Wiltshire Council

Overview and Scrutiny Management Committee

26 July 2022

Financial Planning Task Group Update

Treasury Management Outturn Report 2022/23

Purpose

1. To update Overview and Scrutiny Management Committee on the discussions of the Financial Planning Task Group on 9 June 2023 regarding the Treasury Management Outturn Report 2022/23.

Background

2. The Financial Planning Task Group (FPTG) is a standing task group reporting to the Overview and Scrutiny Management Committee.

Membership

3. The membership of the task group is as follows:

   Cllr Gavin Grant (Vice-chairman)
   Cllr Gordon King
   Cllr Charles McGrath
   Cllr Richard Britton
   Cllr Pip Ridout (Chairman)
   Cllr Ian Thorn
   Cllr Elizabeth Threlfall
   Cllr Mark Verbinnen

Terms of Reference:

4. The terms of reference of the task group are:

   a) To review the council's draft Financial Plan, Medium-Term Financial Strategy (4-year financial model) and Treasury Management Strategy, reporting its findings to OS Management Committee.

   b) To undertake regular monitoring of the council's capital and revenue budgets (including the delivery of savings), ensuring that mid-year trends and developments are considered when the council's Financial Plan is updated.

   c) To undertake ongoing review of the council's financial position, including the monitoring of reserves, investments, debt, and financial risks.

d) Where they materially affect the council's overall financial position, to consider the council's:
   i. approach to strategic procurement
   ii. major contracts
   iii. financial investment in, and liability to, its wholly owned subsidiaries.

e) To help develop the council's approach to the annual budget setting cycle, including the specific contribution of Overview and Scrutiny.

f) To bring regular reports to OS Management Committee, highlighting key financial developments and risks for further discussion.

Treasury Management Outturn Report 2022/23

The Task Group met on 9 June 2023 to discuss the reports going to Cabinet on 13 June 2023, also present were:

Cllr Nick Botterill	Cabinet Member for Finance, Development Management and Strategic Planning
Andy Brown	Corporate Director Resources & Deputy Chief Executive (S151 Officer)

Observing:

Cllr Graham Wright	Chairman, OS Management Committee
Cllr Chris Williams	Vice-Chairman, OS Management Committee

Treasury Management Outturn Report 2022/23

Issue (Page and paragraphs numbers refer to the reports)	**Further information / Comments**
Differences between budget predictions 2022/23 and the outturn (Table para 6)	This relates to the capital programme and the original budget which was £307m (2022/23) most of which is financed through debt. The table (para 10) shows predicted borrowing as £183m forecast in the budget 2022/23. There was slippage in the capital programme. Gross borrowing of £408m (2021/22) is now down to £398m (2022/23). The reason for the variances is because of the difference between what is set in the budget and what was actually spent. As has been commented on before at the task group the council is taking active steps to better profile capital spending.

Reduction in investments of £40m and an increased borrowing of £30m, representing some £70m on the balance sheet (Table para 6)	Under borrowing has gone up because there is more cash in the system. The cash provided by government during COVID is beginning to be paid back. Cash levels will go down, though the council did borrow £80m last year. The under borrowed position has increased due to the use of surplus cash. Appendix 2 Investment Portfolio shows that investments were bringing better returns (4%+).
Commercial activities and capital expenditure (Table para 6)	The original budget for the HRA (Housing Revenue Account) was £46m but spend is only £16m. This seems a large variance with the estimates, but this again is related to the profiling of programmes. Within that much of the actual variation is due to the one project, the Maltings in Salisbury which has yet to begin. All commercial opportunities will be looked at on their individual merits but there are no current plans to invest in the commercial sector, however there is a small line in the budget (which has been scaled back). Unless there are significant benefits in a number of contexts for example regeneration, this is not an area that council would want to invest. For the council any debt accrued there has to be a strategy concerning repayment. It was highlighted that members should continue to monitor the council's exposure to Stone Circle (para 28).
Fair value of investment (para 71-72)	Investment in CCLA is captured by IFRS (International Financial Reporting Standards) rules. This is a longer term investment (5yrs+) as it has a dividend return. The value of fund is £20m and the fair value is £17m. This would, in commercial terms, have been a revenue issue but as a local authority there is an override through an accounting treatment that does not affect the bottom line. There is a similar override for the dedicated schools grant (DSG). The CCLA fund is restricted in its investments, for example UK only.
Repayment of loans (Appendix 1)	The market loans debt has gone down by £2m. The council is looking to repay market loans as the banks are often seeking negotiated deals in order to pay off the debt (£40m). Further analysis of the situation will look at whether to backfill with loans from the Public Works Loans Board (PWLB). Any such decision would be taken to Cabinet

The balance between debt and investment usage	The council make its decisions in terms of debt and investment by using a trigger point, set in December 2021, for when the council would borrow. The council is now looking at repaying debt from surplus cash. With interest rates at 0.1% the council's investments were negligible. The council has invested £10m in the CCLA property fund (para 52) and is moving to become more active as the returns are better. The council will need to borrow after this financial year (2023/24). Interest rates will continue to go up and the council will borrow when interest rates begin to fall to around 3%. This is always being reviewed and opportunities will be taken if/when they arise.
Process by which investment decisions are arrived at and their oversight.	The Treasury Strategy and annual investment strategy defines the duration of loans and debt. This is set politically, but then devolved to the 151 Officer, who may well consult with Cabinet on the specifics. The council is moving to a longer term view of investments
Housing Revenue Account (HRA)	The cost of borrowing for the HRA is broadly the same as for the general fund and the HRA has a 30yr business plan, by which the % ratio of borrowing will decrease. No ceilings are applied. HRA reports are standard and therefore benchmarking can be undertaken with other local authorities in order to monitor relative situations. The Housing Board will continue to monitor the debt level.

Cllr Pip Ridout, Chairman of the Financial Planning Task Group

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