

**FINANCE, AUDIT & RISK COMMITTEE  
24 SEPTEMBER 2018**

**PART 1 - PUBLIC DOCUMENT**

TITLE OF REPORT: INTEGRATED CAPITAL AND TREASURY STRATEGY  
REPORT OF: THE SERVICE DIRECTOR- RESOURCES  
EXECUTIVE MEMBER: CLLR JULIAN CUNNINGHAM  
COUNCIL OBJECTIVE: RESPONSIVE AND EFFICIENT

**1. EXECUTIVE SUMMARY**

1.1. The Ministry for Housing, Communities and Local Government (MHCLG) and Chartered Institute for Public Finance and Accountancy (CIPFA) have both issued guidance in relation to Councils having an Investment Strategy. The guidance provides details of what is required to be included in the Strategy (from 2019/20). Whilst the Investment Strategy could be covered by extending what is currently covered in the separate Treasury Strategy and Capital Programme, it is considered that this is an opportunity to combine the two and review the content to make it more meaningful. The Committee are asked to comment on the draft Strategy, as to whether the format and content is helpful for their needs.

**2. RECOMMENDATIONS**

2.1. That the Committee comment on the format and content of the draft Strategy attached as Appendix A.

**3. REASONS FOR RECOMMENDATIONS**

3.1 To fulfil the Committee's terms of reference, to "assist the Council and the Cabinet in the development of its Budget and Policy Framework process by in-depth analysis of policy issues pertaining to finance, audit and risk".

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 It was considered whether to meet the requirements by extending the current Treasury Strategy and Capital Programme documents. As both of these documents have been adapted over time to meet changing requirements and legislation they no longer provide a clear narrative. It was therefore considered appropriate to develop a combined document that would then fully meet the issued guidance.

#### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1. This committee is being consulted for their feedback.

#### **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

#### **7. BACKGROUND**

- 7.1 On 2<sup>nd</sup> February 2018, the MHCLG published updated statutory guidance on Local Government investments. The guidance was effective from 1<sup>st</sup> April 2018, but it recognised that it had been published very late and therefore full implementation could be delayed until 2019/20. As at the date that the statutory guidance was issued, the Council's capital programme and treasury strategy has already been considered by Cabinet and recommended on to Full Council. Therefore the option was taken to defer to 2019/20. A link to this document is provided in the background papers.
- 7.2 Guidance issued by CIPFA is in the form of the Prudential Code (i.e. the Prudential Code for Capital Finance in Local Authorities, 2017 Edition) and the Treasury Management Code (i.e. the Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition). These publications are subject to copyright so copies can not be provided.

#### **8. RELEVANT CONSIDERATIONS**

- 8.1. The statutory guidance issued by the MHCLG has broadened the scope of what should be covered by the treasury management principles of Security, Liquidity and Yield. This has now been extended to include capital assets that are held for financial returns, rather than just treasury investments. For these assets it has also added a requirement to consider the fair value of the asset and the risk of loss.

- 8.2. The guidance also now requires a consideration of the full costs of holding assets, including both revenue and capital maintenance. It also encourages taking a longer term view of this expenditure i.e. up to 10 years.
- 8.3. The guidance provides a revised definition of 'borrowing in advance of need'. In the past this has been determined to be borrowing before it is strictly needed and then investing the surplus cash. If the borrowing is cheap enough and it is invested in the right way then this can create a net gain. The new definition now determines that borrowing for capital investments (e.g. land and buildings) that are purchased purely to generate profit is also treated as borrowing in advance of need.
- 8.4. The guidance defines the document that covers all the requirements that it sets out as an 'Investment Strategy'. However it does determine that the requirements can be covered by multiple documents or a document with a different name. This report refers to it as an 'Integrated Capital and Treasury Strategy' as it is felt that this better reflects what it actually contains, and this is the title given to Appendix A.
- 8.5. The draft at Appendix A is intended to give the Committee a chance to comment on the content and flow of the draft Strategy. The tables that are included are deliberately left blank as their content will depend on a number of factors (e.g. a review of the existing capital programme, new capital bids and forecasts around capital receipts and other funding). Some of the detail may not be immediately relevant (e.g. borrowing strategy and Minimum Revenue Provision policy) but is included as it is likely to become so. The Investment Strategy that is included is based on the current treasury strategy and may be subject to change before it is finalised.
- 8.6. Officers believe that the content of this draft fully complies with guidance and legislation. However additional support and information will be used to ensure that this is the case. This will include:
- Advice from the Council's Treasury Advisors
  - An Internal Audit review has been included within the SIAS Audit Programme
  - As other Councils make draft versions available, these will be compared against this draft to identify any gaps.

## **9. LEGAL IMPLICATIONS**

- 9.1 The MHCLG Statutory Guidance is issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. Under that section Local Authorities are required to "have regard" to "such guidance as the Secretary of State may issue".
- 9.2 Local Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.

- 9.3 The Terms of Reference of this Committee under 10.1.5(d) are to “*assist the Council and the Cabinet in the development of its Budget and Policy Framework process by in-depth analysis of policy issues pertaining to finance, audit and risk*”.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 As this report is concerned with giving the Committee an opportunity to comment on the format and content of the Strategy, there are no direct financial implications arising from this report. This report deliberately does not cover any changes to the Strategy. If there are any changes then these will be covered in the version presented to the Committee in January 2019.

## **11. RISK IMPLICATIONS**

- 11.1 As per the financial implications above, this report deliberately does not cover any changes to the Strategy. If there are any changes then these will be covered in the version presented to the Committee in January 2019. The Strategy does determine the Council’s approach and management of treasury and investment risks.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no equalities implications arising from this report.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 The Social Value Act and “go local” policy do not apply to this report.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no direct human resource implications relating to this report.

## **15. APPENDICES**

- 15.1 Appendix A – Draft Integrated Capital and Treasury Strategy

## **16. CONTACT OFFICERS**

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## 17. BACKGROUND PAPERS

Statutory Guidance on Local Government Investments,  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/678866/Guidance\\_on\\_local\\_government\\_investments.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf)