

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	16 January 2019
Subject:	Treasury and Capital Management
Report of:	Head of Finance and Asset Management
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Five

Executive Summary:

The Council is required to adopt a range of strategies and policies before the start of the financial year in order to provide clarity on the plans for the financial management of the authority in the forthcoming year.

For 2019/20, there are two new requirements; the Capital Strategy which is a requirement of CIPFA's Prudential Code and the Investment Strategy which is a statutory requirement from the Ministry of Housing, Communities and Local Government (MHCLG). The new strategies compliment the existing requirements and together form a suite of Treasury and Capital Management strategies.

Given the number of strategies and the increased focus on these documents, they are presented together in a standalone report rather than forming part of the annual budget papers.

Recommendation:

The Committee is asked to RECOMMEND TO COUNCIL the adoption of:

- **The Capital Strategy 2019/20.**
- **The Investment Strategy 2019/20.**
- **Minimum Revenue Provision Statement 2019/20.**
- **Treasury Management Strategy 2019/20.**
- **The Flexible use of Capital Receipts Policy 2019/20.**

Reasons for Recommendation:

It is a statutory requirement to adopt these strategies prior to the start of the financial year.

Resource Implications:

None directly relating to the report.

Legal Implications:

As detailed within the report and appendices.

Risk Management Implications:

As detailed within the appendices.

Performance Management Follow-up:

As detailed within the appendices.

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1** There has been a longstanding requirement for the Council to produce both a Treasury Management Strategy and a Minimum Revenue Provision Policy before the start of the financial year. In addition, with the Council taking advantage of the flexibility currently available for the use of capital receipts, a further policy was introduced in 2018/19. All three of these policies were presented as part of the set of budget papers.
- 1.2** As Councils increase their commercial property activity, there has been increasing concern about this area of expenditure and as a result a desire for Council's to be more transparent in reporting these activities. The Chartered Institute of Public Finance and Accountancy (CIPFA) has updated its Prudential Code and included a new requirement for a Capital Strategy to be produced annually. Alongside this, the MHCLG updated its investment guidance which included the new requirement of an Investment Strategy being produced on an annual basis.
- 1.3** Given the increase in strategies and policies required, as well as additional focus now on these documents, they are presented as a suite of treasury and capital reports rather than forming appendices to the annual budget report.

2.0 TREASURY AND CAPITAL MANAGEMENT STRATEGIES

- 2.1** The following paragraphs give a brief overview of each of the five appendices.

2.2 Capital Strategy

This is a new requirement of CIPFA's Prudential Code to place decisions around borrowing in the context of the overall longer term financial position of the authority and to improve links between the revenue and capital budgets.

This Capital Strategy is a new report for 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

2.3 Investment Strategy

This comes from updated MHCLG statutory guidance and applies to accounting periods starting 1 April 2018.

This is not the Council's strategy for actual investment or otherwise in either commercial property or service property. It does not commit the authority to any future direction or expenditure. The report provides oversight on how the Council undertakes transactions of this nature, the proportionality of these investments and a one-year forecast of a range of financial indicators based on the standing investment decision of Council.

2.4 Minimum Revenue Provision Statement 2019/20

The statement at Appendix C sets out the Council's policy on making a Minimum Revenue Provision (MRP) for the 2019/20 financial year in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. The policy is also in line with the revised guidance issued in 2018. As a result of the Council's recent capital programme, funded by borrowing, the Council is required to make a MRP in order to repay the principal borrowed.

The Council will look to utilise capital and revenue balances where possible in order to reduce the revenue impact of investment plans. However, where either internal or external borrowing is required, a MRP will be required to be made. To minimise the impact on the revenue account, the financially most advantageous MRP option will be chosen.

2.5 Treasury Management Strategy 2019/20

The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) requires the authority to approve a Treasury Management Strategy before the start of each financial year. The report at Appendix D fulfils the authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

The Treasury Management Strategy 2019/2020, sets the framework in which day-to-day and strategic treasury activities are operated. The documents are compiled from the recommendations within the CIPFA guidance and from the Council's Treasury Management advisors with consideration given to the current financial climate and factors affecting market conditions.

The budget for investment income in 2019/20 is £0.39million, based on an average investment portfolio of £24 million at an interest rate of 1.63%. The budget for debt interest paid in 2019/20 is £0.65 million, based on an average debt portfolio of £35.5 million at an average interest rate of 1.83%. If actual levels of investment and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

2.6 The Flexible use of Capital Receipts Policy 2019/20

The Secretary of State has allowed, for a temporary period only, the flexible use of capital receipts to support transformational projects. The Council has no new requirements for this flexibility but will continue to support the two projects approved within the 2018/19 budget.

3.0 OTHER OPTIONS CONSIDERED

3.1 None.

4.0 CONSULTATION

4.1 None.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 Medium Term Financial Strategy.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 As detailed within the appendices.

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 No specific proposals within appendices affecting human or property resources.

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None.

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 As contained within the appendices.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 None.

Background Papers: None.

Contact Officer: Head of Finance and Asset Management Tel: 01684 272005
Email: simon.dix@teWKesbury.gov.uk

Appendices: A – Capital Strategy 2019/20.
B – Investment Strategy 2019/20.
C – Minimum Revenue Provision Statement 2019/20.
D – Treasury Management Strategy 2019/20.
E – The Flexible use of Capital Receipts Policy 2019/20.