

# Cheltenham Borough Council

## Council – 18 March 2024

# Capital, Investment, Treasury Management Strategies 2024/25

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**Accountable member:**

**Cllr Peter Jeffries – Cabinet Member for Finance and Assets**

**Accountable officer:**

Gemma Bell - Director of Finance and Assets (Deputy Section 151 Officer)

**Accountable scrutiny committee:**

Treasury Management Panel

**Ward(s) affected:**

All

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**Key/Significant Decision:**

No

**Executive summary:**

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 Department of Levelling Up, Housing and Communities (DLUHC) 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 2021/22 a revised and updated set of strategic documents were approved by Council: The Council's Capital Strategy, Investment Strategy and Treasury Management Strategy.

Wider consultation took place across the Council in the preparation of these documents to reflect our

collective vision for the use of assets and resources to drive economic recovery in the town following the pandemic and help facilitate growth. These have been reviewed again in light of the changes to the 2024/25 budget which was approved by Full Council on 23 February 2024 and the launch of the Council's new Corporate Plan for 2023-27. In particular, there is ongoing focus on the use of treasury management activity to generate base budget savings to support the 2024/25 proposals.

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. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities.

## **Recommendations:**

### **1) The Council considers and approves the following :**

- **The Capital Strategy 2024/25 at Appendix 2;**
  - **The Investment Strategy 2024/25 at Appendix 3;**
  - **The Treasury Management Strategy Statement 2024/25 at Appendix 4; and**
  - **The 2024/25 MRP Statement at Appendix 5.**
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## **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 few years with questions being raised about 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 Department or Levelling Up, Housing and Communities (DLUHC) and CIPFA resulting in changes to the Treasury Management Code and the Prudential Code.
- 1.3. Chartered Institute of Public Finance (CIPFA) published its revised Treasury Management Code of Practice and Prudential Code for Capital Finance in December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 1.4. 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 on an annual basis:
  - Capital Strategy;
  - Investment Strategy;
  - Treasury Management Strategy Statement; and a
  - A Minimum Revenue Provision (MRP) Statement

- 1.5. Additionally, a MHCLG (Now DLUHC) consultation was concluded in August 2020 which now means that from 26 November 2020 local authorities are prohibited from using monies borrowed from the Public Works Loan Board (PWLB) to invest purely for yield. Borrowing can still be used for service expenditure and schemes focused on regeneration, housing or funding interventions to prevent negative outcomes for a local area. The capital and investment strategies present how we continue to comply with these requirements by focusing our assets, resources and investments on our key corporate priorities to support the economic recovery of the town.
- 1.6. The MRP policy for 2024/25 also takes into account the proposals put out for consultation in December 2023 and expected to come into force on 1 April 2024. These have been considered but do not change the Council's approach to MRP outlined in the 2023/24 Medium Term Financial Strategy.
- 1.7. With that in mind, we have also used the strategy documents to set out a proposal to set out our approach to future investment decisions and our management of our asset portfolio which balances social value, sustainability, regeneration, commercial and housing needs at a strategic level to ensure a positive direction of travel to economic recovery continues.
- 1.8. This will inform the development of a strategic vision and delivery framework that will help guide management of our current portfolio and guide future potential investment by establishing a clear vision, objectives and selection criteria.

## 2. Consultation

- 2.1. Each strategy is attached at Appendices 2 - 5 and is 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 financial information included in these documents was approved by Council on 23 February 2024.
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## 3. Implications

### 3.1. Financial implications

As detailed throughout this report.

**Signed off by:** Gemma Bell, Director of Finance and Assets (Deputy s151 Officer), 01242 264124

### 3.2. Legal implications

None arising from the report recommendations.

**Signed off by:** One Legal [legalservices@onelegal.org.uk](mailto:legalservices@onelegal.org.uk)

### 3.3. HR implications

None arising from the report recommendations.

**Signed off by:** [HR@cheltenham.gov.uk](mailto:HR@cheltenham.gov.uk)

### 3.4. Environmental and climate change implications

The capital and investment strategies outline how our assets and resources are planned to be used to meet our corporate priorities, including those relating to carbon neutrality. These schemes and subsequent funding were approved by Council on 23 February 2024.

**Signed off by:** Maizy McCann, Climate Emergency Project Officer

### 3.5. Property/asset implications

As detailed in appendices 2 and 3.

**Signed off by:** Gemma Bell, Director of Finance and Assets, 01242 264124

### 3.6. Corporate policy framework implications

Taking action to ensure overspends are reduced as far as possible by the end of the financial year will help ensure that the council can continue to deliver its corporate objectives as set out in the 2023-2027 Corporate Plan.

**Signed off by:** Ann Wolstencroft, Head of Projects, Performance and Risk

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## 4. Performance management – monitoring and review

- 4.1. The budget position will continue to be monitored by the Finance team throughout the year and a revised budget will be presented to the December Cabinet with the 2024/25 draft budget proposal.

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### Report author:

Andrew Sherbourne, Capital and Treasury Management Accountant

### Appendices:

1. Risk Assessment
2. Capital Strategy 2024/25
3. Investment Strategy 2024/25
4. Treasury Management Strategy Statement 2024/25
5. Minimum Revenue Provision Policy Statement 2024/25

## Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	LOBO Loan - If £5m of these loans is 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	Gemma Bell, Director of Finance and Assets	1	2	2	Accept and Monitor	If the loans are recalled the council could take out temporary borrowing/ new long term borrowing through the PWLB or sale of units held in Pooled Funds. Any capital receipts available could also be used to repay debt.	Gemma Bell, Director of Finance and Assets	Ongoing
	If the assumptions made within the strategies change, then the aspirations within the capital programme may become unaffordable	ED Finance and Assets	3	2	6	Accept and Monitor	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 and Assets	Ongoing
	If the assumptions made within the strategies change, then the projected returns and the return of the initial investments may not be	ED Finance and Assets	3	2	6	Accept and Monitor	The Treasury Management Strategy and Prudential and Treasury Indicators reflect various	ED Finance and Assets	Ongoing

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
	received.						<p>assumptions of future interest rate movements and Government support for capital expenditure. These will be continually monitored and any necessary amendments will be</p> <p>made in accordance with the Strategy</p>		