

Members: Federica Smith-Roberts (Chair), Benet Allen (Deputy Chair),
Chris Booth, Ross Henley, Marcus Kravis, Richard Lees,
Peter Pilkington, Mike Rigby and Francesca Smith

Agenda

**7. Capital, Investment and Treasury Management
Strategies 2020/21**

(Pages 3 - 4)

This matter is the responsibility of Executive Councillor for Corporate Resources, Councillor Ross Henley.

The purpose of this report is to inform members and seek approval for the Council's recommended strategies in relation to capital expenditure and financing, investments and treasury management activities.



**JAMES HASSETT
CHIEF EXECUTIVE**

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9 Audit Governance and Standards Committee Comments

- 9.1 The AGS Committee reviewed the draft report on 4 February, with comments and recommendations from the Committee provided to the Executive on 10 February as summarised below.
- 9.2 Discussion points and comments
- Members drew attention to the differences between the early draft report deferred by the Committee on 13 January and the final report. The S151 Officer clarified the report has updated since 13 January with the latest available information (e.g. the recommended HRA Business Plan).
 - Members requested the governance structure chart for commercial investment decisions was included in the final report. This is now included.
 - Members requested that tables in the report should avoid wrapping over two pages if possible. The formatting in the final document has been updated.
 - Members queried on the risks of borrowing when income was less predictable. The S151 Officer confirmed he is comfortable that the planned growth of the Council's capital expenditure in the medium term is based on viable plans but confirmed the risk that delivering planned income targets is important to ensure servicing that debt remains affordable.
 - Members sought clarification about the recent PWLB rate raise and whether other sources of borrowing would be used. The S151 Officer clarified the advantages of PWLB and outlined alternative sources of borrowing such as other local authorities, banks, or capital markets (mainly pension/insurance funds)
 - Members asked whether the Council has a dedicated team of officers that were looking at further grant opportunities such as the High St Fund. The S151 Officer confirmed that various officers across the Council pursue grant finding opportunities, albeit not structured as one single team.
 - The S151 Officer confirmed a new accounting standard for leases applies from the 2020/21 accounts, with significant work required and planned to analyse the implications. An update will be provided to Members in the mid-year report.
 - Members discussed concerns around investments making a profit and whether tax implications had been considered. The S151 Officer confirmed that local authorities are not exposed to capital gains tax and holding properties for rental income, and legal advice had been obtained confirming holding investment properties is within the Council's legal powers.
 - Members noted that CIPFA and MHCLG are concerned about borrowing for investment purposes and that any such activity should be proportionate.
 - The Committee noted the requirement for the Constitution to be reviewed for completeness and further clarity on responsibilities for all aspects of the strategies included within the report.

- 9.3 Recommendations from the AGS Committee to the Executive on 10 February:

- a) Recommended that the Council obtains specific tax advice as to whether all of, or some of, the investments the Council makes should be operated via a Local Authority Trading Company (LATC), and thus be subject to corporate taxes.
- b) Recommended that South West Audit Partnership's (SWAP) Financial Strategy Team be appointed to help review the Financial Strategy's Governance and work with the Council an ongoing basis as required.
- c) Recommended that a clear distinction is made between the Treasury Strategy and Capital Strategy for the benefit of members and the public.
- d) Recommended that a clear distinction is made in future reporting between income generating investment and capital investments made to obtain service and social value.