



Governance Scrutiny Group

Thursday, 22 February 2024

Capital and Investment Strategy 2024/25

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The purpose of this report is to provide the Group with details of the Capital and Investment Strategy for 2024/25 to 2028/29 focusing on both traditional treasury activity, commercial investments and capital plans. The Strategy is a key component of the Medium Term Financial Strategy (MTFS) which is approved by Full Council.
- 1.2. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities along with revised guidance issued by the Department of Levelling-Up, Housing and Communities (DLUHC) when carrying out capital and treasury management activities.
- 1.3. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable and proportionate, and all borrowing and other long-term liabilities are at prudent and sustainable levels, and that treasury management decisions are taken in accordance with the Council's treasury management strategy.
- 1.4. The Capital and Investment Strategy 2024/25 to 2028/29 (Appendix A) reflects Government Guidance, and the CIPFA Treasury Management and Prudential codes.

2. Recommendation

- 2.1. It is RECOMMENDED that the Governance Scrutiny Group scrutinise and recommend for approval by Full Council:
 - a) The Capital Strategy and Capital Prudential Indicators and Limits for 2024/25 to 2028/29 contained within Appendix A (paragraphs 4 to 15)
 - b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 16 and 17) which sets out the Council's policy on MRP
 - c) The Treasury Management Strategy 2024/25 to 2028/29 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 63)
 - d) The Commercial Investments Indicators and Limits for 2024/25 to 2028/29 contained within Appendix A (paragraphs 64 to 76).

3. Reasons for Recommendation

- 3.1. To comply with Council Financial Regulations, and the Local Government Act 2003 which requires the Council to adhere to the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 3.2. To provide good governance and assurance with regards to the Council's MTFS.

4. Supporting Information

Capital Prudential Indicators

- 4.1. Appendix A (paragraphs 4 to 15) details the Capital Strategy and Capital prudential Indicators for 2024/25 to 2028/29.
- 4.2. The Capital Prudential Indicators highlight the following:
 - Projected capital expenditure plans and funding
 - The Council's Borrowing Need (the Capital Financing Requirement CFR)
 - The on-going impact of the capital programme on the investment balance
 - Projected levels of Council debt and CFR.

Minimum Revenue Provision Policy

- 4.3. Appendix A (paragraphs 16 and 17) contains the Minimum Revenue Provision (MRP) Policy Statement, which details the methodology used to calculate the charge to the revenue account for the cost of borrowing to fund capital expenditure.
- 4.4. The Government Guidance and the Council's MRP Policy includes limits to the period over which the cost of borrowing can be recovered from the revenue account (a maximum of 40 and 50 years respectively for property and land). It also clarifies the position on Voluntary Revenue Provision (VRP) and that in times of financial crisis then there is the option to not apply VRP.

Treasury Management Strategy

- 4.5. Appendix A (paragraphs 18 to 63) details the Treasury Management Strategy which covers:
 - The current economic climate and prospects for interest rates
 - The Council's Borrowing Strategy including the limits and prudence of future debt levels, refinancing risk and Liability Benchmark
 - The affordability impact of the capital programme
 - The Council's investment strategies including counterparty limits, current investments and specific limits on treasury activities; and
 - Any local treasury issues.

- 4.6. There is a risk with the Council's diversified funds due to the current economic climate and a change in their fair value. As stated at para 49 of the Strategy there is an override in place until March 2025 (therefore the impact of this will not be until March 2026) and assuming an economic recovery by this date the position should improve. Prudently the Council has a separate reserve of £1.173m to mitigate this risk. This position on these funds is reported quarterly and the Council continue to take advice from the Treasury Advisors.

Commercial Investments

- 4.7. Appendix A (paragraphs 64 to 76) details the requirements of the prudential code including a risk assessment of the level of commercial investments:
- The limit on the Council's dependency on commercial income
 - How risk is spread across both commercial sectors and the size of investments proportionately in relation to asset value; and
 - Ongoing review of existing assets.
- 4.8. Paragraph 65 of the Capital and Investment Strategy confirms the latest guidance from DLUHC that Local Authorities cannot borrow to fund non-financial assets solely to generate a profit.

Conclusion

- 4.9. The Capital Prudential Indicators and Treasury Management Strategy give both a position statement and details of the future position of the Council's Capital, Commercial Investment and Treasury plans. The documents comply with best professional practice and as such will go forward for approval by Full Council.

5. Risks and Uncertainties

- 5.1. The report identifies the risks relating to interest rates, use of counterparties for investments and the returns from commercial investments, particularly in light of the current economic environment.

6. Implications

6.1. Financial Implications

Financial Implications are covered in the Capital and Investment Strategy (Appendix A) and integrated into the Council's Medium Term Financial Strategy.

6.2. Legal Implications

The Strategy demonstrates compliance with The Local Government Act 2003 and adherence to the CIPFA Prudential Code for Capital Finance in Local Authorities.

6.3. Equalities Implications

There are no equalities implications associated with the recommendations of this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no equalities implications associated with the recommendations of this report.

6.5. Biodiversity Net Gain Implications

There are no Biodiversity Net Gain implications associated with the recommendations of this report.

7. Link to Corporate Priorities

Quality of Life	No direct impact
Efficient Services	Responsible income generation and maximising returns
Sustainable Growth	No direct impact
The Environment	Helping to protect the environment by consideration of carbon footprint and fossil-based investments as referred to in paragraph 39 in appendix A

8. Recommendations

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Background papers available for Inspection:	Council Financial Regulations

	<p>Treasury Management in the Public Services: Code of Practice (CIPFA)</p> <p>The Prudential Code for Capital Finance in Local Authorities (CIPFA)</p> <p>Guidance on Local Government Investments (DLUHC)</p> <p>Statutory Guidance on Minimum Revenue Provision (DLUHC)</p>
List of appendices:	<p>Appendix A – Capital and Investment Strategy 2024/25 – 2028/29</p>