

## **CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGY FOR 2022/23, INCLUDING THE MINIMUM REVENUE PROVISION (MRP) POLICY**

### **Purpose of report:**

Scrutiny of the Capital, Investment and Treasury Management Strategy.

### **Introduction:**

1. Attached is the 2022/23 Capital, Investment and Treasury Management Strategy.
2. This strategy is a key part of the Council's overall financial strategy and has been developed alongside the 2022/23 Revenue Budget, the Medium-Term Financial Strategy and Capital Programme, with advice from the Council's Treasury Management Advisor, Arlingclose.
3. The strategy sets out the Council's approach to managing capital and commercial investment and its approach to Treasury Management. The Treasury Management Strategy element sets out the approach taken by the Council to managing cash flows and associated risks, particularly our borrowing strategy and the safeguarding of our investments. This ensures that the full costs of funding the capital programme are prudent, sustainable and affordable and that our cash balances are safeguarded whilst delivering an investment return.

### **Overview of the Strategy:**

#### **Summary**

4. The Capital, Investment and Treasury Management Strategy provides an overview of the three main components of capital planning. We have chosen to amalgamate the strategies into a single document because the Capital Programme, our Investment Strategy and our approach to Treasury Management cannot operate independently of one another. They are parts of an overall approach:
  - **Capital expenditure and investments:** the Capital Programme; supporting Corporate and Directorate priorities and the Investment Programme; generating income and supporting economic growth;

- **Financing our capital plans, and maintaining liquidity:** the Treasury Management Strategy; setting out how the capital programme will be financed and how cash investments will be managed; and
  - **Repaying our debt in a prudent way:** the Minimum Revenue Provision (MRP) Policy, setting out how we use the revenue budget to repay debt.
5. The Council works proactively with Arlingclose, our Treasury Management advisors, to set the strategy and ensure that the best balance is struck between minimising cost, safeguarding investments and managing risk.
  6. The Council's approach to treasury management is supported by key prudential and treasury indicators, which are set out in Annex 1 to strategy.
  7. The strategy is presented in the following elements, that set out the Council's approach to capital, investment and treasury management:
    - a. **Capital Overview** - asset management, capital expenditure planning, risk management and long-term sustainability of capital expenditure plans (**Section 2**)
    - b. **Investment Overview** – setting out investment plans focusing on the approach to service and commercially led investment (**Section 3**);
    - c. **The Treasury Management Strategy Statement (TMSS)** – setting out how we borrow and invest to support our capital financing requirement (**Section 4**)
    - d. **The Minimum Revenue Provision (MRP) Policy** – setting out how we repay capital borrowing (**included as the final page of the strategy document**)
  8. The main change to the strategy for 2022/23 is to amend the MRP Policy to make it more prudent. This is achieved by moving to a position where the Council makes MRP in full on its subsidiary loans. In the 2021/22 strategy, only the loans against subsidiary assets where the market value had fallen below the loan value were considered for MRP. This is set out in para 3.17 and the MRP Policy Statement.

<b>Conclusion:</b>
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9. The strategy sets Council's approach to managing its capital programme, borrowing and investments to deliver best value for money and a balanced approach to managing risk. The strategy has been set out according to the legal framework and best practice and supports the delivery of the Council's budget, Capital Programme and Medium-Term Financial Strategy.

## Recommendations:

10. That the Resources and Performance Select Committee review and comments on the strategy.

## Next steps:

11. The Treasury Management element of the Strategy will be considered by Audit and Governance Committee on the 24 January 2022
12. The remaining elements will be considered by Cabinet on 25 January 2022
13. The overall strategy will be part of the budget papers for approval by Full Council on the 8 February 2022.

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## Annexes:

**Annex 1: Capital, Investment and Treasury Management Strategy for 2022/23, including the Minimum Revenue Provision (MRP) Policy**

## Sources/background papers:

- [2022/23 Final Budget and Medium-Term Financial Strategy, Cabinet, 25 January 2022](#)

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