

<b>31 January 2019</b>		<b>ITEM: 8</b>
<b>Corporate Overview and Scrutiny Committee</b>		
<b>Capital Strategy 2019/20</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Yes	
<b>Report of:</b> Sean Clark, Director of Finance and IT		
<b>Accountable Assistant Director:</b> Jonathan Wilson, Assistant Director - Finance		
<b>Accountable Director:</b> Sean Clark, Director of Finance and IT		
<b>This report is public</b>		

### **Executive Summary**

The Capital Strategy has been developed to apply from 2019/20 in accordance with revised guidance contained in The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice for Treasury Management in Public Services and the Prudential Code (The Code). This sets out the strategic framework underpinning capital expenditure and the associated financing at the Council. This also includes the Treasury Management Strategy which was previously considered in isolation up to 2018/19. It is also intrinsically linked to the council's ambitions of becoming a more commercially focused borough; one where sensible transactions are completed which create revenue returns which can then be allocated to spending on the services for Thurrock residents.

The Code requires local authorities to determine the Capital Strategy and the associated Prudential Indicators on an annual basis. The annual strategy also includes the Treasury Management Strategy that is a requirement of the Ministry for Housing, Communities and Local Government Investment Guidance.

In accordance with the above Codes, this report:

- a) sets out the Capital strategy for 2019/20;
- b) confirms the proposed Prudential Indicators; and
- c) sets out the Capital and Treasury Management projections for 2019/20.

## **1 Recommendation(s)**

- 1.1 That the Corporate Overview and Scrutiny Committee comment on the 2019/20 Capital Strategy for consideration by Cabinet at their meeting on 12 February 2019.**

## **2 Introduction and Background**

- 2.1 The Capital Strategy and the Annual MRP Statement are prepared under the terms of the CIPFA Prudential Code for Capital Finance in Local Authorities (the Code) and approval is sought for the adoption of the Prudential Indicators that have been developed in accordance with the Code.
- 2.2 The report also includes a forecast for Interest Receivable from Investments and the indicative Interest Payable on Borrowing.
- 2.3 The report covers a range of areas as set out below with the detailed document attached at Appendix 1.

### **Borrowing Activity 2017/18 and 2018/19**

## **3 Issues, Options and Analysis of Options**

- 3.1 The Capital strategy of the Council is attached as an appendix to this report and has been set with consideration of relevant legislation and appropriate guidance. This includes Annex 1 which incorporates the Treasury Management Strategy. The Prudential Indicators are governed by decisions made on the revenue and capital budgets.
- 3.2 The Capital Strategy sets out a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It includes the following:
- Details of capital expenditure and financing;
  - The governance arrangements around the identification and approval of capital bids;
  - Details on the sources of funding and projections on capital receipts;
  - The strategic approach of the Council to borrowing and the governance arrangements in place;
  - The proposed prudential indicators for 2019/20;
  - Details of the Council's strategic approach to investments and commercial activities;
  - Details of other liabilities and revenue implications arising from this strategy; and

- A further annex containing the detailed treasury management strategy that supports the capital strategy. This includes the annual statement on the Minimum Revenue Provision.

3.3 There are two key areas in this report for Members to be particularly mindful of:

- a) The Council has held significant levels of temporary borrowing since 2010 and hence there is potential exposure to interest rate changes. Officers continue to monitor this to ensure the Council can react to any changes in the economy; and
- b) The approach taken to the Minimum Revenue Provision (as set out in Annex 1).

#### **4 Reasons for Recommendation**

4.1 There is a statutory requirement for the Capital Strategy and the Annual Minimum Revenue Provision Statement to be ratified by Full Council. This report and appendices have been written in line with best practice and the Council's spending plans.

#### **5 Consultation (including Overview and Scrutiny, if applicable)**

5.1 As set out in section 4, the report is largely based on best practice and the Council's spending plans that have been scrutinised throughout recent months.

5.2 Any comments from the Corporate Overview and Scrutiny Committee will be reported to Cabinet for their consideration.

#### **6 Impact on corporate policies, priorities, performance and community impact**

6.1 Treasury Management plays a significant role in funding the delivery of services to the community. The debt restructuring carried out in August 2010 will have contributed savings in the region of £29.3m by the end of 2018/19.

#### **7 Implications**

##### **7.1 Financial**

Implications verified by: **Chris Buckley**  
**Treasury Management Officer**

The financial implications are included in the main body of the report and appendix. Investment income generated from the Investment Strategy contributes significantly to the council's financial position.

## 7.2 Legal

Implications verified by: **David Lawson**  
**Assistant Director for Law & Governance and  
Monitoring Officer**

The report is in accordance with the Local Government Act 2003, related secondary legislation and other requirements including the Prudential Code. Publication of the strategies is a statutory requirement and conforms to best practice as required by the CIPFA Code of Practice.

## 7.3 Diversity and Equality

Implications verified by: **Rebecca Price**  
**Community Development Officer**

There are no direct diversity implications noted in this report

## 7.4 Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental

- Not applicable

## 8 Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Revised CIPFA Prudential Code
- Revised draft ODPM's Guidance on Local Government Investments
- Revised CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes
- Treasury Management Policy Statement
- 2017/18 Annual Investment Strategy
- Arlingclose Sector Briefings

## **9. Appendices to the report**

- Appendix 1 – Capital Strategy Report 2019/20
- Annex 1 – Treasury Management Strategy 2019/20
- Appendix 2 – Approved Investment Counterparties

### **Report Author:**

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Corporate Finance