

# Annual Treasury Management Report

## Cabinet Member for Finance and Procurement

Date: 14 July 2020  
Agenda Item: 15  
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Key Decision? YES  
Local Ward Members : Full Council



Council

## 1. Executive Summary

- 1.1 The report confirms the Council was compliant with all Treasury Limits and Prudential Indicators for 2019/20.

## 2. Recommendations

- 2.1 To approve the actual 2019/20 Prudential Indicators contained within the report.

## 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 2019/20 and the actual Prudential Indicators for 2019/20.
- 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 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 2019/20;
  - 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).

### Alternative Options

There are no alternative options.

### Consultation

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

### Financial Implications

#### Prudential indicators (PI) 2019/20:

- We can confirm that the Council has complied with its Prudential and Local Indicators for 2019/20; these were originally approved by Council at its meeting on 19 February 2019 and were fully revised and approved by Council on 18 February 2020.
- 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 2019/20.
- 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   | 2018/19<br>Actual | 2019/20<br>Original | 2019/20<br>Revised | 2019/20<br>Actual   | Compliant |
|--|-------------------|---------------------|--------------------|---------------------|-----------|
| <b>Capital Investment</b>  |                   |                     |                    |                     |           |
| Capital Expenditure (£m)   | £4.910            | £11.618             | £15.659            | £2.297              | ✓         |
| Capital Financing Requirement (£m)   | £4.987            | £10.301             | £14.809            | £4.305              | ✓         |
| <b>Gross Debt and the Capital Financing Requirement</b>                          |                   |                     |                    |                     |           |
| Gross Debt   | (£4.315)          | (£9.598)            | (£11.439)          | (£3.041)            | ✓         |
| Borrowing in Advance - Gross Debt in excess of the Capital Financing Requirement | No                | No                  | No                 | No                  | ✓         |
| <b>Total Debt</b>  |                   |                     |                    |                     |           |
| Authorised Limit (£m)  | £4.751            | £21.598             | £23.473            | £4,315 <sup>1</sup> | ✓         |
| Operational Boundary (£m)  | £4.751            | £13.006             | £14.881            | £4,315              | ✓         |
| Proportion of Financing Costs to Net Revenue Stream (%)                          | 5%                | 6%                  | 4%                 | 4%                  | ✓         |

#### Local Indicators

| Indicators                              | 2018/19<br>Actual | 2019/20<br>Original | 2019/20<br>Revised | 2019/20<br>Actual | Compliant |
|---|-------------------|---------------------|--------------------|-------------------|-----------|
| Replacement of Debt Finance or MRP (£m) | (£0.710)          | (£0.720)            | (£0.746)           | (£0.719)          | ✓         |
| Capital Receipts (£m)                   | (£0.760)          | (£1.056)            | (£0.855)           | (£1.005)          | ✓         |
| Liability Benchmark (£m)                | £14.209           | £5.017              | £3.938             | £22.652           | ✓         |
| Treasury Management Investments (£m)    | £26.150           | £23.689             | £23.749            | £34.550           | ✓         |

<sup>1</sup> 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.

## Treasury Management Indicators

### Prudential Indicators

|   | Lower Limit | Upper Limit | 2019/20 Actual | Compliant |
|---|-------------|-------------|----------------|-----------|
| <b><u>Refinancing Rate Risk Indicator</u></b> |             |             |                |           |
| Under 12 months                               | 0%          | 100%        | 7%             |           |
| 12 months and within 24 months                | 0%          | 100%        | 7%             |           |
| 24 months and within 5 years                  | 0%          | 100%        | 25%            |           |
| 5 years and within 10 years                   | 0%          | 100%        | 33%            | ✓         |
| 10 years and within 20 years                  | 0%          | 100%        | 25%            |           |
| 20 years and within 30 years                  | 0%          | 100%        | 1%             |           |
| 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  | 2018/19 Actual | 2019/20 Original | 2019/20 Revised | 2019/20 Actual | Compliant |
|---|----------------|------------------|-----------------|----------------|-----------|
| Principal Sums invested for periods longer than a year (£m) | £2.000         | £6.000           | £6.000          | £6.000         | ✓         |

### Local Indicators

| Indicators                                       | 2018/19 Actual | 2019/20 Original | 2019/20 Revised | 2019/20 Actual | Compliant |
|--|----------------|------------------|-----------------|----------------|-----------|
|  | £m             | £m               | £m              | £m             |           |
| <b><u>Balance Sheet Summary and Forecast</u></b> |                |                  |                 |                |           |
| Borrowing Capital Financing Requirement          | £3.312         | £9.152           | £13.694         | £3.162         | ✓         |
| Internal or (over) Borrowing                     | £0.672         | £0.703           | £3.370          | £0.714         | ✓         |
| (Investments) or New Borrowing                   | (£26.150)      | (£23.689)        | (£23.749)       | (£34.550)      | ✓         |
| Liability Benchmark                              | (£14.209)      | (£5.017)         | (£3.938)        | (£22.652)      | ✓         |

|  | Target | 2019/20 Actual | Compliant |
|--|--------|----------------|-----------|
| <b><u>Security</u></b>                         |        |                |           |
| Portfolio average credit rating                | A-     | AA-            | ✓         |
| <b><u>Liquidity</u></b>                        |        |                |           |
| Temporary Borrowing undertaken                 | £0.000 | £0.000         | ✓         |
| Total Cash Available within 100 days (maximum) | 90%    | 68%            | ✓         |

Please note – the figures in blue differ from those approved by Cabinet on 2 June 2020. These changes were made as part of the Statement of Accounts primarily to reflect updated financial information for leases. In addition, several other minor changes were also incorporated to reflect further COVID-19 pandemic accounting guidance.

### Contribution to the Delivery of the Strategic Plan

The MTFS underpins the delivery of the Strategic Plan.

### Equality, Diversity and Human Rights Implications

There are no additional Equality, Diversity or Human Rights implications.

### Crime & Safety Issues

There are no additional Crime and Safety Issues.

|   | 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 | 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 |

**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) 2019/20 – Audit and Member Standards Committee 6 February 2019.
- Mid-Year Treasury Management Report – Audit and Member Standards Committee 14 November 2019.
- The Treasury Management Strategy Statement (TMSS) 2020/21 – Audit and Member Standards Committee 5 February 2020.
- Money Matters 2019/20 Review of Financial Performance against the Financial Strategy – Cabinet 2 June 2020.

**Relevant web link**

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