Appendix 'B'

Cotswold District Council

Capital Strategy - Working Document

Background

Local authority investment decisions have been making headlines during 2017, 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 led to increased public awareness and as a consequence increased the interest of the Department for Communities and Local Government, (DCLG), and the Chartered Institute of Public Finance and Accountancy (CIPFA) resulting in recently published changes to the Treasury Management Code and the Prudential Code.

The Capital Strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. The strategy aims to include sufficient detail to allow all Members to see how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.

Capital Strategy Contents

Long-term context in which capital expenditure and investment decisions are made

The Council's Medium Term Financial Strategy (MTFS) sets the context for the Council's finances over the medium term. The MTFS identifies risks to the sustainability of the Council's finances (revenue and capital) and the level of savings/new or increased income streams to be found to enable the Council to set a balanced budget. The MTFS is the financial link to the Council's aim and priorities as set out in its Corporate Plan.

Some capital expenditure is annual (e.g. demand led requests for Disabled Facilities Grants, or rolling replacement of computer equipment), some is cyclical (e.g. replacement of gymnasium equipment, operational vehicles) other investment fits in with the Council's objectives and Priorities (e.g. provision of car parking facilities, investment in leisure centres).

The Capital Programme will contain a mix of annual, cyclical and Council priority investment.

The MTFS includes the impact of economic factors such as inflation and interest rates (borrowing costs and investment income) on the Council's revenue budgets. The Council uses specialist advisors to provide intelligence on likely changes to economic factors.

One of the most significant factors to the MTFS is the forecast of changes to the central government methodology on funding local government or changes to the role and responsibilities of various tiers of local government. This is often one of the most challenging aspects to producing a robust MTFS due to the link to the parliamentary cycle and national pressures which means that forecasting out longer than five years is almost impossible.

Capital expenditure

The approval process

The Council maintains a Capital Programme, which includes non-treasury management investment, and covers the current financial year and a forecast for the subsequent three financial years. The Capital Programme is approved by Council, following a Scrutiny process and recommendation by the Cabinet. The impact of the capital programme on the Council's revenue budgets is included with the Council's Medium Term Financial Strategy and the detailed revenue budget for the financial year.

Officers in the Council's finance team will support the option appraisal process to ensure that each request for capital expenditure properly takes into account the revenue implications of the capital expenditure, including financing costs. The finance team will report to Cabinet and Council on the impact upon the capital programme, medium term financial strategy and Prudential Indicators.

Where the capital investment was not planned as part of the annual Capital Strategy, Capital Programme, MTFS and Revenue Budget process, approval will be sought in line with the Council's Financial Rules or Scheme of Delegation.

In assessing affordability, the Council will consider the council tax implications of its capital programme, borrowing and investment decisions. The Council shall set and monitor Prudential Indicators as key indicators of affordability.

Long-Term Financing Strategy

The Council has previously funded capital expenditure through the application of capital receipts, capital grants (including s.106 funds) earmarked revenue reserves or revenue contributions. As at 31st March 2017, the Council held no debt.

The Council's capital programme includes details of how the capital programme will be funded, including any increase in the borrowing requirement. For 2017/18, the Council has no requirement to borrow to finance capital expenditure plans.

The Council's borrowing requirement is small compared to its average cash investments of £30 million. Table 1 sets out the Council's forecast borrowing requirement compared to forecast usable reserves, working capital and investments for the next three financial years.

Table 1: Balance sheet summary and forecast

	31.3.17 Actual £000	31.3.18 Estimate £000	31.3.19 Forecast £000	31.3.20 Forecast £000	31.3.21 Forecast £000
Total CFR	**0**	**0**	**3,500**	**7,500**	**7,500**
External borrowing	0	0	0	0	0
Internal borrowing	**3,100**	**0**	**3,500**	**7,500**	**7,500**
Usable reserves	22,500	19,000	16,000	13,000	13,000
Working capital	4,900	4,900	4,900	4,900	4,900
Investments	**30,500**	**27,400**	**21,000**	**14,000**	**14,000**

Initially, the Council will borrow against its internal cash balances, supplemented occasionally by short-term borrowing at the best rate available from the market which may include borrowing from other local authorities. The market interest rate charges are considerably more affordable than through Public Works Loan Board Borrowing, indicative PWLB borrowing rates are set out below.

