

Classification: Part 1 – Public
Key Decision: No

Gravesham Borough Council

Report to: Finance and Audit Committee
Date: 18 February 2019
Reporting officer: Director (Corporate Services)
Subject: Treasury Management Strategy and Capital Strategy 2019/20

PURPOSE AND SUMMARY OF REPORT:

To consider the Treasury Management Strategy and associated Annual Investment Strategy and the Minimum Revenue Provision Policy for 2019/20 along with the Capital Strategy for 2019/20.

RECOMMENDATIONS:

The Finance & Audit Committee recommends to the Full Council that:

- 1) The Treasury Management Strategy for 2019/20 as set out in Appendix 2 be agreed.
- 2) Delegated authority be given to the Director (Corporate Services), in consultation with the Chair of the Finance and Audit Committee, to amend the prudential and treasury indicators as necessary as a result of the budget approved by Full Council on 26 February 2019.
- 3) The Minimum Revenue Provision (MRP) calculation on all new capital expenditure as set out in Section 5 of the Treasury Management Strategy Statement be approved for 2019/20 and beyond in accordance with the Authority's Capital Programme.
- 4) The Annual Investment Strategy for 2019/20 as set out in Section 14 of the Treasury Management Strategy Statement be agreed
- 5) The Capital Strategy for 2019/20 as set out in Appendix 3 be agreed.

1. INTRODUCTION

- 1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested low risk in counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need to the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations.
- 1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects.
- 1.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
- 1.5 CIPFA defines treasury management as: "The management of the authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 1.6 Revised reporting is required for 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 include 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 under the Localism Act 2011. The capital strategy is being reported separately.

2. REPORTING REQUIREMENTS

Treasury Management Reporting

- 2.1 Full Council is required to receive reports and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.
 - **Prudential and treasury indicators and treasury strategy** – The first, and most important report is forward looking
 - **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.
 - **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Capital Strategy

- 2.2 The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare a capital strategy report setting out a high-

level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.

- 2.3 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.
- 2.4 The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Finance and Audit Committee.

IMPLICATIONS**APPENDIX 6****LEGAL**

As per section 1.13B.67 of the Council’s Constitution, the Chief Finance officer has delegated responsibility from Cabinet.

“in respect of borrowing and investments to arrange such loans as are legally permitted to meet the Council’s borrowing requirements”

FINANCE AND VALUE FOR MONEY

Due to the nature of the report, the financial implications are contained throughout the report.

In order to achieve a balanced budget, the authority relies upon generating maximum interest from its investments whilst minimising the exposure to risk. In order to achieve this, investments are only placed with institutions which meet the criteria set out within this report. Investment durations do not exceed those as advised by Capita Asset Services credit ratings which are associated with the specific institutions.

Where the authority is required to borrow to meet the needs of the authority, officers will seek advice from Capita Asset Services on timings and options in order to ensure the best deal for the authority.

RISK ASSESSMENT

The risks associated with Treasury Management and capital expenditure are detailed within this report.

EQUALITY IMPACT ASSESSMENT**SCREENING FOR EQUALITY IMPACTS****QUESTION****ANSWER****EXPLANATION**

a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?

No

b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?

N/A

c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?

N/A

	<i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i>
CORPORATE BUSINESS PLAN	Corporate Objective Four – a Sound and Self Sufficient Council
CRIME AND DISORDER	Treasury Management activities are carried out in accordance with the Treasury Management Strategy and Annual Investment Strategy which minimises the risk of criminal activities. The arrangements to ensure appropriate governance around capital expenditure are set out in the Capital Strategy.