



COTSWOLD DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 30 JANUARY 2020
Report Number	AGENDA ITEM 10
Subject	CAPTIAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES REPORT FOR 2020/2021
Wards affected	None directly from this report, although decisions taken to support delivery of Capital Strategy may affect certain wards. The impact will be made clear in the appropriate decision making reports.
Accountable member	Councillor Mike Evemy, Deputy Leader and Cabinet Member for Finance Email: mike.evemy@cotswold.gov.uk
Accountable officer	Jenny Poole, Chief Finance Officer Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	To consider the draft Capital, Investment and Treasury Management Strategies for 2020/21.
Annexes	Annex A – Capital Strategy 2020/2021 Annex B – Investment Strategy Report 2020/2021 Annex C – Treasury Management Strategy Statement – 2020/2021
Recommendation/s	<i>That the Capital, Investment and Treasury Management Strategies 2020/21 are considered and the views of the Committee reported to Cabinet and Council in February 2020.</i>
Corporate priorities	Ensure that all services delivered by the Council are delivered to the highest standard.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Senior Management Team and Audit Committee.

1. BACKGROUND

- 1.1 Local authorities in England, Wales and Northern Ireland are legally obliged to “have regard” to the CIPFA Treasury Management Code and the Prudential Code by relevant Capital Finance Regulations.
- 1.2 Local authority investment decisions have been making headlines recently, with some elements of the national press calling into question the role of local authorities investing in property and assets as a means to generate income. However as funding has decreased councils have increasingly relied upon new sources of income to plug the funding gaps. Councils investing in property, and other assets, is nothing new; many local authorities have historically held major assets including retail sites, farms and residential property. In recent years however the emphasis on using these assets to generate a commercial yield has become much greater and this has involved out of area investment. The scaling up of investments by local councils has peaked the interests of the Ministry of Housing, Communities and Local Government, (MHCLG), and the Chartered Institute of Public Finance and Accountancy (CIPFA) resulting in recently published changes to the Treasury Management Code and the Prudential Code.
- 1.3 The Council is now required to approve a Capital Strategy, an Investment Strategy as well as a Treasury Management Strategy. The three Strategies also link with the Council’s Capital Programme, Medium Term Financial Strategy and the detailed budgets for 2020/21. Any changes proposed to the draft Capital Programme and Medium Term Financial Strategy may require changes to be made to the three Strategic documents being considered by the Audit Committee. Cabinet and Council will consider a report which brings together all of these strategic documents in February 2020.
- 1.4 The proposed Capital Strategy for 2020/21 is attached at Appendix ‘A’, the Investment Strategy is attached at Appendix ‘B’ and the Treasury Management Strategy is attached at Appendix ‘C’.
- 1.5 The draft strategies have been based on a template provided by the Council’s treasury advisors, Arlingclose, which has been modified to this Council’s circumstances.
- 1.6 The Treasury Management Strategy investment options have been selected to minimise the risk to the Council’s investments whilst providing the scope and flexibility of investment options to enable the Council to maximise its investment returns.
- 1.7 The views of the Audit Committee will be reported to Cabinet and Council during February 2020.

2. FINANCIAL IMPLICATIONS

- 2.1 The target for investment income from cash investments for 2020/21 is £585,000. This report sets out the Strategy which will be implemented to achieve this target.
- 2.2 The financial implications of the Council’s proposed Capital Programme are set out in the suite of Strategy documents attached to this report and are reflected in the Medium Term Financial Strategy and Detailed Budget Papers which will be considered by Cabinet and Council in February 2020.

3. LEGAL IMPLICATIONS

None

4. RISK ASSESSMENT

- 4.1** There are risks of financial institutions failing given the current economic conditions. However, the risks are mitigated through application of the Council's Treasury Management Strategy. The strategy sets out the minimum credit criteria that are required before the Council will invest with a counterparty, but it should be noted that these are not the sole criteria applied. For example, credit default swaps and information from the financial press will also be taken into account.
- 4.2** There are risks of interest rates remaining low over the medium term which impact upon the Council's ability to generate investment income. These risks are routinely considered in the Council's Treasury Management Strategy, the Capital Strategy and the Medium Term Financial Strategy and the associated Budget detailed budget papers.
- 4.3** The processes for identification and management of risks associated with the Capital Strategy are set out within the document.

5. PERFORMANCE MANAGEMENT FOLLOW UP

- 5.1** Investment performance is monitored on a quarterly basis and any variance over £10,000 is reported to Overview and Scrutiny Committee and the Cabinet within the quarterly performance report.
- 5.2** The treasury management annual strategy, half-year performance report and annual report are currently considered by the Audit Committee and approved by Council. Cabinet will consider the consultation response on the three Strategy documents from the Audit Committee and make recommendations to Council.
- 5.3** Internal Audit will check compliance with the strategies during service reviews and will report any non-compliance identified as part of its monitoring reports to Audit Committee.

6. BACKGROUND PAPERS

- 6.1.** The following documents have been identified by the author of the report in accordance with section 100D.5(a) of the Local Government Act 1972 and are listed in accordance with section 100 D.1(a) for inspection by members of the public:
- CIPFA Publication – Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes
 - MHCLG Document – Guidance on Local Government Investments
 - CIPFA Prudential Code for Capital Finance in Local Authorities (Updated Edition December 2017)
- 6.2.** These documents will be available for inspection at the Council Offices at Trinity Road, Cirencester, during normal office hours for a period of up to 4 years from the date of the meeting. Please contact the author of the report.