PWLB borrowing rates

Notice Number		14	
Change Date		10/01/2018	
	PWLB Certainty Rate		
	PWLB EIP	PWLB Annuity	PWLB Maturity
3 years	1.32	1.32	1.43
5 years	1.41	1.41	1.64
7 years	1.50	1.51	1.85
10 years	1.66	1.67	2.14
15 years	1.93	1.95	2.48
20 years	2.16	2.20	2.65
25 years	2.35	2.40	2.69
30 years	2.49	2.55	2.65
40 years	2.65	2.68	2.47
50 years	2.69	2.66	2.39

These rates compare with short-term borrowing from other local authorities at rates which are typically less than 1% and often nearer to 0.6%. NEED TO CHECK THIS IS ACCURATE IN FINAL DOCUMENT

Asset Management

The Council's land and property assets, including commercial property are managed by the Land, Legal and Property services team. Commercial Property is valued in accordance with international financial reporting standards and reported within the Council's financial statements.

Other assets (e.g. vehicles and equipment) are managed by the relevant operational service area.

The Council's Land, Legal and Property services team and operational service managers liaise with the Council's Insurance Officer to ensure that appropriate insurance is in place for all Council assets.

Maintenance Requirements

For operational and investment property assets, wholly used by the Council (or its contractors or commercial property tenants), maintenance requirements are managed by the Council's Property Services team.

For operational assets where a contractor has some repairing responsibilities, such as leisure centres and the Corinium Museum, the Council's Property Services team and the contract monitoring officers ensure that the contractor fulfils their responsibilities (generally internal repairs and maintenance). The Council's Property Service team, working with the contract monitoring officers, ensure that the Council responsibilities for structural repairs and maintenance are fulfilled.

Planned Disposals

The Council is not planning any significant asset disposals. The Council's Financial Statements identify the value of assets held for sale. In order to be recognised as assets held for sale, sale within 12 months must be fairly certain.

Although not classified in the financial statements as assets held of sale; the Old Memorial Hospital site and the Old Station site have been earmarked for disposal/development linked to the car parking project.

The Council holds some land in the district which could be developed to provide economic benefit within the district. The Council will consider proposals from developers where the developer proposals align with the Council's priorities. Any decisions on development of this nature would be taken by the full Council with a full business case, including options appraisal and advice from relevant experts.

The Council is a member of the Gloucestershire One Estate Programme Board which aims to deliver the best value for money from the wider public estate across Gloucestershire. Any proposals from the Board would be considered by the full Council with a full business case, including option appraisal and advice from relevant experts.

Funding Restrictions

The Council produces group accounts to reflect its ownership of Publica Group (Support) Ltd. Publica does not hold any land and property assets, the assets on the balance sheet include vehicles and operational machinery. Publica finances the replacement of assets through the overhead charges included in the revenue contract charges to its clients, including the Council. The Council does not provide capital financing to Publica other than through an element of the annual contract sum for service provision.

Debt Management

Borrowing Projections

The Council's borrowing projections are set out below:

	2018/19 £ million	2019/20 £ million	2020/21 £ million	2021/22 £ million
Planned Capital Expenditure	8.826	9.236	2.630	0.955
Capital Expenditure Funded	3.326	5.236	2.630	0.955
In-year Borrowing Requirement	**3.500**	**4.000**	**0**	**0**
Cumulative Borrowing Requirement	**3.500**	**7.500**	**7.500**	**7.500**

Capital Financing Requirement and liability benchmark

As the Council is currently debt free, the Capital Financing Requirement is the same as the Borrowing Requirement shown in the table above.

NEED GUIDANCE (NOT YET PUBLISHED) ON THE LIABILITY BENCHMARK AND INCLUDE TEXT AS APPROPRIATE!

