

Somerset West and Taunton Council

Executive Committee – 10 February 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 and seek approval for the Council's recommended strategies in relation to capital expenditure and financing, investments and treasury management activities.
- 1.2 An early draft of this report was provided to Audit, Governance and Standards Committee on 13 January 2020, with a final draft to be reviewed by the same Committee on 4 February. The strategies reflect financing implications of the proposed budgets and capital programmes for 2020/21, which are to be presented to the Scrutiny Committee on 5 February, Executive on 10 February and Full Council on 19 February.
- 1.3 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 Executive considers comments and/or recommendations from the Audit, Governance and Standards Committee, and approves the Treasury Strategy contained within the consolidated report.
- 2.2 Executive considers comments and/or recommendations from the Audit, Governance and Standards Committee, and recommends that Full Council approves the Capital and Investment Strategies and Minimum Revenue Provision policy.
- 2.3 Executive notes and supports the requirement for a review of the Constitution for completeness and further clarity on responsibilities for all aspects of the strategies

included within this report.

3 Risk Assessment

Risk Matrix

Description	Likelihood	Impact	Overall
Risk: The Council fails to maintain an adequate system of internal control.	2	4	8
Mitigation: 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.	1	4	4

Risk Scoring Matrix

Likelihood	5	Very Likely	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	Feasible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Slight	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Very Unlikely	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic

Impact		
Likelihood of risk occurring	Indicator	Chance of occurrence
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, however in agreement with the Scrutiny Chairman, it is requested the AGS Committee reviews all three strategies within this report for 2020/21. 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 Corporate Resources Portfolio Holder and 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

- 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 An early draft of this report was provided to Audit, Governance and Standards Committee on 13 January 2020, with a final draft to be considered on 4 February. The AGS Committee was requested specifically to review and comment on the draft strategies on 5 February, and a verbal update of AGS Committee comments / recommendations will be provided to the Executive to consider in agreeing its recommendations to Full Council.
- 5.3 The strategies reflect financing implications of the proposed budgets and capital programmes for 2020/21, which are to be presented to the Scrutiny Committee on 5 February, Executive on 10 February and Full Council on 19 February.

- 5.4 The document aims to set out clearly the projected capital expenditure and funding requirements, and considers the treasury management implications for raising and servicing the financing of this and the prudent management of investment and borrowing.

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.

9 Audit Governance and Standards Committee Comments

- 9.1 The Committee will consider the draft report on 4 February. A verbal update from the Committee will be provided at this Executive meeting.

Democratic Path:

- **Audit, Governance and Standards Committee – 4 February 2020**
- **Executive – 10 February 2020**
- **Full Council – 19 February 2020**

Reporting Frequency: Annually

List of Appendices

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