

COUNCIL

21 JULY 2020

REPORT OF THE ASSISTANT DIRECTOR (FINANCE & IT) & SECTION 151 OFFICER

A.5 ANNUAL CAPITAL AND TREASURY STRATEGY FOR 2020/21 (INCLUDING PRUDENTIAL AND TREASURY INDICATORS)

(Report prepared by Richard Barrett, Wendy Borgartz and Ian Ford)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To enable the Council to review and approve the Annual Capital and Treasury Strategy for 2020/21 (including the Prudential and Treasury indicators).

EXECUTIVE SUMMARY

On 7 February 2020, the Corporate Finance and Governance Portfolio Holder agreed the Annual Capital and Treasury Strategy for 2020/21 (including the Prudential and Treasury Indicators) for consultation with the Resources and Services Overview and Scrutiny Committee.

The Resources and Services Overview and Scrutiny Committee considered the Strategy at its meeting on 17 February 2020 and had no comments to make to Cabinet.

Members will be aware that the Strategy was included within the published agenda for the meeting of the Cabinet due to have been held on 20 March 2020. However, due to the outbreak of Covid-19 and the ensuing global public health emergency, that meeting of the Cabinet was unable to take place.

Subsequently on 24 April 2020 and in accordance with the procedures contained in the Note on Decision Making Business Continuity Arrangements issued by the Monitoring Officer (Lisa Hastings) on Friday 20 March 2020 the Leader of the Council exercised his delegated power as set out in the Council's Constitution in Part 3, Schedule 3 (Responsibility for Executive Functions) - Section 3 (General Principles Regarding Decision Making by the Cabinet) – Principle 4b [Part 3.28] and made the following decision on behalf of the Cabinet:

- (a) *That the outcome from the meeting of the Resources and Services Overview & Scrutiny Committee held on 17 February 2020 be noted; and*
- (b) *That the Annual Capital and Treasury Strategy for 2020/21 (including Prudential and Treasury Indicators) be submitted to Council for approval in accordance with the procedures contained the Note on Decision Making Business Continuity Arrangements issued by the Monitoring Officer (Lisa Hastings) on Friday 20 March 2020.*

A copy of the published Corporate Finance and Governance Portfolio Holder's report, together with the Annual Capital and Treasury Strategy 2020/21 are attached as appendices to this report.

RECOMMENDATIONS

That Council approves the Annual Capital and Treasury Strategy for 2020/21 (including Prudential And Treasury Indicators).

BACKGROUND

The Local Government Act 2003 and supporting regulations require the Council to set out its treasury strategy for borrowing, and to prepare an annual Investment strategy (as required by Investment Guidance subsequent to the Act) that sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments, "having regard" to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice. Revised editions of both documents were issued in December 2017.

From 2019/20 the Capital Strategy has been combined with the Treasury Strategy into one document, which is required to be updated/approved annually.

The proposed Annual Capital and Treasury Strategy for 2020/21 is set out in an Appendix to this report.

The Capital Strategy element of the combined document covers the various elements surrounding capital investment decisions and the key criteria that investment decisions should be considered against.

The Treasury Strategy element of the combined document covers the various elements that satisfy the requirements of the various codes that govern the borrowing and investment activities of the Council and has been prepared in the light of advice received from the Council's Treasury advisors and reflects the latest codes and guidance.

Prudential and Treasury indicators are included as an Annex to the combined strategy and are therefore included within an Appendix to this report.

Under the Prudential Code the Council has freedom over capital expenditure as long as it is prudent, affordable and sustainable. The Prudential Indicators either measure the expected activity or introduce limits upon the activity, and reflect the underlying capital appraisal systems and enable the Council to demonstrate that it is complying with the requirements of the Prudential Code.

The Council's investments will be undertaken in accordance with its Treasury Management Practices. These were expanded to include use of non-specified investment in property to yield both rental income and capital gains from 2016/17. If credit ratings remain at their current low levels it is likely that a significant proportion of the Council's investments will continue to be in government securities such as Treasury Bills or with other Local Authorities. The Council is also exploring the use of property investment funds as part of its wider investment portfolio from 2020/21, but due to risks, such as the potential impact on revenue resources from the accounting treatment that may be required, any associated decision would be subject to advice from the Council's external advisors and a separate Member decision. Other 'quality' investment opportunities will also be explored in consultation with the Council's external advisors to maximise returns on investments within a continuing and overall risk-averse approach.

BACKGROUND PAPERS FOR THE DECISION

Note on Decision Making Business Continuity Arrangements issued by the Monitoring Officer (Lisa Hastings) on Friday 20 March 2020.

Published Executive Decision taken by the Leader of the Council, on behalf of the Cabinet on 24 April 2020.

APPENDICES

Published Report of the Corporate Finance and Governance Portfolio Holder for the cancelled meeting of the Cabinet due to have been held on 20 March 2020.