Provision for the repayment of debt

The Council will provide for the repayment of debt in accordance with its Minimum Revenue Provision as set out below

Minimum Revenue Provision Policy Statement 2018/19:

For many years local authorities were required by Statute and associated Statutory Instruments to charge to the Revenue Account an annual provision for the repayment of debt associated with expenditure incurred on capital assets. This charge to the Revenue Account was referred to as the Minimum Revenue Provision (MRP). In practice MRP represents the financing of capital expenditure from the Revenue Account that was initially funded by borrowing.

In February 2008 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [Statutory Instrument 2008/414] were approved by Parliament and became effective on 31st March 2008. These regulations replaced the formula based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new regulations required a local authority to determine each financial year an amount of MRP which it considers to be prudent. Linked to this new regulation, the Department of Communities and Local Government (CLG) produced Statutory Guidance which local authorities are required to follow, setting out what constitutes a prudent provision.

The CLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by Full Council.

The broad aim of the Policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure which gave rise to the debt provides benefits. In the case of borrowing supported by Revenue Support Grant, the aim is that MRP is charged over a period reasonably commensurate with the period implicit in the determination of that grant. Where a local authority's overall CFR is £nil or a negative amount (as is the case for Cotswold District Council up to 2018/19) there is no requirement to charge MRP.

The move to International Financial Reporting Standards (IFRS) means that Private Finance Initiative (PFI) schemes and Operating Leases can be brought onto the Balance Sheet. Where this is the case, such items are classed in accounting terms as a form of borrowing. CLG has therefore amended the Capital Finance Regulations to ensure that the impact on the Revenue account is neutral, with MRP for these items matching the principal repayment embedded within the PFI or lease agreement.

MRP Options:

Four options for prudent MRP provision are set out in the CLG Guidance. Details of each are set out below with a summary set out in Table 1:

Option 1 – Regulatory Method:

This method replicates the position that would have existed under the previous regulatory environment. MRP is charged at 4% of the Authority's underlying need to borrow for capital purposes; the Capital Financing Requirement (CFR). The formula includes an item known as "Adjustment A" which was intended to achieve neutrality between the CFR and the former Credit Ceiling which was used to calculate MRP prior to the introduction of the Prudential System on 1st April 2004. The formula also took into account any reductions possible related to commutation of capital related debt undertaken by central government.

Option 2 – CFR Method:

This method simplifies the calculation of MRP by basing the charge solely on the authority's CFR but excludes the technical adjustments included in Option 1. The annual MRP charge is set at 4% of the non-housing CFR at the end of the preceding financial year.

Option 3 – Asset Life Method:

Under this method MRP is determined by the life of the asset for which the borrowing is undertaken. This can be calculated by either of the following methods:

(a) Equal Instalments: where the principal repayment made is the same in each year, or

(b) Annuity: where the principal repayments increase over the life of the asset.

The annuity method has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

MRP commences in the financial year following that in which the expenditure is incurred or, in the year following that in which the relevant asset becomes operational.

The estimated life of the asset will be determined in the year that MRP commences and will not be subsequently revised. However, additional repayments can be made in any year which will reduce the level of payments in subsequent years.

If no life can be reasonably attributed to an asset, such as freehold land, the life is taken to be a maximum of 50 years. In the case of freehold land on which a building or other structure is constructed, the life of the land will be treated as equal to that of the structure.

In instances where central government permits revenue expenditure to be capitalised, the Statutory Guidance sets out the number of years over which the charge to revenue must be made. The maximum useful life for expenditure capitalised by virtue of a direction under s16(2)(b) is 20 years

MRP in respect of PFI and Operating Leases brought onto the Balance Sheet under IFRS falls under Option 3.

The General Fund MRP charge using this method is estimated at £nil for 2018/19.

Option 4 - Depreciation Method:

The depreciation method is similar to that under Option 3 but MRP is equal to the depreciation provision required in accordance with proper accounting practices to be charged to the Income and Expenditure account.

The General Fund MRP charge for this method is £nil for 2018/19.

