

Money Matters : 2018/19 Review of Financial Performance against the Financial Strategy

Cabinet Member for Finance and Procurement

Date: 16 July 2019
Agenda Item: 11
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Key Decision? YES
Local Ward Members : Full Council

Council

1. Executive Summary

- 1.1 The report covers the financial performance for the financial year 2018/19.
- 1.2 It includes two items that must be approved by Council:
 - The actual Prudential Indicators for 2018/19 and;
 - An increase in the Investment Limit, for any pooled funds under the same management.

2. Recommendations

That Cabinet recommends to Council :

- 2.1 To approve the actual 2018/19 Prudential Indicators contained within the report.
- 2.2 To increase the Investment Limit, for any group of pooled funds under the same management, from **£4m** per manager to **£9m** per manager.

3. Background

Treasury Management Updates

Recommended increase to a Treasury Management Limit

- 1.1. The Treasury Management Strategy and Annual Investment Strategy was approved by Council on 19 February 2019 and included the investment limit 'Any group of pooled funds under the same management' of **£4m per manager**.
- 1.2. We currently have the following actual or planned investments with Churches, Charities and Local Authorities (CCLA):

Investment	Approved Limit	Actual Investment at 13 May 2019
The Property Pooled Fund	£2 million	£2 million
UK Domiciled Money Market Fund	£5 million	£2 million
Diversified Income Fund (Approved by Cabinet 4 September 2018)	£2 million	£0
Fund Manager Total	£9 million	£4 million

- 1.3. Therefore in order to facilitate the investment in the Diversified Income Fund of £2m and thereby reduce risk through additional diversification, whilst maximising investment income, it is recommended that Council increases the limit from **£4m** to **£9m**.

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

Prudential indicators (PI) 2018/19:

- We can confirm that the Council has complied with its Prudential and Local Indicators for 2018/19; these were originally approved by Council at its meeting on 20 February 2018 and were 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 and Local Indicators have been breached. The Prudential and Local Indicators are summarised in the table below :

Capital Strategy Indicators					
Prudential Indicators					
Indicators	2017/18 Actual	2018/19 Original	2018/19 Revised	2018/19 Actual	Compliant
Capital Investment					
Capital Expenditure (£m)	£2.608	£10.242	£5.355	£4.910	✓
Capital Financing Requirement (£m)	£4.177	£10.552	£4.881	£4.987	✓
Gross Debt and the Capital Financing Requirement					
Gross Debt	(£3.418)	(£10.142)	(£4.183)	(£4.315)	✓
Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement	No	No	No	No	✓
Total Debt					
Authorised Limit (£m)	£3.991	£21.377	£15.082	£4.751 ¹	✓
Operational Boundary (£m)	£3.991	£13.122	£7.197	£4.751	✓
Proportion of Financing Costs to Net Revenue Stream (%)	5%	7%	5%	5%	✓

Local Indicators					
Indicators	2017/18 Actual	2018/19 Original	2018/19 Revised	2018/19 Actual	Compliant
Replacement of Debt Finance or MRP (£m)	(£0.616)	(£0.699)	(£0.691)	(£0.710)	✓
Capital Receipts (£m)	(£0.426)	£0.000	(£0.356)	(£0.760)	✓
Liability Benchmark (£m)	£13.242	£2.345	£12.572	£14.209	✓
Treasury Management Investments (£m)	£24.519	£20.911	£25.147	£26.150	✓

Treasury Management Indicators				
Prudential Indicators				
	Lower Limit	Upper Limit	2018/19 Actual	Compliant
Refinancing Rate Risk Indicator				
Under 12 months	0%	100%	7%	
12 months and within 24 months	0%	100%	7%	
24 months and within 5 years	0%	100%	22%	
5 years and within 10 years	0%	100%	36%	✓
10 years and within 20 years	0%	100%	23%	
20 years and within 30 years	0%	100%	3%	
30 years and within 40 years	0%	100%	0%	
40 years and within 50 years	0%	100%	0%	
50 years and above	0%	100%	0%	

Indicators	2017/18 Actual	2018/19 Original	2018/19 Revised	2018/19 Actual	Compliant
Principal Sums invested for periods longer than a year (£m)	£2.000	£6.000	£6.000	£2.000	✓

¹ This is the highest level of debt outstanding during the financial year and is compared to the Authorised Limit and Operational Boundary to assess compliance.

Local Indicators

Indicators	2017/18 Actual	2018/19 Original	2018/19 Revised	2018/19 Actual	Compliant
	£m	£m	£m	£m	
Balance Sheet Summary and Forecast					
Borrowing Capital Financing Requirement	£2.129	£8.975	£3.338	£3.312	✓
Internal or (over) Borrowing	£0.759	£0.410	£0.698	£0.672	✓
(Investments) or New Borrowing	(£24.519)	(£20.910)	(£25.147)	(£26.150)	✓
Liability Benchmark	(£13.242)	(£2.345)	(£12.572)	(£14.209)	✓
	Target	2018/19 Actual	Compliant		
Security					
Portfolio average credit rating	A-	AA-	✓		
Liquidity					
Temporary Borrowing undertaken	£0.000	£0.000	✓		
Total Cash Available within 100 days (maximum)	90%	70%	✓		

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	Planned Capital Receipts are not received.	The budget for capital receipts will be monitored as part of the Council's normal budget monitoring procedures.	Green - Tolerable
B	Achievement of The Council's key Council priorities.	Close monitoring of performance and expenditure; maximising the potential of efficiency gains; early identification of any unexpected impact on costs including Central Government Policy changes, movement in the markets, and changes in the economic climate.	Green - Tolerable
C	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations.	To closely monitor the level of appeals. An allowance of 4.7% (in line with the DCLG Allowance) for appeals has been included in the Business Rate Estimates.	Red - Severe
D	The review of the New Homes Bonus regime in 2020/21.	Not all of the projected New Homes Bonus is included as core funding in the Base Budget. In 2020/21 £600,000 is included and this is then being reduced by £100,000 per annum.	Red - Severe
E	The increased Localisation of Business Rates and the Fair Funding Review in 2020/2021.	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Red - Severe
F	The affordability and risk associated with the Capital Strategy.	Recruit an estates management team to provide professional expertise and advice in relation to the Property Investment Strategy and to continue to take a prudent approach to budgeting.	Yellow - Material