

Key Decision Required:	Yes	In the Forward Plan:	Yes
-------------------------------	------------	-----------------------------	------------

CABINET

25 JUNE 2021

REPORT OF CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

A.2 ANNUAL CAPITAL AND TREASURY STRATEGY FOR 2021/22 (INCLUDING PRUDENTIAL AND TREASURY INDICATORS)

(Report prepared by Richard Barrett and Wendy Borgartz)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To agree the Annual Capital and Treasury Strategy for 2021/22 (including Prudential And Treasury Indicators) for submission to Council on 13 July 2021.

EXECUTIVE SUMMARY

- The Annual Capital and Treasury Strategy for 2021/22, including Prudential and Treasury Indicators, was approved by the Corporate Finance and Governance Portfolio Holder on 7 April 2021 for consultation with the Resources and Services Overview and Scrutiny Committee.
- 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 Resources and Services Overview and Scrutiny Committee considered the Strategy at its meeting on 24 May 2021. Their comment along with the response of the Portfolio Holder for Corporate Finance and Governance is as follows:

Comment of the Resources and Services Overview and Scrutiny Committee	PFH Response
The Committee recommended that Cabinet approves the submission of all schemes for which there were reserve provisions and one off funds set aside, be subject to the assessment set out in the draft Annual Capital and Treasury Strategy 2021/22 and presented to the Officer Project Board to determine whether the funding should be released.	This will effectively form part of the review of all key projects and activities that is currently underway as part of the accelerated delivery programme.

- The proposed Annual Capital and Treasury Strategy for 2021/22 is set out in **Appendix A**. *(For completeness, **Appendix A** also includes the report considered by the Corporate Finance and Governance Portfolio Holder that was considered when approving the strategy on 7 April 2021 for consultation with the Resources and Services Overview and Scrutiny Committee).*
- 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 **Appendix A**.
- 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 with other Local Authorities. The business rates grant process associated with COVID 19 has demonstrated a need to maximise flexibility in the range of counterparties the Council uses plus rates paid by the Debt Management Office have frequently been negative since autumn 2020, which is why two Money Market Funds were opened up in December 2020
- As part of the same report last year, the Capital and Treasury Strategy reflected the exploration of using property investment funds as part of the Council's wider investment portfolio. However, at the present time this is no longer being actively

pursued given the significant impact from COVID 19 and how unclear it has made the risk / reward equation going forward. All references to this type of investment have now been removed from the strategy for 2021/22. However, it will be revisited once the economic recovery from COVID 19 has reached the point where it may again be considered as a potential useful addition to the investment portfolio.

- As is always the case, other 'quality' investment opportunities will always be explored during the year in consultation with the Council's external advisors to maximise returns on investments within a continuing and overall risk-averse approach.

RECOMMENDATIONS

That Cabinet:

- a) notes the outcome from the Resources and Services Overview and Scrutiny Committee on the 24 May 2021 and agrees the response from the Portfolio Holder for Corporate Finance and Governance; and**
- b) agrees that the Annual Capital and Treasury Strategy for 2021/22 (including Prudential And Treasury Indicators) attached within Appendix A be submitted to Council for approval.**

APPENDICES

Appendix A – Annual Capital and Treasury Strategy for 2021/22 (*including Prudential and Treasury Indicators and the covering report considered by the Corporate Finance and Governance Portfolio Holder on 7 April 2021*)