Item No	Referred from:	FINANCE, AUDIT & RISK COMMITTEE
5C	**Date:**	**31 JANUARY 2024**
	Title of item:	**INVESTMENT STRATEGY (INTEGRATED CAPITOL AND TRESURY)**
To be considered alongside agenda item:		**Referral only**

The report considered by the Finance, Audit & Risk Committee at the meeting held on 31 January 2024 can be viewed here: [Agenda for Finance, Audit and Risk Committee on Wednesday, 31st January, 2024, 7.30 pm | North Herts Council (north-herts.gov.uk)]

RECOMMENDATION TO CABINET:

That Cabinet recommends to Council that they:

(1) Approve the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators. This incorporates the changes referenced in paragraphs 5.1 to 5.3.

(2) That Council approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.10 to 8.16).

REASONS FOR RECOMMENDATION:

(1) To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes.

(2) To ensure the Council's compliance with CIPFA's code of practice on Treasury Management, the Local Government Act 2003, statutory guidance from the Department of Levelling Up, Housing and Communities (DLUHC) and the CIPFA Prudential Code. As well as determining and managing the Councils risk appetite in respect of investments.

Audio recording – 21 minutes 25 seconds

The Service Director – Resources presented the report entitled 'Investment Strategy (Integrated Capital and Treasury)' and highlighted that:

- The strategy covered the capital programme and determined the value of cash available to invest as part of the Treasury Management Strategy.
- At the budget workshops in November, proposals were put forward for the revenue and capital budgets for 2024-25.
- There were three items that Cabinet considered following these workshops and these were detailed at 5.1 of the report.
- A verbal update was presented to Cabinet in January regarding new areas for capital investments and this was highlighted at 5.2 of the report.
- There was an increase to the capital allocation for waste vehicles, which was currently an estimate due to the ongoing contract procurement.
- There would be revenue income savings from the capital funding of the leisure contractor.

- The anticipated income from the Royston learner pool project would be required to offset the capital cost of the project for it to be viable.
- The outcome of a bid form the Public Sector Decarbonisation Fund should cover the majority of costs for the decarbonisation of leisure centres, but the Council would still need to make a significant contribution.
- The funding for new bins was discussed at the December Cabinet meeting.
- The current capital programme was highlighted in section 7 of the report and provided a starting point for the capital spend in future years.
- A full programme of capital schemes planned for 2024-25 was detailed in Appendix A1.
- Capital receipts were highlighted in Table 10 and indicated delays to expected capital receipts and they were being spent faster than they could be replaced. It was anticipated that next year the Council would run out of capital receipts.
- There had been some capital receipts forecasted this year, but these had been reduced and were likely to occur in future years and were due to resourcing needs and the current housing market.
- With the decline of capital receipts, borrowing would be required at a low level This could be funded externally but this would be subject to interest or internally, by borrowing against the cash in our reserves.
- The option to borrow internally would only be viable in the short term, and would result in lost interest income, but would cost less than external borrowing.
- It was hoped that should the Council need to borrow externally the interest rate would have lowered.
- Any borrowing would incur a revenue charge, and this would be spread over the lifespan of the asset that the borrowing related to and was explained in section 8.7 of the report.
- Cash amounts available for investments were detailed in Table 17.
- For investment limit purposes an average value would be used rather than an end of year balance, this was detailed in section 8.8 of the report, along with the amendments from previous years.
- The processes for investing were detailed in sections 8.10 to 8.15 of the report.

N.B Councillor Tom Plater left the Council Chamber at 19:56 and returned at 19:59.
N.B Councillor Tamsin Thomas entered the Council Chamber at 20:00.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Sean Nolan
- Independent Person John Cannon

In response to questions, the Service Director – Resources stated:

- That the Council would be borrowing by using the cash from their revenue reserves. There would be a need to borrow externally when there was a cashflow requirement to do so. This is different to the recommended minimum General Fund level.
- Initially should there be a need to borrow, the Council would finance it from revenue reserves and any further financing above that limit would come from external sources.
- Work would be ongoing on a strategy to ensure the use of longer-term borrowing rates and a spread of maturity dates.
- The Waste and Leisure assets would be capitalised. The waste vehicles were already capitalised as the Council retains the benefit of these.
- With the new waste contract, it was still uncertain if there would be a greater benefit from the Council from providing the up-front funding for the waste vehicles and this was being explored as part of the procurement.

- It was anticipated that once a detailed plan for the regeneration of Churchgate was developed then our borrowing requirement could increase. That would be offset by expected future income.
- The minimum revenue provision was an estimate and took into account the outcome if the current capital programme was fully spent, and a charge to capital spend would be required the following year. Any capital slippage would affect this provision.
- The valuation of Churchgate was an external valuation.
- Should the Public Sector Decarbonisation Fund bid be unsuccessful then the Solar Thermal and Solar PV projects would still go ahead but the Heat Pump project would be delayed.
- In Table 14 the item with a maturity date of Jan 2031 should read as £25,000 and not 25,0000.
- The were concerns that the loan to SLL for the purchase of fitness equipment may not be repaid and during the pandemic period a bad debt provision had been created. The Committee can be updated on the progress of this matter.
- There was a minimum value for the general fund recommended at £2.4M. Should the Council be forecast to go below this level it would be likely that a section 114 notice would be issued. and this must be avoided.
- If the revenue saving failed to reach their target, then the revenue costs of the Capital Programme could contribute towards the Council going below that minimum.

N.B Councillor Tamsin Thomas left the Council Chamber at 20:12 and returned at 20:13.

Councillor Tom Plater proposed and Councillor Tamsin Thomas seconded and, following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee provided comments on and recommended the Investment Strategy (Integrated Capital and Treasury) to Cabinet.

RECOMMENDATIONS TO CABINET:

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