

Capital, Investment and Treasury Management Strategy

Investment Sub Committee Friday, 17 January 2025

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 2025/26 for approval by this Sub Committee, in advance of it going forward for approval by Strategy & Resources Committee on 30th January 2025 and by Full Council on 13th February 2025.

This report supports the Council's priority of: Protecting and enhancing our environment./Delivering affordable housing for local people./Financial prudence and sustainability./Putting residents at the heart of what we do./A safe, healthy and caring community supporting those most in need./A thriving economy.

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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 2025/26.

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 based on financial security, redevelopment and regeneration opportunities.

Comparison to the previous strategy, approved in January 2024

- 5 The total borrowing requirement for the General Fund (Capital Financing Requirement - CFR) is largely unchanged over the Medium-Term Financial Strategy (MTFS) period, by comparison to the previous year's strategy. In the proposed strategy, the General Fund CFR ends at £27.1m in 2027/28 compared to £27.0m in the final year of the previous strategy (2026/27). This shows no increase from 2024/25, as MRP (debt repayment) broadly matches new borrowing each year over the MTFS period.
- 6 The cost of repaying the debt through MRP is also largely unchanged from the previous year's strategy. In the proposed strategy, MRP peaks at £1.6m in 2027/28 whereas the previous year's strategy saw MRP peak at £1.5m in 2026/27. MRP works similarly to a fixed-rate mortgage in as much as where MRP (the principal element) grows each year, the interest costs reduce by an equivalent amount.
- 7 The HRA CFR grows to £106.7m over the period (from £94.5m in the previous strategy). The increase is largely linked to a further year of

capital spend (i.e. 2027/28) brought into scope for the MTFs. The proposed strategy sees annual growth in the HRA CFR. This increase is linked to the Council House Building Programme which generates income to meet the debt repayments and keep the overall HRA Business Plan in balance.

- 8 The 2025/26 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
Appendix 1 - Capital, Investment & Treasury Strategy – Para 2.25	Inclusion of reference to the role of the capital programme in achieving net zero carbon.	Updated to reflect the Climate Change Strategy approved by S&R Committee in September 2024 and the impact this has on the HRA Capital Programme.
Appendix A – MRP Policy	Clarification of MRP policy where capital financing is used to invest in loans to third parties (e.g. Gryllus, Freedom Leisure).	To make the MRP policy more prudent in that any shortfall in expected returns is recognised through MRP.
Appendix C – Investment Property Strategy – Para 42	Narrative added to changes in the Asset Management Team budget.	Further explanation of year-on-year changes to the budget as part of the wider management restructure savings and capitalisation review.
Appendix D – Treasury Management Strategy – Para 1.5	Clarity on the Council’s ability to secure expert advice.	Clarity that expert advice from Arlingclose is available at key junctures and throughout the year.
Appendix D – Treasury Management Strategy – Section 2	Updated Economic Forecast	To provide latest outlook from Arlingclose.
Appendix D – Treasury Management Strategy – Para 3.1	Local context on borrowing and cash to match latest position.	Context added to provide more information to readers.

Appendix D – Treasury Management Strategy – Para 4.1	Clarity on the ability to borrow in advance of need.	Borrowing in advance of need may be preferable to take advantage of low interest rates.
Appendix D – Treasury Management Strategy – Para 4.12	Clarity on the interest rate risks associated with short-term loans.	Provide clarity to readers on the implications of using this type of borrowing.
Appendix D – Treasury Management Strategy – Para 4.15	Inclusion of reference to the £0.1m p/a allowance in the MTFS to reflect the likely reduced value of the Castlefield House asset in Gryllus.	Reference to the Council’s approach to avoiding a cliff-edge on income relating to this asset.
Appendix D – Treasury Management Strategy – Para 5.1	Local context investments to match latest position.	Context added to provide more information to readers.
Appendix D – Treasury Management Strategy – Para 5.3	Reference to the developing approach to Environmental Sustainability in investments, and the Council’s approach.	Clarity of current strategy.
Appendix D – Treasury Management Strategy – Para 5.9 and 5.10	Minor changes to wording relating to Secured and Government investments.	To provide further clarity / illustration on the type of investment.
Appendix D – Treasury Management Strategy – Para 5.16	Acknowledgement that some investments may carry reputational risk and clarity that consideration to this would be given in consultation with Members.	Acknowledgement of potential for reputational risk with certain types of investment.
Appendix D – Treasury Management	Clarity on the Council’s approach to derivatives.	Inclusion now required by the Code of Practice. Members would be consulted on

Strategy – Para 5.25 – 5.28		individual instruments.
Appendix D – Treasury Management Strategy – Para 5.29	Information on how the Council splits debt between HRA and General Fund	Provided to set out how the Council separately manages the two debt portfolios.

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. The strategy retains the commitment not to borrow primarily for financial return and seeks to minimise any growth in the General Fund CFR over the period.

Work to attract external investment in the Council’s assets, and review the assets held by the Council, should reduce borrowing over time.

Key implications

Comments of the Chief Finance Officer

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

Comments of the Head of Legal Services

- 10 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

- 11 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

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

Appendices

Appendix 1 – Capital, Investment and Treasury Management Strategy 2025/26 and supporting Annexes.

Background papers

None.

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