

Cherwell District Council

Accounts, Audit and Risk Committee

17 January 2024

Capital, Investment and Treasury Management Strategies 2024-25

Report of the Assistant Director of Finance

This report is public

Purpose of report

To submit the draft Capital and Investment Strategy and Treasury Management Strategy for 2024-25.

1.0 Recommendations

The meeting is recommended:

- 1.1 To recommend the draft strategies for 2024-25 to Executive.

2.0 Introduction

- 2.1 The Capital and Investment Strategy was introduced for 2019-20, to sit alongside the Treasury Management Strategy. The Capital and Investment Strategy must be approved by Full Council annually and must satisfy the requirements of government legislation and CIPFA guidance.

3.0 Report Details

- 3.1 The **Capital Strategy** demonstrates how the council takes capital expenditure decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.
- 3.2 The **Investment Strategy** relates only to non-treasury management investments. The purpose of the strategy is to demonstrate how the council:
 - Makes investment decisions (governance, advice taken etc)
 - Demonstrates investments are tied to corporate objectives
 - Assesses and monitors risk
 - Assesses and monitors return
 - Ensures there is appropriate capacity, skills and culture to support its strategy

Investments which are covered by this strategy include such things as:

- Loans to third parties (e.g. subsidiaries, charities, businesses) [Service loans]
- Purchase of shares (in subsidiaries, businesses etc)
- Property

3.3 The **Treasury Management Strategy** sets out the Council's risk appetite and associated priorities in relation to security, liquidity and yield in respect of returns from various financial instruments.

4.0 Conclusion and Reasons for Recommendations

4.1 The Council must establish and approve an updated Capital and Investment Strategy and Treasury Management Strategy that complies with CIPFA's revised Prudential Code for Capital Finance in Local Authorities (2021 edition) and Prudential Code Guidance Notes for Practitioners (2021 edition), CIPFA's Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2021 edition) and revised Statutory Guidance on Local Government Investments (Third Edition). Guidance requires the Strategy to be approved by Full Council on an annual basis and, moreover, that any mid-year material changes to the Strategy must also be subject to Full Council approval.

5.0 Consultation

5.1 None

6.0 Alternative Options and Reasons for Rejection

6.1 There are no alternative options – this is a requirement placed upon all local authorities.

7.0 Implications

Financial and Resource Implications

7.1 There are no financial implications arising directly from this report as the recommendation is to recommend the strategies to Executive committee. However, if the strategy is approved by Council there will be the following financial implications:

The Capital and Investment Strategy includes an updated Minimum Revenue Provision (MRP) policy which is proposed to be adopted from 2023/24 onwards. This Policy changes the calculation methodology from a straight-line approach to an annuity method – this reflects the time value of money, and so results in a lower charge initially, but increases over the life of the asset. The overall MRP charge required is unchanged – but is instead reprofiled. Over the MTFS period this change in MRP policy is forecast to provide the savings outlined in the below table:

	23/24	24/25	25/26	26/27	27/28	28/29
	£m	£m	£m	£m	£m	£m
Forecast MRP charge on straight-line basis	5.8	7.4	6.5	6.6	6.5	6.4
Forecast MRP charge on annuity basis	3.7	5.4	4.7	4.9	5.0	5.2
Saving	2.1	2.0	1.8	1.7	1.5	1.2

The 24/25 budget setting process has assumed the move to annuity basis will be approved, and so if this were to not be the case there would be a £2.0m pressure on the 24/25 budget.

Comments checked by:

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Legal Implications

- 7.2 The Local Authorities (Capital Finance and Accounting) Regulations 2003 provides operational detail and specifically states that Authorities must have regard to CIPFA's Prudential Code when setting and reviewing borrowing limits. Local Authorities must also have regard to the Investment Guidance issued by Secretary of State under section 15(1)(a) of the Local Government Act 2003.

Comments checked by:

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Risk Implications

- 7.3 It is essential that this report is considered by the Audit Committee as it demonstrates that the risk of not complying with the Council's Treasury Management Policy has been avoided. This and any other risks related to this report will be managed through the service operational risk and escalated to the leadership risk register as and when necessary.

Comments checked by:

Celia Prado-Teeling, Performance and Insight Team Leader
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Equalities and Inclusion Implications

- 7.4 There are no equalities implications arising directly from this report.

Comments checked by:

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8.0 Decision Information

Key Decision: N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All wards are affected

Links to Corporate Plan and Policy Framework

n/a

Lead Councillor

Councillor Adam Nell, Portfolio Holder for Finance

Document Information

Appendix number and title

- Appendix 1 - Capital and Investment Strategy 2024-25
- Appendix 2 - Treasury Management Strategy 2024-25

Background papers

None

Report Author and contact details

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