

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	5 January 2022
Subject:	Treasury and Capital Management
Report of:	Head of Finance and Asset Management
Corporate Lead:	Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Four

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. The strategies to adopt are listed in the recommendations.

A revised edition of Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code has been consulted on during 2021 and will be published in December 2021 with immediate adoption (at the time of this report it has yet to be published). The new requirements have been included in the accompanying reports.

Recommendation:

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

- **The Capital Strategy 2022/23.**
- **The Investment Strategy 2022/23.**
- **Minimum Revenue Provision Statement 2022/23.**
- **Treasury Management Strategy 2022/23.**

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 long-standing requirement for the Council to produce both a Treasury Management Strategy and a Minimum Revenue Provision Policy before the start of the financial year. The CIPFA Prudential Code introduced in 2017 made it a requirement to produce an annual Capital Strategy and an amendment to the Local government Act 2003 was made under statute to prepare an Investment Strategy from the 2019-20 financial year.
- 1.2** CIPFA published a consultation on its review of The Prudential Code for Capital Finance in Local Authorities (2017) during 2021 and produced its responses on the comments received along with proposed amendments in September 2021. The revised Prudential Code should be published towards the end of December.
- 1.3** The main changes included within the revised Prudential Code are:
- Changing the emphasis on borrowing in advance of need purely to profit from the investment so it is now prohibited rather than advised against.
 - Including proportionality as an objective (assessing risk to levels of resources).
 - Clearly defining and clarifying commercial activity and investment.
 - Officially introducing the liability benchmark into the indicators (we have previously included this anyway).

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 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 was introduced 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.

The liability benchmark has been formally introduced as it is seen as an important indicator which demonstrates the lowest risk level of borrowing. The benchmark is our net borrowing requirement plus a liquidity allowance.

2.3 Investment Strategy

This comes from updated Ministry for Housing, Communities and Local Government (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.

The strategy 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.

In line with the revised Prudential Code, we no longer borrow to fund the purchase of investment properties.

2.4 Minimum Revenue Provision Statement 2022/23

The statement at Appendix C sets out the Council policy on making a Minimum Revenue Provision (MRP) for the 2022/23 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.

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. We set aside £88k at the end of last year.

2.5 Treasury Management Strategy 2022/23

The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 (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 2022/2023 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 2022/23 is £0.44million, based on an average investment portfolio of £20.0 million at an interest rate of 2.20%. The budget for debt interest paid in 2022/23 is £0.47 million, based on an average debt portfolio of £40 million at an average interest rate of 1.17%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

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.

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Appendices: A – Capital Strategy 2022/23.
B – Investment Strategy 2022/23.
C – Minimum Revenue Provision Statement 2022/23.
D – Treasury Management Strategy 2022/23.