



REPORT OF: DIRECTOR OF FINANCE AND CUSTOMER SERVICES

TO: FINANCE COUNCIL

DATE: 24th FEBRUARY 2020

SUBJECT : CAPITAL STRATEGY REPORT 2020/21

1. EXECUTIVE SUMMARY

This report seeks approval for the 2020/21 Capital Strategy, set out in Appendix 1. The capital strategy gives a high-level overview of how the Council's capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risks are managed and the implications for future financial sustainability.

Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

2. RECOMMENDATIONS

It is recommended that Members approve the proposed Capital Strategy for 2020/21 (in Appendix 1), including:

- a) the proposed Flexible Use of Capital Receipts Strategy, outlined in **Appendix 3**
- b) the Minimum Revenue Provision (MRP) Statement, which determines the Council's policy for repayment of debt (**Appendix 4**)
- c) the proposed prudential indicators for the forthcoming year (**Appendix 5**);
- d) the proposed Investment Strategy for 2020/21, as outlined in **Appendix 6**.

3. BACKGROUND

The *Prudential Code for Capital Finance in Local Authorities* was updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2017. The framework provided by the Prudential Code supports local strategic planning, local asset management and proper option appraisal.

The objectives of the Prudential Code are to provide a framework that will ensure for individual local authorities that:

- capital expenditure and investment plans are affordable;
- all external borrowing and other long-term liabilities are within prudent and sustainable levels; and

- treasury management and other investment decisions are taken in accordance with good professional practice.

In order to demonstrate that these objectives have been fulfilled, the Council should have in place a Capital Strategy that sets out the long term context in which capital expenditure and investment decisions are made and which gives due consideration to service objectives, long term financing implications and potential risks to the authority.

4. KEY ISSUES

The report outlines the Capital Strategy for the period 2020/21 to 2022/23.

The strategy is included at **Appendix 1** which covers:

- Capital spending priorities and governance – details of the key principles and investment priorities for the Council, including ongoing and potential further capital projects
- Capital expenditure and financing – an overview of the proposed capital programme and the financing for these schemes, including estimates of the future Capital Financing Requirement and Minimum Revenue Provision
- Asset management – information on the Council’s Asset Management Strategies and the related procedures in place
- Asset disposals – forecast of future capital receipts and details on their intended use
- Treasury management – high-level detail on the borrowing and investment strategies, including risk management and governance information. Further details of the Council’s borrowing and treasury investments can be found in the Treasury Management Strategy, approved by Executive Board annually in March
- Other investments and long term liabilities – details of non-treasury investments and long-term liabilities of the Council, including governance of such arrangements
- Revenue budget implications – information on the affordability of the Council’s capital spending plans in the context of the Revenue Budget 2020/21
- Knowledge and skills - focussing on the skills and knowledge available to the Council in carrying out its capital investment activities, and the extent to which external advisors are used in the course of those activities

The strategy is supported by the details contained within **Appendices 2 to 6** as follows;

- **Appendix 2** (as referred to within the Capital Strategy at **Appendix 1**) outlines the Council’s capitalisation policy.
- **Appendix 3** (as referred to within the Capital Strategy at **Appendix 1**) provides an overview of the Capital Programme, an estimate of capital receipts and the Council’s ‘flexible use of capital receipts’ strategy.
- **Appendix 4** (as referred to within the Capital Strategy at **Appendix 1**) details the Council’s Minimum Revenue Provision Statement including the proposed policy for 2020/21.

- **Appendix 5** (as referred to within the Capital Strategy at **Appendix 1**) highlights the proposed Prudential Indicators for prudence and affordability.
- **Appendix 6** (as referred to within the Capital Strategy at **Appendix 1**) details the Council's investment strategy. This focuses on the non-treasury management investments of the Council and their associated risks.

5. POLICY IMPLICATIONS

The policy implications from this report are contained within the Budget Strategy.

6. FINANCIAL IMPLICATIONS

The financial implications arising from the proposed recommendations contained within this report have been incorporated into the 2020/21 Budget, the Medium Term Financial Strategy and Council Tax recommendations to be considered by the Council.

7. LEGAL IMPLICATIONS

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003.

Local authorities are required each year to set aside resources as provision for debt repayment, on the basis of making a prudent provision. The Minimum Revenue Provision (MRP) proposals set out in **Appendix 4** comply with existing regulatory requirements.

8. RESOURCE IMPLICATIONS

None as a direct consequence of this report.

9. EQUALITY IMPLICATIONS

The decisions to be taken do not change policy and do not require any further consideration in respect of equality issues

10. CONSULTATIONS

None required as a direct consequence of this report.

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Date: 24th February 2020

Background Papers: Capital programme 2020-2023 and associated papers