

Capital, Investment and Treasury Management Strategy

Investment Sub Committee Friday, 19 January 2024

Report of: Director of Resources (Section 151)

Purpose: For decision

Publication status: Unrestricted

Wards affected: All

Executive summary:

This report submits the Council's Capital, Investment and Treasury Management Strategy for 2024/25 for approval by this Sub Committee, in advance of it going forward for approval by Strategy & Resources Committee on 30th January 2024 and by Full Council on 8th February 2024.

This report supports the Council's priority of: Building a better Council/ Creating the homes, infrastructure and environment we need/ Supporting economic recovery in Tandridge/ Becoming a greener, more sustainable District.

Contact officer Nikki O'Connor – Strategic Finance Business Partner
(Corporate Finance)

nicola.oconnor@surreycc.gov.uk

Mark Hak Sanders – Director of Resources (s151)

MHakSanders@tandridge.gov.uk

Recommendation to Committee:

That this Committee recommends to Strategy & Resources Committee and then Council the approval of the Capital, Investment and Treasury Management Strategy for 2024/25.

Reason for recommendation:

The Strategy is required to ensure compliance with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code).

Introduction and background

- 1 The Capital, Investment and Treasury Management Strategy provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute towards the delivery of the Council's priorities, along with an explanation of how risk, security and liquidity are managed.
- 2 The aim of the Strategy is to provide a framework within which the Council's Capital Investment Plans will be delivered. It provides a summary of the Council's capital expenditure plans and how these are to be financed, along with the principles and governance arrangements which apply to the management of the Capital Programme.
- 3 The Strategy also covers Treasury Management activity, which is the management of the Council's cash flows, borrowing and investments, and the associated risks.
- 4 The Council's Investment Property Strategy is included within this document. This aims to provide a robust framework for property investments towards the pursuance of redevelopment and regeneration opportunities.

Changes by comparison to 2023/24 Strategy

- 5 The 2024/25 document makes the following main changes to the previously published document, excluding minor wording updates and updates to / explanation of current-year numerical values:

Reference	Change	Rationale
Paragraph 1.1 and 1.5	Remove reference to Strategic Plan	Future strategies will refer to the Corporate Plan once adopted.
Paragraph 2.1	Addition of references to infrastructure and housing.	A more balanced representation of the capital programme.
Paragraph 2.8	Updated references to the key elements of the Capital Programme	Annual refresh.

Reference	Change	Rationale
Paragraph 2.13	Additional wording to explain that we have no choice on excluding the HRA from MRP charge.	Clearer that this is not a local choice.
Paragraph 2.16	Clearer explanation of CFR – relating to the need to borrow rather than outstanding debt.	Clarity of terminology.
Paragraph 2.18	Narrative to explain that whilst the HRA CFR is increasing, the General Fund CFR is decreasing.	Clearer that the borrowing requirement in the General Fund is reducing.
Paragraph 2.22 and 2.23	Revised explanation to reflect latest capital financing cost projections.	Updates to reflect latest forecast.
Paragraph 3.1	Additional narrative required to explain how investments are defined.	Complying with best practice.
Paragraph 3.7	Removal of duplicate text.	Clarity of text.
Paragraph 3.13	Inclusion of 'local commercial property' in types of investment holdings.	Reflecting the mixed use of Quadrant House (Retail & Offices).
Paragraph 3.15	Clarify that Committee would be involved in decisions on alternate uses for investment properties.	Clarity of Governance.
Paragraph 3.18	Clarity that the Council does not have amounts that the Council is contractually committed to lend, or third party guarantees.	Clarity of text.
Appendix B – Approval of Capital Investment	Remove Reference to PFI	No longer relevant.

Reference	Change	Rationale
Appendix B – Approval of Capital Investment	Additional reference to Peer Review.	Strengthen governance and share best practice.
Appendix B - Service Challenge & Review, Efficient Use of Assets	Additional reference to Member approval.	Clarity of Governance.
Appendix C – Paragraphs 18 and 25	Removal of detailed delegation to Officers, replaced by a sentence referring the reader to the Constitution.	Removes risk of inadvertent conflict with the Constitution. Clearer that the Constitution is the overriding source of delegations.
Appendix C – Annex B	Removal of reference to Investment Property Group, replaced with Statutory Officers Group.	Obsolete term.
Appendix D – Paragraph 1.5	Remove reference to 'audited' accounts.	Whilst accounts should be audited, the current backlog (part of a nationwide backlog) means that the prior year accounts are not yet audited.
Appendix D – Section 2 and Annex 2	Arlingclose Commentary – replaced by latest version.	Annual Refresh.
Appendix D – Paragraph 4.1	Clarity that "the Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board."	Clarity of strategy.
Appendix D – Paragraph 4.8	Further clarity that the Council must not borrow primarily for financial return.	Clarity of strategy / external regulation.
Appendix D – Paragraph 4.9	Removal of reference to PFI.	No longer relevant.

Reference	Change	Rationale
Appendix D – Paragraph 5.2	Inclusion of text: "Existing investments will be reviewed on a regular basis for appropriateness of size, length of investment and counterparty, referring to the Government's policy on statutory overrides and the current performance of each investment."	Commitment to keep current portfolio under review.
Appendix D – Paragraph 5.5 (beneath Table 3)	Increased Money Market Fund Limits from £4m to £5m	To provide additional flexibility to manage very short-term high cash balances and avoid excessive balances in the current account.
Appendix D – 5.21	Interest Rate Exposure	Modifying table to provide a more understandable limit.

The above changes do not represent a fundamental change in strategy, but are aimed to clarify governance arrangements and/or wording, make clearer the need for Member involvement and strengthen the commitment not to borrow primarily for financial return.

Key implications

Comments of the Chief Finance Officer

- 1 The financial and risk implications are set out in detail within the attached Strategy and supporting Annexes.

Comments of the Head of Legal Services

- 2 There are no legal implications resulting from the recommendations in this report. The Council is required to approve a Capital, Investment and Treasury Management Strategy each financial year.

Equality

- 3 The recommendations within this report do not have the potential to disadvantage or discriminate against any different groups with protected characteristics in the community.

Climate change

- 4 There are no significant environmental / sustainability implications associated with this report. It is however recognised that some Council investments may be in companies that are considered to have a detrimental impact on the climate, such as oil companies.

Appendices

Appendix 1 – Capital, Investment and Treasury Management Strategy 2024/25 and supporting Annexes.

Background papers

Refer to 2024/25 Draft Budget and Medium-Term Financial Strategy.

----- end of report -----