



**CAMBRIDGESHIRE  
& PETERBOROUGH**  
COMBINED AUTHORITY

<b>AUDIT AND GOVERNANCE COMMITTEE</b>	<b>AGENDA ITEM No: 10</b>
<b>19 JULY 2019</b>	<b>PUBLIC REPORT</b>

## **ANNUAL TREASURY REPORT**

### **1.0 PURPOSE**

- 1.1. The purpose of the report is for the Audit and Governance Committee to review the actual performance for the year against the prudential indicators included within the Treasury Management Strategy.

<b><u>DECISION REQUIRED</u></b>	
<b>Lead Officer:</b>	<b>Jon Alsop – Head of Finance (S73)</b>
<p>The Audit and Governance Committee is recommended to:</p> <ul style="list-style-type: none"><li>• Review the actual performance for the year to 31 March 2019, against the adopted prudential and treasury indicators.</li></ul>	

### **2.0 BACKGROUND**

- 2.1. According to its Terms of Reference, the Audit and Governance Committee shall “ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA’s Code of Practice”.
- 2.2. The Treasury Management in the Public Services: Code of Practice 2011 recommends that Members receive regular reports on the authority’s treasury management policies, practices and activities, including an Annual Treasury

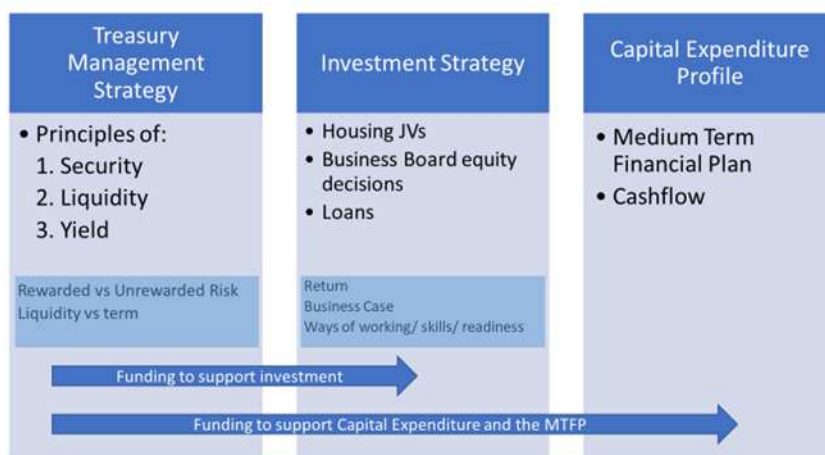
Report, which is a review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### Treasury Management Strategy Prudential Indicators

- 2.3. The Prudential Code underpins the system of capital finance. Prudential indicators are developed to ensure that:
- (a) Capital investment plans are affordable;
  - (b) All external borrowing and other long term liabilities are within prudent and sustainable levels; and
  - (c) Treasury management decisions are taken in accordance with professional good advice.
- 2.4. The Annual performance against the adopted Prudential Indicators is shown at appendix 1.

### Investment Activity

- 2.5. categories of investment as set out in the table below



- 2.6. Surplus cash balances are held in accordance with the principles set out in the Treasury Management Strategy in order to support strategic investment decisions and the Capital Programme and the Medium Term Financial Plan (MTFP).
- 2.7. As at 31 March 2019, the following investments were held with Approved Investments in accordance with the Treasury Management Strategy:

