

# REDDITCH BOROUGH COUNCIL

## AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

30<sup>th</sup> January 2020

### Capital Strategy 2020/21 incorporating the Treasury Management Strategy

Relevant Portfolio Holder	Councillor David Thain, Portfolio Holder for Corporate Management
Portfolio Holder Consulted	No
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Wards Affected	All Wards
Non-Key Decision	

#### 1. SUMMARY

This report for 2020/21 presents the Capital strategy, Treasury Management Strategy, Minimum Revenue Provision Statement, a policy for use of flexible Capital receipts and the Investment Strategy for 2020/21 to be considered for recommendation to Council.

#### 2. RECOMMENDATIONS

**Audit, Governance and Standards Committee are asked to RECOMMEND TO COUNCIL that**

- i) **the Capital Strategy (Appendix A) as an appropriate overarching strategy for the Council be approved**
- ii) **the Treasury Management Strategy for 2020/21 (Appendix B) and the associated MRP policy (Appendix C) be approved**
- iii) **the policy for Flexible use of Capital Receipts as per appendix D be approved**
- iv) **the Investment Strategy (Appendix E) be approved**

#### 3. KEY ISSUES

##### Financial Implications

- 3.1 The report for 2020/21 is required following changes in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry of Housing, Communities and Local Government (MHCLG) guidance. It combines an overview of how capital expenditure, capital financing, treasury and other investment activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The strategies set limits and indicators that embody the risk management approach that the Council believes to be prudent. The strategies are set against the mid-term financial strategy, the context of the UK economy and projected interest rates.

The Council are required to set a balanced operating budget. The role of the treasury function is to manage cash flow within the authority so that the demands of expenditure can be met. The policies included in this report set out the criteria in which the Council can manage its Treasury management function.

The CIPFA Code of Practice for Treasury Management in Public services (the CIPFA TM Code) and the Prudential Code require local authorities to set the Treasury Management Strategy Statement (TMSS) and Prudential Indicators each financial year. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance. In addition the Council has to receive a report on treasury management and this is reported on a quarterly basis which is included within the Quarterly Monitoring Report.

3.2 CIPFA has defined Treasury Management as:

*“the management of the organisation’s investments, cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

3.3 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Council's approved Treasury Management Practices and include:

- Liquidity Risk (Adequate cash resources)
- Market or Interest Rate Risk (Fluctuations in the value of investments)
- Inflation Risks (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risks (Impact of debt maturing in future years)
- Legal & Regulatory Risk (Compliance with statutory and regulatory requirements)

3.4 The guidance requires investment strategies to comment on the use of treasury management consultants and on the investment of money borrowed in advance of spending needs.

3.5 In formulating the Treasury Management Strategy and the setting of the Prudential Indicators, the Council adopts the Treasury Management Framework and Policy recommended by CIPFA.

### **Legal Implications**

3.6 This is a statutory report under the Local Government Act 2003.

**Service/Operational Implications**

3.7 None as a direct result of this report.

**Customer / Equalities and Diversity Implications**

3.8 None as a direct result of this report.

**4. RISK MANAGEMENT**

Failure to manage the Treasury Management function effectively to ensure the delivery of maximum return within a secure environment.

Controls in place to mitigate these risks are as follows:

- Regular monitoring of the status of the organisations we invest with
- Daily monitoring by internal officers of banking arrangements and cash flow implications.

**5. APPENDENCES**

Appendix A – Capital Strategy 2020/21

Appendix B – Treasury Management Strategy 2020/21

Appendix C – Minimum Revenue Provision Statement 2020/21

Appendix D – Policy for the Flexible Use of Capital receipts

Appendix E – Investment Strategy 2020/21

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