

# Somerset West and Taunton Council

## Audit, Governance and Standards Committee – 13 January 2020

### Capital, Investment and Treasury Strategies 2020/21 to 2024/25

This matter is the responsibility of Executive Councillor Ross Henley

Report Author: Paul Fitzgerald, Strategic Finance Advisor and S151 Officer

#### 1 Executive Summary / Purpose of the Report

- 1.1 The purpose of this report is to inform members of the recommended strategy in relation to capital expenditure and financing, investments and treasury management activities.
- 1.2 Previously separate strategies have been presented, however this report provides a holistic view of the Council's capital, investment and borrowing requirements meeting the requirements of statutory guidance issued by government in January 2018.

#### 2 Recommendations

- 2.1 Audit, Governance and Standards Committee are requested to review and comment on the Draft Treasury Management Strategy, and recommend for approval to the Executive subject to finalising with key budget information.
- 2.2 Audit, Governance and Standards Committee are requested to note the requirement for the Constitution to be reviewed for completeness and further clarity on responsibilities for all aspects of the strategies included within this report.
- 2.3 Audit, Governance and Standards Committee to provide feedback on the full report including any suggestions for improvement.

#### 3 Risk Assessment (if appropriate)

##### Risk Matrix

Description	Likelihood	Impact	Overall
The Council fails to maintain an adequate system of internal control.	2	4	8
<i>The Council has in place suitable arrangements to develop, approve and deliver its Capital, Investment and Treasury strategies through appropriately trained staff and access to specialist treasury and commercial advice.</i>	1	4	4

## Risk Scoring Matrix

<b>Likelihood</b>	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
<b>Impact</b>							

<b>Likelihood of risk occurring</b>	<b>Indicator</b>	<b>Description (chance of occurrence)</b>
1. Very Unlikely	May occur in exceptional circumstances	< 10%
2. Slight	Is unlikely to, but could occur at some time	10 – 25%
3. Feasible	Fairly likely to occur at same time	25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally	50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)	> 75%

## 4 Governance

4.1 The approved capital and treasury governance arrangements are set out in the Council's Constitution. These include:

- The Executive has delegated authority to approve the Treasury Management Strategy each year (Financial Procedure Rules – 3.13.2).
- The Executive is responsible for recommending the Capital Strategy and MRP Policy to Full Council for approval (Financial Procedure Rules – 3.1.10, 3.13.1)
- The Audit Governance and Standards Committee is responsible for monitoring treasury management performance through a mid-year and year-end report (Financial Procedure Rules – 3.13.5).

4.2 Responsibility for monitoring the Capital and Investment Strategies is not specified in the Constitution. It is proposed by the S151 Officer to report capital and investment performance to the Executive. Scrutiny Committee may also request this information as part of its work programme. Responsibility for the Investment Strategy is not specified in the Constitution however the S151 Officer views this as intrinsic to the Capital Strategy and therefore follows the same approach for approval and monitoring.

4.3 In order to ensure capital, investment and treasury performance reporting is coherent, the S151 Officer proposes to review the reporting arrangements for 2020/21 financial

year in consultation with the committee Chairs for Scrutiny and Audit Governance and Standards. The Constitution should also be reviewed and updated to ensure it covers this fully.

## **5 Background and Full Details of the Report**

- 5.1 In line with regulatory guidance, the Council is required to produce a Capital Strategy, and Investment Strategy and a Treasury Management Strategy. These are intrinsically linked so, whilst in the past these have been presented to Members as separate reports, they have been pulled together into a draft consolidated document this year. It is recognised this is a large document now, but is helpful on this occasion to provide a holistic review of the relevant data and information together with supporting narrative. The report is also expanded to include a number of graphs and charts to hopefully make some of this information more accessible to a wider audience. The S151 Officer proposes to explore future iterations of this report to condense into a single, shorter strategy document. This will be discussed with our external auditor to ensure compliance to the relevant regulations is not compromised.
- 5.2 The Audit, Governance and Standards Committee is requested specifically to review and comment on the draft Treasury Management Strategy section of the report. However, feedback and comments are invited on the whole draft report.
- 5.3 Some of the information required to complete key forecasts and parameters in this report are not yet available. The Capital and Investment Strategies will be updated and finalised alongside the Draft Budget in the February 2020 committee cycle. The information included at this stage should therefore be regarded as indicative only and subject to change.
- 5.4 In January, Finance Officers will work with budget holders to updated projected profiling of current approved and proposed capital spending between financial years.
- 5.5 Work is currently underway to produce a fully reviewed and updated 30-Year Business Plan for the Housing Revenue Account. This may not be completed before these Strategies are to be approved by Full Council in February. As such the HRA information will need to be presented using the best available information at this stage, and may need to be formally revised during 2020/21 financial year to ensure these strategies and the Business Plan are fully aligned. In particular it is anticipated the HRA Business Plan will propose significant investment in social housing, and officers are currently working with Arlingclose to develop the approach to financing this investment.

## **6 Links to Corporate Aims / Priorities**

- 6.1 The Capital, Investment and Treasury Management strategies support the delivery of the Corporate Aims.

## **7 Finance / Resource Implications**

- 7.1 Any financial / resource implications are contained within the Appendix to this covering report.

**8 Legal Implications, Environmental Impact Implications, Safeguarding and/or Community Safety Implications, Equality and Diversity Implications, Social Value Implications, Partnership Implications, Health and Wellbeing Implications, Asset Management Implications, Data Protection Implications and Consultation Implications**

8.1 None in respect of this report.

**Democratic Path:**

- **Audit, Governance and Standards Committee - Yes**
- **Executive - Yes**
- **Full Council - Yes**

**Reporting Frequency: Annually**

**List of Appendices**

Appendix A	Capital, Investment and Treasury Strategies 2020/21 to 2024/25
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