

# CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES AND MINIMUM REVENUE PROVISION (MRP) STATEMENT 2025-26

Meeting: **Executive**

Date Of Meeting: **13 February 2025**

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Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

## 1.0 Purpose of Report

1.1 Local authorities are required by statute, guidance and the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential and Treasury Management Codes to produce and approve a Capital Strategy, Investment Strategy and Treasury Management Strategy, Minimum Revenue Provision policy each financial year as part of their annual budget setting process. The report presents the 2025/26 version of these documents for approval.

## 2.0 Recommendations

2.1 The Executive is requested to:

### **RECOMMEND TO BUDGET SETTING COUNCIL ON 3 MARCH 2025 THAT:**

- i. Subject to Ministry of Housing, Communities and Local Government (MHCLG)'s confirmation of Exceptional Financial Support for 2025/26, the Capital Strategy and Treasury Management Strategy including the prudential indicators be approved; and**
- ii. Subject to MHCLG's confirmation of Exceptional Financial Support for 2025/26, the Minimum Revenue Provision policy statement set out in Appendix A of the Treasury Management Strategy (at Annex III of the report) be approved.**

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### Reason for Decision

- 2.2 To enable the Executive to recommend to Council approval of the Council's 2025/26 Capital Strategy and Treasury Management Strategy and the Council's 2025/26 Minimum Revenue Provision Policy Statement, subject to MHCLG's confirmation of Exceptional Financial Support for 2025/26.

### **3.0 Proposal and Outcome**

- 3.1 The proposal is that the Council adopt the 2025/26 Capital Strategy and Treasury Management Strategy and the Council's 2025/26 Minimum Revenue Provision Policy Statement.
- 3.2 The Council's 2025/26 strategies/MRP policy are set in the context of the Council's Improvement and Recovery Plan (IRP)<sup>1</sup> and support and reflect the IRP commercial workstream including the asset management (disposals) plan, the debt reduction plan and commercial group company debt standstill (agreed by 14 December 2024 Council also subject to MHCLG – government – confirmation of Exceptional Financial Support for 2025/26).

### **4.0 Background**

- 4.1 Local authorities are required by statute, guidance and the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential and Treasury Management Codes to produce and approve a Capital Strategy, Investment Strategy and Treasury Management Strategy and Minimum Revenue Provision policy each financial year as part of their annual budget setting process. These are:
- i. a Capital Strategy, which sets out the overall strategy for capital expenditure and finance for the coming year, including borrowing plans and limits and summarises the Investment and Treasury Strategies;
  - ii. an Investment Strategy, which covers all investments apart from those held for treasury management purposes including the Council's company shares, commercial loans and commercial properties;
  - iii. a Treasury Management Strategy which sets out how the borrowing needs arising from the above plans will be arranged and managed; and
  - iv. a Minimum Revenue Provision (MRP) Policy Statement (the calculation of the revenue charge for the repayment of debt).
- 4.2 These documents aim to provide a comprehensive and transparent picture of the Council's capital, borrowing and investment position which links into the Council's overall corporate plans and objectives. The documents include the prudential

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<sup>1</sup> [IRP - September 2024.pdf](#)

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indicators, limits and investment indicators required under the respective codes and guidance.

### **5.0 Options Considered**

5.1 There are no viable alternative options as this is a statutory requirement – as set out above – and this forms part of the annual budget setting process. The 2025/26 strategies and policy in this report are an update on the 2024/25 strategies and policy approved by Council in March 2024 and they remain both comprehensive and compliant with the relevant regulations, guidance and Codes.

### **6.0 Introduction**

6.1 The CIPFA Prudential Code for Capital Finance in Local Authorities, and government guidance on Local Government Investments have required the publication of Capital and Investment Strategies. The government also introduced statutory investment guidance and has updated its statutory Minimum Revenue Provision (MRP) Guidance.

6.2 The Capital and Treasury Management strategies are presented together enabling the links to be highlighted whilst minimising duplication. A suite of appendices (with the Treasury Management Strategy) are also included which can be referred to from any of the core strategies.

6.3 These strategies will continue to be developed further to support the understanding of the Council's capital investments and long-term plans. The documents link with the Council's other long-term plans and the Medium Term Financial Strategy.

### **7.0 Capital Strategy (Annex I)**

7.1 The purpose of the capital strategy is to give a clear and concise view of how the Council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It includes references to elements of the Investment Strategy, Treasury Management Strategy and the Council's Investment Programme.

7.2 The unaffordable nature of the Council's previous borrowing and investment strategies is clearly apparent and well documented. For example, independently confirmed as part of Grant Thornton's Report in the Public Interest on the Council published in November 2024. A complete change in the Council's capital and investment strategy has been embedded since 2024 with the support of the Council's Commissioners and the government (Ministry of Housing, Communities and Local Government, MHCLG) in order to develop a financially sustainable future for the Council.

