



## **Capital, Investment and Treasury Strategies 2021/22 to 2023/24**

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### **Purpose of the Report**

1. The purpose of this report is to inform Members of the recommended strategy in relation to capital expenditure and financing, investments and treasury management activities.

### **Forward Plan**

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of 4<sup>th</sup> February 2021.

### **Public Interest**

3. In line with regulatory guidance, annually the Council is required to produce a Capital Strategy, an Investment Strategy and a Treasury Management Strategy. The report provides a holistic view of the Council's capital, investment and borrowing requirements meeting the requirements of statutory guidance.

### **Recommendations**

4. That the District Executive:
  - a. reviews and recommends that Full Council approves the Capital Strategy, Investment Strategy and the Treasury Management Strategy 2021/22 to 2023/24;
  - b. reviews and recommends the proposed borrowing and investment limits included in the Capital Strategy;
  - c. notes the Minimum Revenue Provision statement for 2021/22.
  - d. notes the feedback from Audit Committee Members in respect of the Treasury Management Strategy 2021/22.

## Background

5. In line with regulatory guidance, annually the Council is required to produce a Capital Strategy, an Investment Strategy and a Treasury Management Strategy.
6. The strategy is reviewed and updated to take account of any legislative changes required and to provide updated estimates, and actual financial information where available.
7. As per the terms of reference, the Audit Committee is required to review the draft Treasury Management Strategy. Due to the COVID-19 pandemic the January 2021 Audit Committee meeting is not being held formally. However a report and the strategy will be sent to each Member of the Audit Committee to review and to raise questions to the report author.
8. Due to timescales, the feedback from the Audit Committee will not be known when the District Executive meeting agenda is published but a verbal update on the feedback received from Committee members will be provided at the District Executive meeting.
9. It should be noted that the terms of reference for Audit Committee in respect of Treasury Management is to:  
  
*‘provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The Committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators.’*
10. Audit Committee Members will be requested to review and comment on the draft Treasury Management Strategy. Additionally the Committee will be requested to provide feedback on the entire strategy document including any suggestions for improvement.
11. The remainder of this report provides an overview of the information included in each element of the attached strategy document.

## Capital Strategy

- Provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.
- Includes an overview of how the associated risk is managed, the implications for future financial sustainability and information on how stewardship, value for money, prudence, sustainability and affordability will be secured.
- Sets out the long-term context in which both capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

### **Investment Strategy**

- Focuses on two types of investments which are:
  - Investments made to support local public services by lending to or buying shares in other organisations, known as **service investments**.
  - Investments made to earn investment income known as **commercial investments**
- 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.
- Deals with the concept of proportionality and the Council's reliance on investment income to fund services in the immediate and long-term and the concept of 'borrowing in advance of need' on which a statement of the Council's position is required.
- Provides information on the capacity, skills and culture, with a disclosure requirement included on the steps taken to ensure that elected Members and officers involved in the investment decision making process have appropriate capacity, skills and information.
- Information on the corporate governance arrangements and the investment indicators that ensure elected Members and the public are able to assess the Council's total risk exposure as a result of its investment decisions.

### **Treasury Strategy Statement**

- Includes summary commentary on the wider economic picture and interest rate forecasts (provided by Arlingclose – Treasury Advisor).
- The current and forecast position of the Council's borrowing requirement and investments.
- Details of the proposed borrowing strategy including the objectives of the strategy and information on the approved sources of long-term and short-term borrowing.
- Information on the treasury investment strategy and counterparty types, the cash limits and the time limits applicable per counterparty.
- Proposed Treasury Management indicators which measure and manage exposure to treasury management risk.

### Minimum Revenue Provision (MRP) Statement

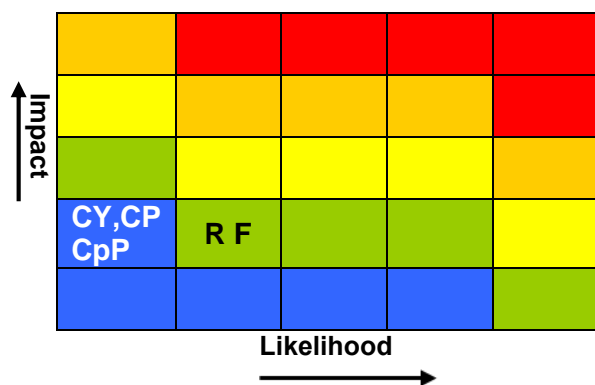
- The MRP statement includes details on voluntary overpayments of MRP which is not included in the current MRP policy. Voluntary overpayments can be made in a financial year with the impact of the overpayment being a reduction in the charge to revenue in future years.
- The statement provides information on the process of determining if an MRP overpayment can be made in a particular year. This has not occurred in recent years.

### Financial Implications

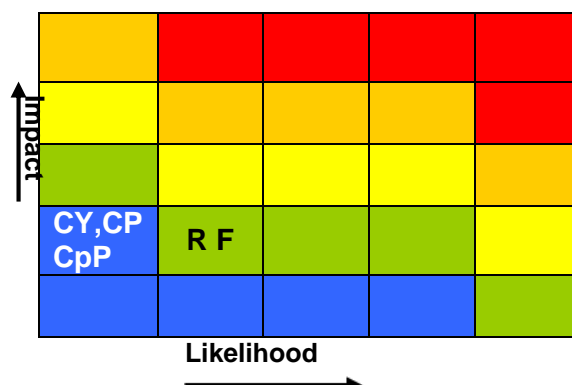
- The proposed capital and investment strategies align with the 2021/22 Capital Programme and the updated Medium Term Financial Plan, those reports seek to establish approval of spending and funding requirements to meet the Council's priorities. This report establishes the borrowing and investment limits that are considered to be prudent and affordable in meeting those plans.
- There are no additional financial implications in reviewing the attached treasury management strategy.

### Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



### Key

<b>Categories</b>	<b>Colours</b> (for further detail please refer to Risk management strategy)
R - Reputation	High impact and high probability
CpP - Corporate Plan Priorities	Major impact and major probability
CP - Community Priorities	Moderate impact and moderate probability
CY - Capacity	Minor impact and minor probability
F - Financial	Insignificant impact and insignificant probability



## **Council Plan Implications**

14. The proposed capital, investment and treasury management strategies align with the 2021/22 Capital Programme and the updated Medium Term Financial Plan which is closely linked to the Council Plan. The strategies establish the borrowing and investment limits that are considered to be prudent and affordable and directly contribute to maintaining financial resilience which will enable the council to continue to fund its priorities for the local community.

## **Carbon Emissions and Climate Change Implications**

15. There are no implications in approving this report.

## **Equality and Diversity Implications**

16. There are no implications in approving this report

## **Privacy Impact Assessment**

17. There is no personal information included in this report.

## **Background Papers**

18. The background papers relevant to the report are:
    - CIPFA Treasury Management Code of Practice
    - CIPFA Prudential Code
    - Treasury Management Practices
    - CIPFA Prudential Code (revised December 2018)
    - Statutory guidance on Local Government Investments (revised February 2018)
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