

## **CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES**

### **Executive Summary**

In accordance with statutory provisions it is necessary for the Executive to approve the Council's Treasury Management Strategy and to make recommendations to the Council in respect of the Minimum Revenue Provision (MRP) Strategy and the Treasury Management Prudential Indicators as required under the Chartered Institute of Public Finance and Accountancy's Prudential Code.

Since 2019/20 the Council has also been required to approve a Capital Strategy and Investment Strategy. These provide detail on the Council's activities, the reasons for and types of investments undertaken and the risk exposure as a result of these decisions. The intention is to provide a comprehensive and transparent picture of the Council's position which links into the Council's overall corporate plans and objectives.

### **Recommendations**

The Executive is requested to:

#### **RESOLVE That**

- (i) the Treasury Management Strategy set out in the report be approved; and

#### **RECOMMEND TO COUNCIL That**

- (ii) the Capital and Investment Strategies for 2021/22 be approved; and
- (iii) the Treasury Management Prudential Indicators set out in table 1 of Section 4 of the Treasury Management Strategy and the MRP policy set out in Appendix A be approved, subject to any changes arising from consideration of the Investment Programme, revenue budgets and Revenue Support Grant Settlement.

### **Reasons for Decision**

Reason: To determine the Council's Treasury Management Strategy for 2021/22 and to recommend to Council the Capital and Investment Strategies, Treasury Management Prudential Indicators and MRP Strategy to be adopted.

The Executive has authority to determine recommendations (i) above; (ii) and (iii) will need to be dealt with by way of a recommendation to Council.

## Capital, Investment and Treasury Management Strategies

**Background Papers:** None.

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## **Capital, Investment and Treasury Management Strategies**

### **1.0 Introduction**

- 1.1 Since 2019/20 the CIPFA Prudential Code for Capital Finance in Local Authorities, and new government guidance on Local Government Investments have required the publication of Capital and Investment Strategies. The government also introduced statutory guidance.
- 1.2 The Capital, Investment and Treasury Management strategies are presented together enabling the links to be highlighted whilst minimising duplication. A suite of appendices are included which can be referred to from any of the core strategies.
- 1.3 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 to provide an overall picture of the Council's activity.

### **2.0 Capital Strategy**

- 2.1 The Capital Strategy has a wide scope covering the Council's overall approach to capital investment. It demonstrates how the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.
- 2.2 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.
- 2.3 The Capital Strategy sets out the Council's long term approach in line with the long term nature of capital and investment decisions. There is a direct link to the Council's Local Plan, place shaping activities and other long term strategies.
- 2.4 Group activities and joint ventures are also included in the Capital Strategy, including the processes for ensuring effective due diligence and defining the Authority's risk appetite.
- 2.5 The guidance requires that proportionality, in respect of overall resources, is also considered.

### **3.0 Investment Strategy**

- 3.1 The Investment Strategy provides an explanation of investment activities, explaining 'why' as well as 'what' investments are made. A range of indicators and disclosures are recommended in the guidance.
- 3.2 Investments held for treasury management purposes are covered by the Treasury Management Strategy (see below), with the focus of the Investment Strategy being other investments such as loans, shares and property.
- 3.3 Property, loans and shares are treated as capital expenditure and financed in the same way as other Investment Programme projects, with allowance made to repay any borrowing over time. However the expenditure creates an asset shown as an investment on the Council's balance sheet and so the guidance has been applied.
- 3.4 Whilst the Council has a significant property portfolio, these assets are not held solely for investment purposes. Each acquisition has had a strategic purpose with a direct link to Council objectives or services. Shares and Loans are also used to support the Council's objectives.

## Capital, Investment and Treasury Management Strategies

### 4.0 Treasury Management Strategy

- 4.1 Treasury Management refers to the management of cash balances through borrowing and investment. Whilst the definition of investment has been qualified in the latest version of the Treasury Management Code, to include non-financial assets held primarily for financial returns, the Treasury Management Strategy remains focussed on financial investments.
- 4.2 The Treasury Management Strategy sets out the Council's strategy for borrowing and to prepare a strategy for setting out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 4.3 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

### 5.0 Future Developments

- 5.1 In October 2019 CIPFA published a Financial Management Code (FM Code). This provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively. It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance.
- 5.2 The first full year of compliance is 2021/22. This recognised that organisations would need time to reflect on the contents of the code and to demonstrate how they are working towards compliance. Due to the demands of the pandemic during 2020/21 it has not yet been possible to allocate resources to this exercise, however this work will be scheduled and any implications reported during 2021/22.

### 6.0 Chief Finance Officer

- 6.1 Taking into account the factors set out in the Capital, Investment and Treasury Management Strategies the Chief Finance Officer (CFO) has confirmed that the Council's investment plans are affordable and there are sufficient reserves in place to manage the immediate risks.
- 6.2 New investment decisions have been temporarily suspended, where possible, to allow time for the future financial position of the Council to become clearer following the Covid-19 pandemic. Should income levels continue to be affected beyond 2021/22 revenue and capital plans will need to be revised to maintain the sustainability of the medium term financial position.

### 7.0 Implications

#### Financial

- 7.1 The financial implications are set out in the three strategy reports.

#### Human Resource/Training and Development

- 7.2 Training and development are covered in each of the strategy reports. Where additional needs are identified the Council will provide specific, focussed training.

#### Community Safety

- 7.3 No community safety implications have been identified.

## Capital, Investment and Treasury Management Strategies

### Risk Management

- 7.4 Each strategy sets out the risks involved in the Council's activities. The new Investment Strategy and Capital strategies seek to improve transparency and understanding of the total exposure to risk and mitigating factors. Risk is also considered in every investment and capital decision and reported regularly through the Council's monthly reporting (Green Book), Medium Term Financial Strategy (MTFS) and annual budget reports.

### Sustainability

- 7.5 No specific sustainability implications have been identified. The Council's financial sustainability is considered as part of the annual budget process.

### Equalities

- 7.6 No equalities implications have been identified.

### Safeguarding

- 7.7 No safeguarding implications have been identified.

## **8.0 Consultations**

- 8.1 There have been no specific consultations in relation to this report.

REPORT ENDS