

Report to: **Audit and Governance Committee**

Date: **21 March 2024**

Title: **2024/25 Capital Strategy, 2024/25 Treasury Management Strategy and 2024/25 Investment Strategy**

Portfolio Area: **Finance – Cllr Brazil**

Wards Affected: **All**

Urgent Decision: **Y** Approval and clearance obtained: **Y**

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## **RECOMMENDATIONS**

**That the Audit and Governance Committee:**

- 1. scrutinises and RECOMMENDS to Council the approval of the 2024/25:**
  - (a) Capital Strategy (as attached at Appendix A);**
  - (b) Treasury Management Strategy (as attached at Appendix B);**
  - (c) Investment Strategy (as attached at Appendix C); and**
- 2. agrees that delegated authority be given to the Section 151 Officer, in consultation with the Leader of the Council, to make any minor amendments to these Strategies if required throughout the 2024/25 Financial Year.**

### **1. Executive summary**

- 1.1 This report recommends to Council approval of the proposed Capital Strategy, Investment Strategy and Treasury Management for 2024/25, together with their associated prudential indicators. It is a legal requirement to publish these strategies by 31 March 2024.

- 1.2 Revised reporting is required since the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital strategy, to provide a longer-term focus to the capital plans and greater reporting requirements surrounding any commercial activity undertaken.
- 1.3 The current guidance for a Council's level of borrowing is the Prudential Code (2021) and "proper practice" must be adhered to. The following extracts from the Code summarise the Code's approach to level of borrowing (self-regulating) and the governance that should apply.

"the local authority shall ensure that all its capital and investment plans are affordable, prudent and sustainable.

'A local authority shall determine and keep under review how much money it can afford to borrow.'

"the level of capital investment that can be supported will, subject to affordability and sustainability, be a matter for local discretion"

**Capital Strategy** - As from 2019/20, all local authorities are required to prepare an additional Capital Strategy report. The Capital Strategy for 2024/25 is attached in Appendix A.

In 4.3, the Capital Financing Requirement, the measure of the Council's potential underlying need to borrow for the capital programme, has been projected to be £19.5 million for 2024/25. This includes borrowing for leisure, an investment property in Dartmouth, waste, Housing, Batson Creek (Salcombe) commercial units and Batson Creek (Salcombe) Harbour Depot and Dartmouth Health and Wellbeing Hub.

**Investment Strategy** - The guidance includes a new requirement for Councils to prepare an Investment Strategy since 2019/20. Councils are required to prepare indicators that enable Members and the public to assess the Council's investments and the decisions taken. The new indicator measures net commercial income as a percentage of net service expenditure and total investment exposure.

**Treasury Management Strategy** - Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury

management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

- 1.4 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout all three of the Strategies presented for approval.

## 2. Outcomes/outputs

- 2.1 In light of the recent raise in interest rates, the budget for investment income has increased for 2024/25 and has been set at £1.6million.
- 2.2 External treasury management training (by Link Group) was arranged for all Members in December 2023 to ensure Members have up to date skills to continue to make capital and treasury management decisions.

## 3. Options available and consideration of risk

- 3.1 It is a statutory requirement for the Council to annually approve its Capital Strategy, Treasury Management Strategy and Investment Strategy.

## 4. Proposed Way Forward

- 4.1 That Audit Committee scrutinises and recommends to Council the approval of the Capital Strategy (Appendix A), Treasury Management Strategy (Appendix B) and Investment Strategy (Appendix C) for 2024/25.

## 5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The elements set out in paragraph 2 cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.</p> <p>It is within the Terms of Reference of the Audit Committee to receive regular reports on the treasury management function.</p> <p>It is within the Terms of Reference of the Executive to receive regular monitoring reports on the Council's Capital Programme and Capital Plans.</p>

Financial implications to include reference to value for money	Y	Good financial management and administration underpins the entire treasury management strategy. The budget for investment income for 2024/25 has been set at £1.6million.
Risk	Y	<p>The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation. The Council produces an Annual Capital Strategy, Investment Strategy and Treasury Management Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and the Executive as part of budget monitoring reports.</p>
Supporting Corporate Strategy		The treasury management function supports all of the thematic delivery plans within the 'Better Lives for All' strategy.
Climate Change - Carbon / Biodiversity Impact		<p>The Council declared a Climate Change and Biodiversity Emergency on 25 July 2019 and a Climate Change Action Plan was presented to Council in December 2019.</p> <p>Further detail is set out in the Council's 'Better Lives for All' strategy.</p>
<i>Comprehensive Impact Assessment Implications</i>		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.

Other implications		None directly arising from this report.
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### **Supporting Information**

#### **Appendices:**

Appendix A – Capital Strategy 2024/25

Appendix B – Treasury Management 2024/25

Appendix C – Investment Strategy 2024/25

#### **Background Papers:**

None