

TEWKESBURY BOROUGH COUNCIL

Report to:	Executive Committee
Date of Meeting:	10 January 2024
Subject:	Treasury and Capital Management
Report of:	Associate Director: Finance
Head of Service/Director:	Executive Director: Resources
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	Four

Executive Summary:

The Council is required through regulations supporting the Local Government Act 2003 to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. It is also required to produce an annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments. The required strategies are listed below in the recommendation.

Recommendation:

To RECOMMEND TO COUNCIL that the following be ADOPTED:

- **Capital Strategy 2024/25**
- **Investment Strategy 2024/25**
- **Minimum Revenue Provision Statement 2024/25**
- **Treasury Management Strategy 2024/25**

Financial Implications:

There are no direct financial implications arising from this report.

Legal Implications:

There are no specific legal implications arising from the recommendations of this report.

More generally, the authority is required to comply with the relevant guidance in respect of its financial management. Ultimately when the authority is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance (s.151) Officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

Environmental and Sustainability Implications:

There are no direct environmental and sustainability implications arising from the report.

Resource Implications (including impact on equalities):

There are no direct resource implications.

Safeguarding Implications:

There are no direct safeguarding implications

Impact on the Customer:

There are no direct implications arising from the report.

1.0 INTRODUCTION

- 1.1** The Prudential Code plays a key role in capital finance in local authorities. The Council determines its own programmes for capital investment that are central to the delivery of quality public services. The Prudential Code was developed by CIPFA (Chartered Institute of Public Finance and Accountancy) as a professional code of practice to support local authorities in taking their decisions.
- 1.2** In financing capital expenditure, the Council is governed by legislative frameworks including the requirement to have regard to CIPFA's Treasury Management Code of Practice. Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England under Part 1 of the Local Government Act 2003.
- 1.3** CIPFA published The Prudential Code for Capital Finance in Local Authorities (2021) in December 2021 which was updated in light of some councils borrowing excessively for investment activity. The level of risk some councils were taking with public money was seen as an inappropriate use of public money in the long term.

2.0 TREASURY AND CAPITAL MANAGEMENT STRATEGIES**2.1 Capital Strategy**

- 2.1.1** 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. Capital expenditure plans are a key driver of treasury management activity.
- 2.1.2** This capital strategy gives 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.
- 2.1.3** 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.

2.2 Investment Strategy

- 2.2.1** This comes from updated Ministry of Housing, Communities and Local Government statutory guidance and applies to accounting periods starting 1 April 2018.

- 2.2.2** 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.
- 2.2.3** 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.
- 2.2.4** In line with the revised Prudential Code the Council no longer borrows to fund the purchase of investment properties.

2.3 Minimum Revenue Provision Statement 2024/25

- 2.3.1** The statement at Appendix C sets out the Council policy on making a Minimum Revenue Provision (MRP) for the 2024/25 financial year in accordance with the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. 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.
- 2.3.2** 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 necessary, a MRP will be required to be made.
- 2.3.3** The MRP statement includes details on voluntary overpayments of MRP. The Council set aside £88k at the end of 2020/21 and used £21k in 2021/22. This leaves a balance of £67k for use in future years.

2.4 Treasury Management Strategy 2024/25

- 2.4.1** 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.
- 2.4.2** The Treasury Management Strategy 2024/25 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.
- 2.4.3** The budget for investment income in 2024/25 is £1.2 million, based on an average investment portfolio of £16.7 million at an interest rate of 4.99% and £8.3m of pooled funds at 4.5%. The budget for debt interest paid in 2024/25 is £407k, based on the £19.5m of fixed rate PWLB loans only. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

3.0 CONSULTATION

- 3.1** None

4.0 ASSOCIATED RISKS

4.1 All risks are covered within the accompanying reports.

5.0 MONITORING

5.1 The 2021 Prudential Code and Treasury Management Code introduce a new requirement that monitoring of the treasury management and other prudential indicators should now be reported quarterly as part of the general revenue and capital monitoring process.

5.2 The in-year review and management of our treasury and capital activities are actioned by the Executive Committee in line with the Terms of Reference set out within the Council's Constitution. These Terms of Reference for the Executive Committee include:

- to 'review and monitor the operation of the policy framework' and
- to 'monitor the Council's performance.'

6.0 RELEVANT COUNCIL PLAN PRIORITIES/COUNCIL POLICIES/STRATEGIES

6.1 The control and good management of financial resources is essential to effectively deliver the Council's priorities.

Background Papers: None

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Appendices: Appendix A – Capital Strategy 2024/25
Appendix B – Investment Strategy 2024/25
Appendix C – Minimum Revenue Provision Statement 2024/25
Appendix D – Treasury Management Strategy 2024/25