

Capital, Investment and Treasury Strategies 2020/21 to 2022/23, Prudential Indicators and Annual MRP Statement

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Purpose of the Report

1. Full Council must approve the annual capital, investment and treasury strategies before the start of the financial year in line with the CIPFA Prudential Code.
2. District Executive considered the report on 6th February 2020 and agreed to recommend to Council for approval the 2020/21 to 2022/23 strategies, the borrowing and investment limits included in the Capital Strategy and note the Minimum Revenue Provision Statement (MRP) for 2020/21.

Public Interest

3. This report sets out the proposed capital, investment and treasury strategies for 2020/21 to 2022/23 and the annual Minimum Revenue Provision statement for 2020/21.

Recommendation(s)

4. That Full Council:
 - (a) Approve the Capital Strategy, Investment Strategy and the Treasury Management Strategy 2020/21 to 2022/23;
 - (b) Approve the proposed borrowing and investment limits included in the Capital Strategy;
 - (c) Approve the annual Minimum Revenue Provision statement for 2020/21.

Introduction

1. 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 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.
2. The S151 Officer proposes to explore future iterations of this report to explore whether it could be further condensed into a shorter strategy document. This will be discussed with our external auditor to ensure compliance to the relevant regulations is not compromised.

3. 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**;
 - 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 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 (MRP) 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

4. 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.
5. The 2020/21 budget for investment income is £1,373,120 based on an average rate of interest of 3.10%. The debt interest due in 2020/21 is anticipated to be £570,000 based on an average interest rate of 1.00%.
6. The budget for minimum revenue provision (MRP), which is the charge to the revenue budget for capital debt repayment in 2020/21 is £1,394,920.

Corporate Priority Implication

7. The Capital, Investment and Treasury Management strategies supports the delivery of the vision, values and aims included in the Council Plan.

Carbon Emissions & Climate Change Implications

8. The strategy document is aligned to the Carbon Reduction Strategy

Equality and Diversity Implications

9. There are no direct implications.

Privacy Impact Assessment

10. There are no direct implications.

Background Papers: *CIPFA Treasury Management Code of Practice*
CIPFA Prudential Code
Treasury Management Practices