Start / Purchase Date	Maturity Date	Counterparty	Profile	Rate	Principal O/S (£)
23/04/18	18/04/19	Lancashire County Council	Maturity	1.0000%	-5,000,000.00
23/04/18	18/04/19	Dundee City Council	Maturity	1.0000%	-5,000,000.00
01/08/18	08/04/19	Suffolk County Council	Maturity	0.6200%	-10,000,000.00
19/06/18	28/05/19	Stockport Metropolitan Borough Council	Maturity	0.6000%	-5,000,000.00
25/06/18	28/05/19	Stockport Metropolitan Borough Council	Maturity	0.6000%	-10,000,000.00
09/07/18	08/07/19	Doncaster Metropolitan Borough Council	Maturity	0.7700%	-5,500,000.00
31/08/18	30/08/19	London Borough of Croydon	Maturity	1.0500%	-10,000,000.00
10/09/18	12/08/19	Highland Council	Maturity	0.9500%	-5,000,000.00
10/09/18	10/06/19	Cambridgeshire County Council	Maturity	0.9500%	-5,000,000.00
05/10/18	07/05/19	London Borough of Haringey	Maturity	0.9000%	-5,000,000.00
23/10/18	23/07/19	Lancashire County Council	Maturity	1.1000%	-5,000,000.00
27/09/18	26/09/19	Birmingham City Council	Maturity	1.0500%	-5,000,000.00
05/10/18	05/09/19	Plymouth City Council	Maturity	1.0000%	-5,000,000.00
13/12/18	15/07/19	Rotherham Metropolitan Borough Council	Maturity	0.9500%	-6,000,000.00
13/12/18	13/08/19	Fife Council	Maturity	0.8800%	-6,000,000.00
21/01/19	21/06/19	West Dunbartonshire Council	Maturity	0.8800%	-5,000,000.00
21/01/19	21/10/19	Highland Council	Maturity	0.9500%	-5,000,000.00
21/01/19	21/10/19	Leeds City Council	Maturity	0.9500%	-5,000,000.00
21/01/19	30/04/19	London Borough of Barking and Dagenham	Maturity	0.8800%	-5,000,000.00
01/02/19	01/05/19	Birmingham City Council	Maturity	0.8700%	-5,000,000.00
22/03/19	01/04/19	DMO	Maturity	0.5100%	-8,500,000.00
27/03/19	01/04/19	DMO	Maturity	0.5100%	-14,800,000.00
29/03/19	04/04/19	DMO	Maturity	0.5200%	-3,800,000.00
				<b>0.8103%</b>	<b>-144,600,000.00</b>
20/03/17		Barclays Bank plc	Maturity	0.5500%	-12,200,000.00
				<b>0.5500%</b>	<b>-12,200,000.00</b>
20/03/17		CCLA The Public Sector Deposit 4	Maturity	0.7908%	-10,000,000.00
				<b>0.7908%</b>	<b>-10,000,000.00</b>
				<b>0.7901%</b>	<b>-166,800,000.00</b>

## Appointment of Specialist Treasury Management advisors

- 2.8. The Combined Authority currently receives Treasury Management support through a Finance Service Level Agreement with Peterborough City Council. The Combined Authority recognises the responsibility for treasury management decisions remains with the Combined Authority, and also recognises the value of employing external providers in order to access specialist skills and advice.
- 2.9. The Combined Authority has been through a procurement exercise to employ its own specialist Treasury Management advisors. A preferred Supplier has been identified, and once formally engaged, will
- Develop a Treasury Management Strategy that is tailored to the specific requirements, constraints and ambitions of the Combined Authority in its fundamental roles to:
    - Manage External Investments - Security, Liquidity and Yield
    - Ensure Debt is Prudent and Economic
    - Produce and Monitor the Prudential Indicators
    - To ensure that decisions comply with regulations.

- Prepare a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long-term and provides value for money;
- Ensure that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- Ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- Ensure the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.

2.10. A revised version of the 2019/20 Treasury Management Strategy, and a Capital Strategy for 2019/20 will be presented to the Audit and Governance Committee when this exercise has been completed.

### **3.0 FINANCIAL IMPLICATIONS**

3.1. None other than those highlighted in the main body of the report.

### **4.0 LEGAL IMPLICATIONS**

4.1. Treasury Management activities have to conform to the Local Government Act 2003, the Local Authorities (Capital; Finance and Accounting) (England) Regulations 2003 (SI 2003/3146), which specifies that the Council is required to have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and also the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414), which clarifies the requirements of the Minimum Revenue Provision guidance.

### **5.0 SIGNIFICANT IMPLICATIONS**

5.1. None.

### **6.0 APPENDICES**

- Appendix 1 – Prudential Indicators
- Appendix 2 – Cambridgeshire and Peterborough Combined Authority (CPCA) Treasury Management Strategy 2018/19 to 2020/21.

<u>Source Documents</u>	<u>Location</u>
<b>None</b>	

## Appendix 1: Treasury Management Report 2018/19

### Prudential Indicators

1. The Code requires the Combined Authority to set a range of Prudential Indicators. The information provided below sets out the outturn performance against the Indicators adopted by the Combined Authority as set out in the Treasury Management Strategy.
2. **Indicator 1 - Capital Expenditure.** A summary of the Combined Authority's capital expenditure for 2018/19 and the following two financial years including how it will be funded. Estimates for future years are taken from the Medium Term Financial Plan, which is currently under review.

