

Capital, Investment and Treasury Strategies 2020/21 to 2022/23

Director: Netta Meadows, Director (Strategy and Support Services)
Lead Officer: Nicola Hix, Interim S151 Officer
Paul Matravers, Specialist - Finance
Contact Details: nicola.hix@southsomerset.gov.uk or (01935) 462612
paul.matravers@southsomerset.gov.uk or (01935) 462275

Purpose of Report

1. The purpose of this report is to inform members of the recommended strategy in relation to capital expenditure and financing, investments and treasury management activities.

Previously separate strategies have been presented, however this report provides a holistic view of the Council's capital, investment and borrowing requirements meeting the requirements of statutory guidance issued by government in January 2018.

Recommendations

2. The District Executive are requested to:
 - a) Review and recommend that the Full Council approve the Capital Strategy, Investment Strategy and the Treasury Management Strategy 2020/21 to 2022/23;
 - b) Review and recommend the proposed borrowing and investment limits included in the Capital Strategy;
 - c) Note the Minimum Revenue Provision statement for 2020/21.

Introduction and Background

3. In line with regulatory guidance, the Council is required to produce a Capital Strategy, and Investment Strategy and a Treasury Management Strategy. These are intrinsically linked so, whilst in the past these have been presented to Members as separate reports, they have been pulled together into a draft consolidated document this year. It is recognised this is a large document, but is helpful on this occasion to provide a holistic review of the relevant data and information together with supporting narrative.
4. The S151 Officer proposes to explore future iterations of this report to condense into a single, shorter strategy document. This will be discussed with our external auditor to ensure compliance to the relevant regulations is not compromised.
5. Note that the terms of reference for Audit Committee in respect of Treasury Management is to:

'provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators.'
6. As per the terms of reference, the Audit Committee reviewed the draft Treasury Management Strategy and agreed to recommend the strategy to District Executive at the meeting held on 23 January. At the meeting, the committee were asked to feedback on

the full report and clarification was provided by officers on figures included in the Capital and Investment Strategies.

7. The remainder of this report provides an overview of the information included in each element of the attached strategy document.

Capital Strategy

- Provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.
- Includes an overview of how the associated risk is managed, the implications for future financial sustainability and information on how stewardship, value for money, prudence, sustainability and affordability will be secured.
- Sets out the long-term context in which both capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

Investment Strategy

- Focuses on two types of investments which are:
 - Investments made to support local public services by lending to or buying shares in other organisations, known as **service investments**.
 - Investments made to earn investment income known as **commercial investments**
- Provides detailed information on the policies and procedures that the Council has in place to address the fundamental concepts that are associated with each investment type, which are risk, security and liquidity.
- Deals with the concept of proportionality and the Council's reliance on investment income to fund services in the immediate and long-term and the concept of 'borrowing in advance of need' on which a statement of the Council's position is required.
- Provides information on the capacity, skills and culture, with a disclosure requirement included on the steps taken to ensure that elected members and officers involved in the investment decision making process have appropriate capacity, skills and information.
- Information on the corporate governance arrangements and the investment indicators that ensure elected members and the public are able to assess the Council's total risk exposure as a result of its investment decisions.

Treasury Strategy Statement

- Includes summary commentary on the wider economic picture and interest rate forecasts (provided by Arlingclose – Treasury Advisor).
- The current and forecast position of the Council's borrowing requirement and investments.

- Details of the proposed borrowing strategy including the objectives of the strategy and information on the approved sources of long-term and short-term borrowing.
- Information on the treasury investment strategy and counterparty types, the cash limits and the time limits applicable per counterparty.
- Proposed Treasury Management indicators which measure and manage exposure to treasury management risk.

Minimum Revenue Provision Statement

- The MRP statement includes details on voluntary overpayments of MRP which is not included in the current MRP policy. Voluntary overpayments can be made in a financial year with the impact of the overpayment being a reduction in the charge to revenue in future years.
- The statement provides information on the process of determining if an MRP overpayment can be made in a particular year.

Financial Implications

8. The proposed capital and investment strategies align with the 2020/21 Capital Programme and the updated Medium Term Financial Plan, those reports seek to establish approval of spending and funding requirements to meet the Council's priorities. This report establishes the borrowing and investment limits that are considered to be prudent and affordable in meeting those plans.
9. There are no additional financial implications in reviewing the attached treasury management strategy.

Background Papers: *CIPFA Treasury Management Code of Practice*
CIPFA Prudential Code
Treasury Management Practices
CIPFA Prudential Code (revised December 2018)
Statutory guidance on Local Government Investments (revised February 2018)