0.004	0.004
Borrowing Interest	0.048	0.047	0.047
Minimum Revenue Provision - Borrowing	0.199	0.199	0.186
Total	0.064	0.067	(0.033)
Transfers to Earmarked Reserves			
Property	0.038	0.038	0.031
Assistant Chief Executive	0.000	0.000	0.067
Net Treasury Position	0.102	0.105	0.065
Finance Lease Interest Charges	0.070	0.070	0.069
Minimum Revenue Provision - Leases	0.500	0.500	0.495
Total Financing Costs (Including Earmarked Reserves)	0.672	0.675	0.629
Total Financing Costs (Excluding Earmarked Reserves)	0.634	0.637	0.531
Total Funding Available	£10.306	£10.558	£10.558
% Total Financing Costs (Excluding Earmarked Reserves)	7%	6%	5%

Capital Financing Requirement

No. 3 Capital Financing Requirement	2018/19 Original £m	2018/19 Approved £m	2018/19 Projected £m
Balance Brought Forward	4.471	4.177	4.177
Capital Expenditure financed from borrowing and Invest to Save	6.780	7.062	4.032
Minimum Revenue Provision	(0.699)	(0.699)	(0.681)
Balance Carried Forward	10.552	10.540	7.528

Gross External Borrowing does not exceed the CFR

No. 4	2018/19 Original £m	2018/19 Approved £m	2018/19 Projected £m
CFR plus next 2 years	49.240	40.068	37.056
Gross Debt	(10.142)	(10.142)	(7.193)
Gross Borrowing < CFR plus next 2 years	True	True	True

Actual External Debt

No. 4	31-Mar-2018 Actual £m	2018/19 Projected £m
LT Borrowing	1.309	5.463
Short Term Element of LT Borrowing	0.061	0.177
Short Term Element of LT Liabilities	0.505	0.525
Other Long Term Liabilities	1.543	1.028
Total	3.418	7.193

Authorised Limit

No. 5 Authorised Limit for External Debt	2018/19 Original £m	2018/19 Approved £m	2018/19 Projected £m
Borrowing	16.929	16.929	14.341
Finance Leases	4.448	4.448	1.553
Total	21.377	21.377	15.894

Operational Boundary

No. 6 Operational Boundary for External Debt	2018/19 Original £m	2018/19 Approved £m	2018/19 Projected £m
Borrowing	9.065	9.065	5.640
Finance Leases	4.057	4.057	1.553
Total	13.122	13.122	7.193

Adoption of the CIPFA Treasury Management Code

No. 7
The Council approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 25 February 2003. The Council has incorporated any changes resulting from the revisions to the CIPFA Treasury Management Code within its treasury policies, practices and procedures.

Gross Debt

No. 8	2018/19 Original £m	2018/19 Approved £m	2018/19 Projected £m
Outstanding Borrowing	(8.565)	(8.565)	(5.640)
Other Long Term Liabilities	(1.577)	(1.577)	(1.553)
Gross Debt	(10.142)	(10.142)	(7.193)
Capital Financing Requirement	10.552	10.540	7.528
Is our Gross Debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need?	No	No	No

Interest Rate Exposures

No. 9 and 10	2018/19 Original %	2018/19 Approved %	2018/19 Projected %
Fixed Interest Rates			
Upper Limit on Fixed Interest Rate Exposure on Investments	(100%)	(100%)	(100%)
Upper Limit on Fixed Interest Rate Exposure on Debt	100%	100%	100%
Net Fixed Exposure (No. 10)	0%	0%	0%
Variable Interest Rates			
Upper Limit for Variable Rate Exposure on Investments	(100%)	(100%)	(100%)
Upper Limit for Variable Rate Exposure on Debt	30%	30%	30%
Net Variable Exposure (No. 11)	(70%)	(70%)	(70%)

Maturity structure of fixed rate borrowing

No. 11	£	%	Lower Limit
Maturity Structure of Fixed Rate Borrowing			
Under 12 months	191,039	7.24%	0%
12 months and within 24 months	193,275	7.32%	0%
24 months and within 5 years	593,622	22.49%	0%
5 years and within 10 years	961,610	36.43%	0%
10 years and within 20 years	608,800	23.06%	0%
20 years and within 30 years	91,320	3.46%	0%
30 years and within 40 years	0	0.00%	0%
40 years and within 50 years	0	0.00%	0%
50 years and above	0	0.00%	0%
Total	2,639,667		

Upper limit for total principal sums invested over 364 days

No 12	2018/19 Original £m	2018/19 Approved £m	2018/19 Projected £m
Upper Limit for total principal sums invested over 364 days			
Investments	£6.000	£6.000	£2.000