Capital Expenditure	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
Transport & Infrastructure	0.00	0.95	14.58	tbc	tbc
Housing & Communities	0.00	2.98	43.96	tbc	tbc
Employment & Skills	0.00	0.00	4.71	tbc	tbc
Strategy & Planning	0.00	0.00	0.44	tbc	tbc
Corporate	0.00	0.00	0.26	tbc	tbc
<b>Total</b>	<b>0.00</b>	<b>3.93</b>	<b>63.95</b>	<b>tbc</b>	<b>tbc</b>
<b>Financed by:</b>					
Gainshare Capital Funds	0.00	0.95	5.41	tbc	tbc
Housing Capital Funds	0.00	2.98	43.96	tbc	tbc
Transforming Cities/Growth Funds	0.00	0.00	14.58	tbc	tbc
<b>Total</b>	<b>0.00</b>	<b>3.93</b>	<b>63.95</b>	<b>tbc</b>	<b>tbc</b>

3. **Indicator 2 – Capital Financing Requirement (CFR)** – the CFR is the total historical capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Combined Authority's underlying borrowing requirement. Any capital expenditure which has not immediately been paid for will increase the CFR. The Combined Authority currently has no borrowing requirement, hence CFR is zero.

Capital Financing Requirement	16/17 Actual £m	17/18 Actual £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
CFR brought forward	0	0	0	tbc	tbc
Borrowing	0	0	0	tbc	tbc
Repayment	0	0	0	tbc	tbc
CFR carried forward	0	0	0	tbc	tbc
<b>Movement in CFR</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>tbc</b>	<b>tbc</b>
Net financing requirement	0	0	0	tbc	tbc
Less MRP & other financing	0	0	0	tbc	tbc
<b>Movement in CFR</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>tbc</b>	<b>tbc</b>

4. **Indicator 3 – Actual and estimates of the ratio of financing costs to net revenue budget.** This indicator identifies the proportion of the revenue budget which is taken up in Financing capital expenditure i.e. the net interest cost and the provision to repay debt.

Ratio of gross financing costs to net revenue budget	16/17 Actual £m	17/18 Actual £m	18/19 Est £m	19/20 Est £m	20/21 Est £m
Total ratio	n/a	n/a	n/a	tbc	tbc

5. **Indicator 4 - The Combined Authority's treasury position,** with estimates for future years will be entered in the table below as future borrowing requirements become clear. The table below shows the actual external borrowing (Gross Debt) against the CFR.

Gross debt & capital financing requirement	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
<b>External Borrowing</b>					
Market Borrowing	0	0	0	tbc	tbc
Repayment of borrowing	0	0	0	tbc	tbc
Expected change in borrowing	0	0	0	tbc	tbc
Other long-term liabilities	0	0	0	tbc	tbc
<b>Gross Debt at 31 March</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>tbc</b>	<b>tbc</b>
CFR	0	0	0	tbc	tbc
<b>% of Gross Debt to CFR</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>tbc</b>	<b>tbc</b>

6. **Indicator 5 - The Operational Boundary** - external borrowing is not normally expected to exceed this limit. If the operational boundary was exceeded this would be reported immediately to the members of the Audit and Governance Committee with a full report taken to the next committee meeting. The Operational Boundary is set out below:

Operational Boundary	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
Borrowing	0	0	0	74.61	74.61
Other long term liabilities	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>74.61</b>	<b>74.61</b>

7. **Indicator 6 - The Authorised Limit for external borrowing** - this represents a limit beyond which external borrowing is prohibited.

Authorised Limit	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
Borrowing	0	0	0	84.61	84.61
Other long term liabilities	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>84.61</b>	<b>84.61</b>

8. **Indicator 7 – Upper limit on fixed interest rate exposure.** This identifies a maximum limit for fixed interest rates based upon the debt position net of investments. This has been set at 100% of the borrowing requirement.
9. **Indicator 8 - Upper limit on variable rate exposure.** This identifies a maximum limit for variable interest rates based upon the debt position net of investments. This has been set at 25% of the borrowing requirement.

Interest Rate Exposure (Upper Limits)	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
(7) Limits on fixed interest rate net debt	0	0	0	74.61	74.61
% of fixed interest rate exposure	100%	100%	100%	100%	100%
(8) Limits on variable interest rate on net debt	0	0	0	18.65	18.65
% of variable interest rate exposure	25%	25%	25%	25%	25%

10. **Indicator 9 - Maturity structure of borrowing.** These gross limits are set to reduce the Combined Authority's immediate exposure to large fixed rate sums falling due for refinancing.

Maturity Structure of borrowing	Upper Limit	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
Under 12 months	40%	0	0	0	0	0
12 months to 2 years	40%	0	0	0	0	0
2 years to 5 years	80%	0	0	0	0	0
5 years to 10 years	80%	0	0	0	0	0
10 years and above	100%	0	0	0	0	0

11. **Indicator 10 - Upper limit for total principal sums invested for over 365 days excluding loans.** This limit is set with regard to the Combined Authority's liquidity requirements and to reduce the need for an early sale of an investment.

Overall limit for sums invested over 365 days	16/17 Actual £m	17/18 Actual £m	18/19 Actual £m	19/20 Est £m	20/21 Est £m
Principal sums invested over 365 days	0	0	0	10	10