



**AUDIT COMMITTEE**

**29<sup>TH</sup> JANUARY 2019**

**AGENDA ITEM (10)**

**CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES 2019/20**

<b>Accountable Member</b>	Leader of the Council
<b>Accountable Officer</b>	Mrs. Jenny Poole Chief Finance Officer 01285 623313 Jenny.Poole@cotswold.gov.uk

<b>Purpose of Report</b>	To consider the draft Capital, Investment and Treasury Management Strategies for 2019/20.
<b>Recommendation(s)</b>	<b>That the Capital, Investment and Treasury Management Strategies 2019/20 are considered and the views of the Committee reported to Cabinet and Council in February 2019.</b>
<b>Reason(s) for Recommendation(s)</b>	<p>(i) The Local Government Act 2003 requires the Council to have regard to both the:</p> <ul style="list-style-type: none"> <li>• <i>Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice;</i> and; the</li> <li>• <i>Department of Communities and Local Government issued Guidance on Local Authority Investments.</i></li> </ul> <p>(ii) The suite of Strategies attached to this report fulfils the Council's legal obligations to both the CIPFA Code and the CLG Guidance.</p> <p>(iii) Under the CIPFA Prudential Code, the Council has a new requirement to publish a Capital Strategy.</p>

<b>Ward(s) Affected</b>	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.
<b>Key Decision</b>	No
<b>Recommendation to Council</b>	Yes, via recommendation from Cabinet.

<b>Financial Implications</b>	<p>(i) The target for investment income from cash investments for 2019/20 is £535,000. This report sets out the Strategy which will be implemented to achieve this target.</p> <p>(ii) 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</p>
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	Strategy and Detailed Budget Papers which will be considered by Cabinet and Council in February 2019.
<b>Legal and Human Rights Implications</b>	None
<b>Environmental and Sustainability Implications</b>	None
<b>Human Resource Implications</b>	None
<b>Key Risks</b>	<p>(i) 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.</p> <p>(ii) 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.</p> <p>(iii) The processes for identification and management of risks associated with the Capital Strategy are set out within the document.</p>
<b>Equalities Impact Assessment</b>	Not Required

<b>Related Decisions</b>	An update to the Council's Medium Term Financial Strategy 2019/20 to 2028/29 and the Budget for 2019/20 will be considered by Cabinet on 14 <sup>th</sup> February 2019 and full Council on 26 <sup>th</sup> February 2019.
<b>Background Documents</b>	<p>(i) CIPFA Publication - Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes</p> <p>(ii) MHCLG Document - Guidance on Local Government Investments</p> <p>(iii) CIPFA Prudential Code for Capital Finance in Local Authorities (Updated Edition December 2017)</p>
<b>Appendices</b>	<p><b>Appendix 'A'</b> - Capital Strategy 2019/20</p> <p><b>Appendix 'B'</b> - Investment Strategy 2019/20</p> <p><b>Appendix 'C'</b> - Treasury Management Strategy 2019/20</p>

<b>Performance Management Follow Up</b>	<p>(i) 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.</p> <p>(ii) The treasury management annual strategy, half-year performance report and annual report are currently considered by</p>
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	<p>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.</p> <p>(iii) 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.</p>
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<b>Options for Joint Working</b>	The contract for the Council's Treasury Management Advisers was jointly procured with West Oxfordshire District Council.
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### **Background Information**

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.
2. Local authority investment decisions have been making headlines in recent months, 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.
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 2019/20. 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 2019.
4. The proposed Capital Strategy for 2019/20 is attached at **Appendix 'A'**, the Investment Strategy is attached at **Appendix 'B'** and the Treasury Management Strategy is attached at **Appendix 'C'**.
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.
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.
7. The views of the Audit Committee will be reported to Cabinet and Council during February 2019.

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