Conditions of Use:

The CLG Guidance puts the following conditions on the use of the four options:

- Options 1 and 2 can be used on all capital expenditure incurred before 1st April 2008 and on Supported Capital Expenditure on or after that date.

- Options 3 and 4 are considered prudent options for Unsupported Capital Expenditure on or after 1st April 2008. These options can also be used for Supported Capital Expenditure whenever incurred.

MRP Policy for 2018/19:

It is proposed that for 2018/19 the Council adopts Option 3 for any unsupported borrowing (options 1 and 2 for supported capital expenditure not being relevant to this Council). For Option 3, the annuity method for calculating MRP will be used when applicable.

MRP under the CLG Guidance

MRP Options	1 Regulatory Method	2 CFR Method	3 Asset Life Method	4 Depreciation Method
Classifications of Capital Expenditure impacting on the CFR	Capital expenditure incurred before 1 April 2008			
	Supported Capital expenditure incurred after 1 April 2008		Unsupported Capital expenditure incurred after 1 April 2008	
			Expenditure capitalised by virtue of a Direction under s16(2)(b) of the Local Government Act 2003	
MRP Basis	Former regulations 28 and 29	4% of Non-Housing CFR	Equal Annual Instalments of Principal	Depreciation
Aspects of MRP charges	CFR excludes element attributable to Unsupported Capital Expenditure		EIP commences when asset operational	Depreciation MRP commences when asset operational
			Freehold land 50 years.	Depreciation MRP ceases when CFR component is £Nil
			Freehold land with structure >50 years	Depreciation MRP not adjusted for capital receipt
			Capitalisation periods	Depreciation MRP based on proportion of asset financed from "borrowing".
			PFI/Operating Leases brought on Balance Sheet under IFRS	

Risk and impact, or potential impact, on the overall financial sustainability

The Council's Medium Term Financial Strategy includes the revenue implications of the investment set out in this Strategy. The revenue impact of provision for repayment of debt, interest charges, maintenance charges and other associated revenue costs are all included within the revenue budget forecast. The overall impact upon General Fund Working Balance, capital resources and other revenue earmarked reserves is included in the Medium Term Financial Strategy.

The Chief Finance Officer provides an opinion report on the robustness of the level of reserves as a part of the budget setting report to Council in February each year. The budget report also sets out the significant risks to the Council's budget, the mitigating action and provides a financial assessment of the degree of risk carried by the Council and the adequacy of reserves to finance the risk.

The Authorised Limit for the coming year – minimum 3 year period

The Authorised Limit of borrowing during the next 3 years is set out below:

	2018/19 £ million	2019/20 £ million	2020/21 £ million
Authorised Limit	12,000	12,000	12,000

Operational Boundary for Borrowing

The Operational Boundary of borrowing during the next 3 years is set out below:

	2018/19 £ million	2019/20 £ million	2020/21 £ million
Operational Boundary	4,500	4,500	4,500

The Authority's approach to treasury management

Governance Process for Treasury Management

The 2017 changes to the Treasury Management Code and the Prudential Code provide the Council with the opportunity to revise its delegations from Council to Cabinet/Committees. However, overall responsibility for Treasury Management remains with Council.

Given that, at the time of preparing this strategy, detailed sectoral guidance on the 2017 changes to the Treasury Management Code and Prudential Code has not been published. In addition the Ministry of Housing, Communities and Local Government is still considering changes to its Investment Guidance. It is proposed that Council retains the responsibility for approving the Treasury Management Strategy and associated Treasury Management Practices.

The treasury management annual strategy, half-year performance report and annual report are currently considered by the Audit Committee and approved by Council. For 2018/19, Cabinet will consider the comments of the Audit Committee and will recommend the strategy to Council.

Projection of external debt and internal borrowing levels over the longer term

The Council's borrowing projection is set out under the Debt Management section of this document.

The proposed Treasury Management Strategy Statement 2018/19 recommends that the Council allocates £10 million of its cash balances to invested into longer term or less liquid investment products. To fund operational activity, the Council holds a minimum of £4 million in highly liquid investments products which can be used as internal borrowing to fund the Councils investment plans. As cash levels fluctuate during the year, this internal borrowing may be supplemented by short-term borrowing from third parties.

