

Cheltenham Borough Council

Cabinet-3 March 2020

Council – 23 March 2020

Capital, Investment, Treasury and MRP Strategies and Statements 2020/21

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| Accountable member | Cabinet Member for Finance, Councillor Rowena Hay |
| Accountable officer | Executive Director Finance and Assets (Section 151 Officer), Paul Jones |
| Accountable scrutiny committee | Treasury Management Panel |
| Ward(s) affected | All |
| Key Decision | Yes |
| Executive summary | <p>In December 2017, CIPFA published updates to the Prudential Code and The Treasury Management Code of Practice. The new Prudential Code requires the Council to approve a Capital Strategy on an annual basis in advance of the forthcoming financial year. The Ministry of Housing, Communities and Local Government (MHCLG) have also updated statutory guidance on treasury management which has resulted in changes to the Treasury Management Strategy and the introduction of a separate Investment Strategy. For 2020/21 a new set of strategic documents require Council approval: The Council's Capital Strategy, Investment Strategy and Treasury Management Strategy.</p> <p>In accordance with best practice, the Council has adopted and complies with the CIPFA Code of Practice on Treasury Management and the Prudential Code by relevant Capital Finance Regulations.</p> |
| Recommendations | <p>That Council considers and approves the following :</p> <ul style="list-style-type: none">• The Capital Strategy 2020/21 at Appendix 2• The Investment Strategy 2020/21 at Appendix 3• The Treasury Management Strategy Statement 2020/21 at Appendix 4• The Minimum Revenue Provision (MRP) Statement 2020/21 at Appendix 5 |
| Financial implications | <p>The financial implications are reported in appendices 2 – 5.</p> <p>Contact officer: Andrew Sherbourne, andrew.sherbourne@publicagroup.uk, 01242 264337</p> |

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| Legal implications | As detailed in the report. Contact officer: Shirin Wotherspoon shirin.wotherspoon@tewkesbury.gov.uk, 01684 272696 |
| HR implications (including learning and organisational development) | None arising directly from this report. Contact officer: Julie McCarthy, julie.mccarthy@publicagroup.uk, 01242 264355 |
| Key risks | As noted in Appendix 1. |
| Corporate and community plan Implications | The purpose of the strategy is to improve corporate governance, a key objective for the Council. |
| Environmental and climate change implications | None arising directly from this report. |
| Property/Asset Implications | As detailed in appendices 2 and 3. Contact officer: Dominic.Stead@cheltenham.gov.uk |

1. Background

- 1.1 Local authorities in England 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 made headlines over the past year with the financial press questioning the role of local authorities investing in property and assets as a means to generate income to compensate for the reduction in government funding. Investing in property and other assets is nothing new for Cheltenham Borough Council whom has historically held major assets such as retail sites and commercial property for some time now. In recent years however the emphasis on using these assets to generate a commercial yield has become much greater and this has involved some councils investing in property outside of its area. The scaling up of investments by local councils has been brought to the attention of the Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA resulting in changes to the Treasury Management Code and the Prudential Code.
- 1.3 Following consultations in February and August 2017, CIPFA published its new 2017 guidelines of Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes and the Prudential Code for Capital Finance in Local Authorities just before the end of 2018. The Council is now required to prepare and approve four strategies/statements:
 - Capital Strategy;
 - Investment Strategy;
 - Treasury Management Strategy Statement; and a
 - MRP Statement

2. Consultation

- 2.1 Each strategy is attached at Appendices 2 - 5 based on information relating to the Council's local circumstances with accompanying information and advice supplied by the Council's treasury advisors Arlingclose Limited.
- 2.2 The Treasury Management Strategy Statement has been recommended for approval by the Treasury Management Panel at its meeting on 20th January 2020 to Council.

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| Report author | Contact officer: Andrew Sherbourne, andrew.sherbourne@cheltenham.gov.uk 01242 264437 |
| Appendices | Appendix 1 – Risk Assessment Appendix 2 – Capital Strategy 2020/21 Appendix 3 – Investment Strategy 2020/21 Appendix 4 – Treasury Management Strategy Statement 2020/21 Appendix 5 – MRP Statement 2020/21 |
| Background information | Section 15(1)(a) of the Local Government Act 2003 Cheltenham Borough Council Treasury Management Practices |

| The risk | | | | Original risk score (impact x likelihood) | | | Managing risk | | | | |
|-----------|--|-----------------------------------|-------------------------------|---|---|-------|---------------|---|----------|-----------------------------------|------------------------------|
| Risk ref. | Risk description | Risk Owner | Date raised | I | L | Score | Control | Action | Deadline | Responsible officer | Transferred to risk register |
| | LOBO Loans - If £7m of these loans are recalled by the banks if they choose to exercise their option then we would need to have the resources on the day to repay. Alternative borrowing arrangements at today's current rates would be favourable for the Council | ED Finance & Assets Paul Jones | 24 th January 2015 | 1 | 2 | 2 | Accept | If the loans are recalled the council could take out temporary borrowing which is currently much lower than the rates on these loans. Any capital receipts available could also be used to repay debt. | May 2021 | ED Finance & Assets Paul Jones | |
| | If the assumptions made within the strategies change, then the aspirations within the capital programme may become unaffordable. | ED Finance & Assets Paul Jones | 13 th March 2019 | 3 | 2 | 6 | Accept | The Treasury Management Strategy and Prudential and Treasury Indicators reflect various assumptions of future interest rate movements and Government support for capital expenditure. These will be continually monitored and any necessary amendments will be made in accordance with the Strategy | | ED Finance & Assets Paul Jones | |

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| | If tenants exercise break-clauses and/or not renew leases, then there may be an impact on income projections and net returns. | Simon Hodges | 15 th August 2018 | 2 | 3 | 6 | Accept | Should tenants serve notice, the Council will have 6 months prior notice to find new tenants. | | Simon Hodges | |
| | If thorough due diligence is not undertaken when pursuing commercial property investments, the Council may not meet all of the criteria set out within its capital and investment strategies. | ED Finance & Assets Paul Jones | 13th March 2019 | 4 | 2 | 8 | | Due diligence is of paramount importance. All of our commercial investments have individual business cases that are subject to thorough risk assessment and stress testing and we also stress test the whole investment portfolio to ensure all risks are captured and properly controlled. Where appropriate to the size and scale of the project we also commission independent technical, legal, accounting, risk management, property, taxation advice | | Simon Hodges | |