

26 February 2020		ITEM: 13
Council		
Capital Strategy 2020/21		
Wards and communities affected: All	Key Decision: Yes	
Report of: Councillor Shane Hebb – Deputy Leader and Portfolio Holder for Finance		
Accountable Assistant Director: Jonathan Wilson, Assistant Director - Finance		
Accountable Director: Sean Clark, Corporate Director of Finance, Governance and Property		
This report is public		

Executive Summary

The Capital Strategy has been developed 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 that was previously considered in isolation up to 2018/19. It is intrinsically linked to the council's ambitions of becoming a more commercially focused borough; one where sensible transactions are completed which create revenue returns that can then be allocated to spending on enhanced 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 2020/21;
- b) confirms the proposed Prudential Indicators; and
- c) sets out the Capital and Treasury Management projections for 2020/21 to 2022/23.

1 Recommendation(s)

That the Council:

- 1.1 Approves the Capital Strategy for 2020/21 including approval of the Annual Minimum Revenue Provision (MRP) statement; and**
- 1.2 Approve the adoption of the Prudential Indicators as set out in Appendix 1.**

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. Interest payable covers borrowing for all forms of capital expenditure within both the General Fund and Housing Revenue Account.
- 2.3 The report covers a range of areas as set out below with the detailed document attached at Appendix 1.

Borrowing Activity 2019/20 and 2020/21

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 2020/21;
 - 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 though it is important to note that the Local Government Market is not directly linked to central bank base 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. 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 3, the report is largely based on best practice and the Council's spending plans that have been scrutinised throughout recent months.

5.2 Corporate Overview and Scrutiny Committee considered the report at their meeting on 23 January 2020. The Committee recommended to Cabinet that it should consider the best way to increase the democratic oversight of investments. In addition, there was discussion of the overall treasury position, including explanation of how the local authority funding market works, the assurance provided by external agencies to support investment risk and consideration of the guidance framework the Council is required to follow in respect of treasury activity.

5.3 At their meeting on 12 February 2020, Cabinet agreed to come forward with options to increase democratic oversight in line with the Corporate Overview and Scrutiny Committee's recommendation.

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 £32.2m by the end of 2019/20 and continues to deliver annual savings of circa £3m per annum. Income from the various capital loan investments have subsequently created surplus funding to enhance the core service provision.

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: **Tim Hallam**
Acting Head of Legal, Assistant Director Law and Governance and Monitoring Office

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: **Natalie Smith**
Strategic Lead, Community Development and Equalities

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

9. Appendices to the report

- Appendix 1 – Capital Strategy Report 2020/21
- Annex 1 – Treasury Management Strategy 2020/21

Report Author:

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Corporate Finance