Short-term borrowing interest charges are forecast as follows for the next three years:

	2018/19 %	2019/20 %	2020/21 %
Base Rate + .8%	1.3	1.3	1.3

This compares to current Public Works Loan Board (PWLB) Certainty Rates as follows:

	2018/19 %
PWLB Rate - 10 years	1.66
PWLB Rate - 20 years	2.16
PWLB Rate - 50 years	2.69

Given that the interest cost of short-term borrowing is forecast to be cheaper than PWLB borrowing over the medium term, it is more appropriate to use short-term lending rather than enter into loans with the PWLB.

The Council will seek the lowest interest rate available from lenders such as institutions approved for investments, UK banks and building societies, UK public and private sector pension funds (except Gloucestershire Pension Fund), capital market bond investors, UK Municipal Bonds Agency plc and local authorities.

The Council's liquidity forecast, assuming that long-term borrowing is deferred, is set out below:

	2018/19 £ million	2019/20 £ million	2020/21 £ million	2021/22 £ million	2022/23 £ million
Planned investment in less liquid investment products	10	10	10	10	10
Planned investment in highly liquid investment products (minimum)	5	5	5	5	5

Organisation's risk appetite in relation to Treasury Management

The Council's Treasury Management Strategy Statement sets out the Council's risk appetite in the Risk Assessment and Credit Ratings section of the Strategy.

Risks faced in terms of servicing current and future debt requirement

The Council is currently debt free and its current borrowing plans are limited. The Medium Term Financial Strategy includes the revenue implications of capital expenditure and investment. Therefore, the risk of servicing current and future debt requirements is minimal.

The most significant risks relate to cost overruns on investment projects increasing the Council's borrowing requirement or rapid increases in borrowing rates due to changing economic conditions.

How risks are to be managed

The Council operates robust project management and governance processes for capital investment projects (such as investment in land and buildings). Potential cost overruns will therefore be identified as early as possible. The Council will then be able to decide on an appropriate response; for example, other capital investment can be postponed or delayed, the project facing the cost overrun may be re-scoped.

The risk of borrowing rates increasing will be managed by access to regular advice upon economic trends from experienced treasury advisors. Where the cost of short-term borrowing is likely to become on par with or exceed the cost of longer-term borrowing (e.g. from PWLB) the Council will manage a transition from short-term borrowing to long-term borrowing. The Council will ensure it is in a position to be able to access any discount rates available from the PWLB.

Commentary on sensitivity projections

Should interest rates increase by 0.5% above the forecasts in this strategy, the Council would incur an additional £38,000 of interest on borrowing per annum. This would be more than offset by the additional interest received on highly liquid investments.

If there was a particularly large capital scheme e.g. decked car park (estimated cost £15 million) with a 10% cost overrun in the additional cost of Minimum Revenue Provision and interest on borrowing would be £45,000.

Summary of Knowledge and skills available to the organisation

The Council's treasury management function is provided through its strategic service provider Publica Group (Support) Ltd. The team of treasury officers have the following qualifications:

- Members of the Association of Accounting Technicians

In addition, the Team Leader has many years of experience of local authority treasury management working across 4 local authorities which utilise a mix of investment and borrowing products.

The treasury officers are supported by expert advice from the Council's treasury advisor Arlingclose Ltd. Arlingclose provide regular information and advice upon counter party risk and investment products which are in line with the risk appetite as set out within the Council's Treasury Management Strategy.

The treasury management knowledge and skills available to support the Council are therefore commensurate with the Council's risk appetite.

The Council's approach to Commercial Activity

Investments that are not part of Treasury Management Activity

In contrast to Treasury Management investments, where investments prioritise security and liquidity over yield, non-treasury investments may not prioritise security and liquidity over yield. Such decisions will be explicit, the additional risks will be set out clearly and the impact upon financial

Sustainability identified and reported.

