Classification: Public
Key Decision: No

Gravesham Borough Council

Report to:	Full Council
Date:	21 February 2023
Reporting officer:	Director (Corporate Services)
Subject:	Treasury Management Strategy and Capital Strategy 2023/24

Purpose and summary of report:

To consider the Treasury Management Strategy and associated Annual Investment Strategy and the Minimum Revenue Provision Policy for 2023/24 along with the Capital Strategy for 2023/27.

Recommendations:

That Full Council :

1) Approves The Treasury Management Strategy for 2023/24 as set out in Appendix 1

2) 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 2023/24 and beyond in accordance with the Authority's Capital Programme with delegated authority given to the Director (Corporate Services) to amend as required.

3) The Annual Investment Strategy for 2023/24 as set out in Section 15 of the Treasury Management Strategy Statement be approved

4) The Capital Strategy for 2023/27 set out in Appendix 2 be approved.

5) Delegates authority 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 21 February 2023.

6) Delegates authority to the Director (Corporate Services), in consultation with the Chair of the Finance and Audit Committee, to amend the Treasury Management Strategy for 2023/24 and the Capital Strategy for 2023/27 as required following successful completion of the 2019/20, 2020/21 and 2021/22 final accounts process.

Key Implications:	
Item	**Implications**
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.
Corporate Plan	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks.
Climate Change	The use of reserve funding is included within the budget proposals for Climate Change Activity and reflected within the Treasury Management Strategy Statement and Capital Strategy accordingly.

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 in counterparties or instruments commensurate with the Council's 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. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

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. The treasury operations will see a balance of the interest costs of debt and the investments income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

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”.

2. REPORTING ARRANGEMENTS

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 2021 Prudential and Treasury Management Codes require 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. Included in section 8 of the Capital Strategy is the requirement to include a Capital Receipts Strategy. This strategy sets out the circumstances under which the council could consider the flexible use of capital receipts.

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.

Statement of Accounts 2019/20

2.4 The external audit process of reviewing and certificating the 2019/20 Statement of Accounts has yet to be concluded. The final accounts process has identified alternative treatment for the St George’s transaction and required clarification on some asset valuations. Therefore, the figures included within the Treasury Management Strategy Statement and Capital Strategy are subject to change once the final treatment and asset valuations have been agreed between the Council and Grant Thornton and are reflective of negotiations with Aviva regarding the terms of the transaction.

2.5 To ensure the Treasury Management Strategy Statement remains reflective of the council's activity, delegated authority is sought for the Director (Corporate Services) to amend the Treasury Management Strategy for 2023/24 and the Capital Strategy for 2023/27 as required following successful completion of the 2019/20, 2020/21 and 2021/22 final accounts processes, in consultation with the Chair of the Finance and Audit Committee.

Secondary Implications	
Risk Assessment	The risks associated with Treasury Management and capital expenditure are detailed within this report.
Data Protection Impact Assessment	*A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.*
	a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data? A definition of each type of data can be found on the Information Commissioner's Office website via the above links. N/A
	b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A
	c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk. N/A
Equality Impact Assessment	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? If yes, please explain answer. No decision – paper is for information only.
	b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. No decision – paper is for information only.
	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
Crime and Disorder	No direct implications
Digital and website implications	No direct implications
Safeguarding children and vulnerable adults	No direct implications