### **8.0 Investment Strategy (Annex II)**

8.1 The Investment Strategy will set out the policy and proposals for the Council's investments, including the loans and shares in the ThamesWey group of companies and Victoria Square Woking Limited and its subsidiaries and the commercial property investments in the Strategic Property Portfolio. The strategy builds on the policies and proposals in the latest Improvement and Recovery Plan, particularly in the

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Commercial Theme. Investments held for treasury management purposes are covered by the Treasury Management Strategy.

- 8.2 The Council has a significant property and investment portfolio and a debt portfolio of over £2 billion that is unaffordable and unsustainable. This led to Government intervention in May 2023, Section 114 notice in June 2023 and the appointment of Commissioners and the establishment of an Improvement and Recovery Plan (IRP) that includes a significant programme of work to reduce the debt burden and rationalise the asset portfolio. The strategy is set in this context.
- 8.3 The full Investment Strategy will be submitted to the Council following the receipt of the decision from central government on Exceptional Financial Support.

### **9.0 Treasury Management Strategy (Annex III)**

- 9.1 Treasury Management refers to the management of cash balances and funding needs through borrowing and investment. This report deals solely with treasury (financial) investments, which are as managed by the treasury management team.
- 9.2 The Treasury Management Strategy sets out the Council's strategy for borrowing and its policies for managing its treasury investments and for giving priority to the security and liquidity of those investments. It also includes the Council's policy for Minimum Revenue Provision (MRP) which has been substantially revised following consultancy advice and takes account of the latest government MRP Guidance.

### **10.0 Relevant Guidance**

- 10.1 These strategies take account of CIPFA's revised Treasury Management and Prudential Codes (issued December 2021). The latest Codes require more analysis and a stronger risk management framework around non-treasury investments especially where they have been funded by borrowing (as in the Council's case).
- 10.2 The current government guidance on the Minimum Revenue Provision ([Capital finance: guidance on minimum revenue provision \(5th edition\) - GOV.UK](#)) confirms that the Council's original approach to calculating MRP (effectively ignoring borrowing for commercial investment) was not compliant with the duty to provide for MRP and seeks to prevent that approach in future.
- 10.3 The Government has also allowed for exceptions ("*Where local authorities are unable to manage financial pressures and as a consequence are financially unsustainable or at risk of being so, local authorities should approach the government for support*", paragraph 21). Exceptional circumstances were applied to the Council in 2024/25 as part of the government's Exceptional Financial Support package and a similar request has been made for Exceptional Financial Support in 2025/26.

### **11.0 Decision Type/Scope**

- 11.1 This is a non-key decision.

## **12.0 Implications**

### Legal

- 12.1 The Local Government Act 2003 provides that a local authority has the power both to borrow and invest money for any purpose relevant to its functions and for the prudent management of its financial affairs.
- 12.2 The Act requires the Council to determine and to keep under review how much money it can afford to borrow.
- 12.3 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, provide that, in complying with this duty, the Council must have regard to the Prudential Code for Capital Finance in Local Authorities published by CIPFA.
- 12.4 The Council is also required to have regard to the CIPFA Treasury Management Code of Practice. 9.2
- 12.5 The current CIPFA Treasury Management Code of Practice 2021 and the Secretary of State's Investment Code both require the Section 151 officer (Executive Director) to present an Annual Treasury Management Strategy Statement, which includes an Annual Investment Strategy, for the forthcoming year for approval by Full Council before the beginning of each financial year.
- 12.6 The prudential and treasury indicators must be set by Full Council when the budget is set and are monitored during the year.
- 12.7 The Council is also required to approve a Treasury Management Strategy Statement setting out the overarching framework for treasury management services within the Council.

### Finance

- 12.8 The financial implications are set out in the three strategy reports. Each strategy sets out the financial implications involved in the relevant Council's activities and seek to improve transparency and understanding of the total exposure to financial risk and mitigating factors in the context of and in support of the Council's Improvement and Recovery Plan.
- 12.9 Training and development are covered in each of the strategy reports. Where additional needs are identified, the Council will seek to provide specific, focussed training.

### Risks and Mitigation

- 12.10 The risk implications are set out in the three strategy reports. Each strategy sets out the risks involved in the relevant Council's activities and seek to improve transparency and understanding of the total exposure to financial risk and mitigating factors in the context of and in support of the Council's Improvement and Recovery Plan.

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Consultation, Equality Impact Assessments

12.11 None as this report has no direct implications for residents or services users. No equalities implications have been identified.

Environment and Climate Change

12.12 This report has no direct environmental or climate change implications.

**13.0 Supporting Documents**

Annexes

13.1 The three strategies (and their appendices) are included as annexes to this report:

- Capital Strategy (Annex I);
- Investment Strategy (Annex II); - to be submitted to Council 3 March
- Treasury Management Strategy (Annex III).

Background Documents

13.2 None.

**Report Ends**