The full Council will consider recommendations from the Cabinet on investments which are not part of Treasury Management Activity for inclusion in the Council's Capital Programme. The Council decision will be based upon a report which sets of the full cost to the Council both in terms of capital investment and revenue implications. The revenue implications will include the cost of borrowing (interest and provision for debt repayment), forecast revenue, operational costs including repairs and maintenance costs, insurance and other asset management costs. The revenue implications will feed into the Council's Medium Term Financial Strategy.

The provision for debt repayment will be in line with the Council's Minimum Revenue Provision policy. The provision for debt repayment will reflect the planned asset life. The report will set out the risks associated with the investment and appropriate sensitivity analysis. For commercial property this will include the risk of void periods.

The report will include the link with this Capital Strategy and the impact upon Prudential Indicators.

The report will also identify the Council priorities which the investment is supporting.

Due Diligence Processes and Procedures to reflect the additional risk

Officers from Council's Finance and Legal teams will support the development of the investment proposal with support from external advisors as necessary. Officers, in consultation with the appropriate Member representatives, will identify appropriate due diligence checks to be carried out. As a minimum these will include:

- financial checks for suppliers, contractors or potential tenants;
- appropriate advice upon the local market and forecast market changes;
- for property acquisitions - independent valuation advice, property condition surveys and land registry checks;

The outcome of the due diligence checks will be reported to Members as part of the decision making report.

Requirements for independent and expert advice

Where necessary independent and expert advice will be sought to ensure due diligence is suitably robust.

Authority Risk Appetite

The Council accepts that investments that are not part of Treasury Management Activity carry a higher degree or risk, however, this needs to be reflected in the level of financial return or the relationship to delivery of the Council's approved priorities.

The due diligence processes will identify and quantify the degree of risk for Members to consider as part of the decision making process.

Proportionality in relation to overall resources

As at 31 March 2017, the Council's held:

- Investments in commercial property valued at £5 million;
- Investment in long term investments of £2.5 million;
- Investment in short term investments £25.9 million
- General Fund Working Balance of £4.4 million;
- Capital Reserves of £12.6 million; and
- £0 borrowing.

This compared to a net revenue budget of £10 million.

The impact of the capital investment plans on the Council's Balance Sheet for the next four years are set out below:

	2018/19 £ million	2019/20 £ million	2020/21 £ million	2021/22 £ million
Commercial Property[1]	5.0	5.0	5.0	5.0
Long Term Investments[1]	12.5	12.5	12.5	12.5
Short Term Investments	11.0	4.0	4.0	4.0
GFWB	5.0	4.9	4.6	4.2
Capital Reserves	7.5	4.9	3.7	4.2
Borrowing	3.5	7.5	7.5	7.5

[1] Subject to annual valuations to feed into Statement of Accounts

Scrutiny Arrangements

The Cabinet will make recommendations to full Council on new investments that are not part of Treasury Management Activity.

Financial Performance is reported quarterly to the Council's scrutiny committee(s) and to Cabinet. This will include the financial performance of investments which are not part of Treasury Management.

An annual report on Commercial Property will be presented to Scrutiny Committee which will include yield; valuation and risk to future revenue.

Treasury Management performance is reported at half-year and year-end the Council's Audit Committee and to full Council.

The Council's internal audit provider (South West Audit Partnership Ltd) regularly audits the Council's treasury management activity and its processes and procedures for approving investment and performance management. SWAP report to the Council's Audit Committee.

Summary of knowledge and skills available to the authority.

The Council has experience of investing in commercial property in recent years. The Council's property service is provided through its strategic service provider Publica Group (Support) Ltd. The team of property officers have the following qualifications:

- Christine Cushway – BSc Hons Estates Management, ARICS
- Jasmine McWilliams – BSc Hons Estate Management, ARICS
- David Thurlow – BSc Hons Estate Management, MRICS, Registered Valuer

External consultants are also employed as necessary to provide advice on acquisition and management of investment properties.

