

Report of the Executive Manager – Finance and Corporate Services

1. Summary

- 1.1 The purpose of this report is to provide members with details of the Capital and Investment Strategy for 2018/19 to 2022/23 which replaces the separate Treasury Management and Capital Strategies approved by Full Council in previous years.
- 1.2 The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out capital and treasury management activities.
- 1.3 In November 2017 the Government consulted on revisions to its guidance on Local Authority Investments, which is due to be issued in early 2018. In addition, the CIPFA Prudential Code and CIPFA Treasury Code were updated in December 2017.
- 1.4 The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with the treasury management strategy.
- 1.5 The Capital and Investment Strategy 2018/19 reflects the changes in Government Guidance and CIPFA Treasury and Prudential Codes. However, given the short timescales involved, the Strategy will need to be given the opportunity to evolve.

2. Recommendation

- 2.1. It is RECOMMENDED that the Corporate Governance Group scrutinise the following for approval by Full Council:
 - The Capital strategy and Prudential Indicators and Limits for 2018/19 to 2022/23 contained within Appendix A of the report.
 - The Minimum Revenue Provision (MRP) Statement contained within Appendix A (para 17) which sets out the Council's policy on MRP.

- The Treasury Management Strategy 2018/19 to 2022/23 and the Treasury Indicators contained within Appendix A (paragraph 19 to 62).
- The Commercial Investments Indicators and Limits for 2018/19 to 2022/23 contained within Appendix A (paragraphs 63 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.

4. Supporting Information

Capital Prudential Indicators

- 4.1 Appendix A of this report details the Capital Strategy and Capital prudential Indicators for 2018/19 to 2022/23.
- 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.

Minimum Revenue Provision Policy

- 4.3 Appendix A (paragraph 19) 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 new proposed Government Guidance includes limits to the period over which the cost of borrowing can be recovered from the revenue account. The revised MRP policy reflects this change in guidance.

Treasury Management Strategy

- 4.5 Appendix A (paragraph 20) details the Treasury Management Strategy which covers:
- The current economic climate and prospects for interest rates;
 - The Council's debt and investment projections;
 - The limits and prudence of future debt levels;
 - The affordability impact of the capital programme;
 - The Council's borrowing and investment strategies;
 - Specific limits on treasury activities; and
 - Any local treasury issues.

Commercial Investments

- 4.6 The revised definition of investments in the revised CIPFA Treasury Code includes assets which the organisation holds primarily for financial returns, such as investment property portfolios.
- 4.7 Appendix A (Paragraphs 65 to 78) details the appraisal techniques used to assess commercial investments, and provides a risk assessment of the level of commercial investments by identifying:
- The limit on the Council's dependency on commercial income.
 - How risk is spread across;
 - The size of individual investments.
 - The commercial sectors the Council's investments are spread across.

Conclusion

- 4.8 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 are recommended for approval by Full Council.

5. Other Options Considered

6. Risks and Uncertainties

- 6.1 The report identifies the risks relating to interest rates, use of counterparties for investments and the returns from commercial investments, particularly in the light of prevailing uncertainty in the global financial markets.

7. Implications

7.1. Finance

Financial implications are covered in the body of the report.

7.2 Legal

None

7.3 Corporate Priorities

Efficient treasury management enables the Council to achieve its Corporate Priorities.

7.4 Other Implications

None.

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Background papers available for inspection	Council Financial Regulations Treasury Management in the Public Services: Code of Practice (CIPFA) The Prudential Code for Capital Finance in Local Authorities (CIPFA) Draft Guidance on Local Government Investments (CLG) Draft Statutory Guidance on Minimum Revenue Provision (CLG)
List of Appendices (if any):	Appendix A – Capital and Investment Strategy 2018/19 – 2022/23