



Governance Scrutiny Group

Thursday, 6 February 2020

Treasury Management Strategy

Report of the Cabinet Portfolio Holder for

1. Purpose of report

- 1.1. The purpose of this report is to provide members with details of the Capital and Investment Strategy for 2020/21 to 2024/25 focusing on both traditional treasury activity and the Council's commercial property investments.
- 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 2018 revised guidance was issued by MHCLG on Local Authority Investments. 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 2020/21 reflects the changes in Government Guidance and CIPFA Treasury and Prudential Codes.

2. Recommendation

It is RECOMMENDED that

The Governance Scrutiny Group scrutinise the following for approval by Full Council:

- The Capital strategy and Prudential Indicators and Limits for 2020/21 to 2024/25 contained within Appendix A (paragraphs 8 to 16) of the report.
- The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraph 17) which sets out the Council's policy on MRP.
- The Treasury Management Strategy 2020/21 to 2024/25 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 62).
- The Commercial Investments Indicators and Limits for 2020/21 to 2024/25 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

- 4.1. Appendix A (paragraphs 8 to 16) of this report details the Capital Strategy and Capital prudential Indicators for 2020/21 to 2024/25.
- 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 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).

Treasury Management Strategy

- 4.5. Appendix A (paragraph 18) 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;
 - The Council's strategy on investments linked to the environmental, human rights and social agenda
 - Specific limits on treasury activities; and
 - Any local treasury issues.

Commercial Investments

- 4.6. The revised definition of investments in the CIPFA Treasury Code includes assets which the organisation holds primarily for financial returns, such as investment property portfolios.

4.7 Appendix A (Paragraphs 63 to 76) 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. Alternative options considered and reasons for rejection

There are no other options

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. Financial Implications

7.1.1. Financial implications are covered in the body of the report

7.2. Legal Implications

7.2.1. None

7.3. Equalities Implications

7.3.1. None

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

7.4.1. Not applicable

8. Link to Corporate Priorities

Quality of Life	No direct impact
Efficient Services	Ensuring efficient use of resources and maximising returns
Sustainable Growth	No direct impact
The Environment	Supporting the Council's environmental objectives with investment policy.

9. Recommendations

It is RECOMMENDED that

The Governance Scrutiny Group scrutinise the following for approval by Full Council:

- The Capital strategy and Prudential Indicators and Limits for 2020/21 to 2024/25 contained within Appendix A (paragraphs 8 to 16) of the report.
- The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraph 17) which sets out the Council's policy on MRP.
- The Treasury Management Strategy 2020/21 to 2024/25 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 62).
- The Commercial Investments Indicators and Limits for 2020/21 to 2024/25 contained within Appendix A (paragraphs 63 to 76)

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
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) Guidance on Local Government Investments (CLG) Statutory Guidance on Minimum Revenue Provision (CLG)
List of appendices:	Appendix A – Capital and Investment Strategy 2020/21 – 2024/25