The Council's legal team have experience of carrying out due diligence checks, particularly for commercial property acquisitions, and the legal officers have the following qualifications:

- Fflkljkdfsalkj
- Afjlljkd

• Ljfdfjldlj

The property and legal team work together with the Finance team to support the Council's Chief Finance Officer and the Publica Finance Director in developing investment proposals for the Council. External specialist advice is obtained when required to support these teams.

The Council, in an early Capital Strategy, determined its risk appetite for investment in non-treasury transactions. The Council determined that it was prepared invest £5 million. The investment has been completed, with a spread of commercial properties and is delivering a sustainable revenue stream to the Council. Any further investment in non-treasury management transactions will be set out in this, or future iterations of this strategy.

Other Long-Term Liabilities, such as Financial Guarantees

The most significant long-term liability relates to the Council's membership of the Gloucestershire Local Government Pension Scheme. Accounting disclosures can be found within the Council's financial statements. As at 31 March 2017, the long-term liability in relation to the pension scheme amounted to £41.2 million.

The Council has no other long-term liabilities or financial guarantees.

Knowledge and Skills

Chief Finance Officer Report on the affordability and risk associated with the Capital Strategy

WILL TAILOR REPORT IN BUDGET REPORT TO COVER THE AFFORDABILITY AND RISK ASSOCIATED WITH THE CAPITAL STRATEGY – COPY AND PASTE IN TO HERE

Setting the Prudential Indicators

Total Capital Expenditure

	2018/19 £ million	**2019/20 £ million**	**2020/21 £ million**	**2021/22 £ million**
Planned Capital Expenditure	8.826	9.236	2.630	0.955
Capital Expenditure Funded	3.326	5.236	2.630	0.955

Operational Boundary

	2018/19 £ million	**2019/20 £ million**	**2020/21 £ million**
Operational Boundary	4.5	4.5	4.5

Authorised Limit

	2018/19 £ million	2019/20 £ million	2020/21 £ million
Authorised Limit	12.0	12.0	12.0

Proportion of financing costs to net revenue stream

	2018/19 £ million	2019/20 £ million	2020/21 £ million
Proportion of financing costs to net revenue stream	0.025:10.6	0.163:11.0	0.286:10.9

Borrowing Net of Treasury Management Investments

	2018/19 £ million	2019/20 £ million	2020/21 £ million
Borrowing Requirement (cumulative)	3.5	7.5	7.5
Treasury management investments	24.5	21.5	21.5
Borrowing	0	0	0
Net investments	21.0	14.0	14.0

Others (can be delegated to Committee) Local Indicators can be set to reflect local circumstances

No local indicators are recommended.

Schedule of Investment Management Practices for Non-Treasury Investment

THIS IS LIKELY TO BE DEVELOPED IN YEAR FOLLOWING PUBLICATION OF GUIDANCE AND DCLG INVESTMENT GUIDANCE

Register of Investments and Financial Guarantees

Treasury Investments

	31.12.17 Actual Portfolio £m	31.12.17 Average Rate %
Treasury investments:		
Banks & building societies (unsecured)	22.4	0.52
Government (incl. local authorities)	2	1.00
Corporate bonds and loans		
Money Market Funds	15.5	0.29
Other pooled funds	1.02	0.62
Property Fund	0.5	4.13
Total treasury investments	**41.42**	**0.53**

Non-Treasury Investments

Investment Property	**Valuation 31 March 2017 £ million**
27-29 Eign Gate, Worcester [Superdrug]	1.2
Great Bridge, Tipton [Wilkinsons]	1.6
Seaford [Tescos]	1.018
Abberley House Office, 1st and 2nd Floor	0.383
Compton House, Moreton	0.177
44 Black Jack Street	0.406
Niccol Centre	0.137
Cotswold Club	0.059
Church Rooms Office (the studio), BOTW	0.022
Total	**5.003**

Other requirements for capital strategy to be developed during 2018/19 once sectoral guidance notes have been published.

- **Risk Management Schedule;**
- **Performance measurement and management;**
- **Reporting and management information;**
- **Financial Guarantees – Working note - how will these be regularly assessed? – New action as part of year-end processes?**

Reconciled to financial instrument disclosures within the Statement of Accounts

(END)