

27th February 2019

Ordinary Council

Capital Strategy 2019/20

Report of: *Jacqueline Van Mellaerts – Interim Chief Finance Officer*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 The Council is required by Regulation to have regard to the Prudential Code published by the Chartered Institute of Public Finance and Accountancy (CIPFA) when carrying out duties under Part 1 of the Local Government Act 2003. Following consultation during 2017, CIPFA published a revised Prudential Code (2017 Edition) and Treasury Management Code of practice (2017 Edition) in January 2018. One of the main aspects of the revised code is to bring together elements of capital expenditure with the treasury management strategy into a single Capital and Investment Strategy, for approval by Ordinary Council. This strategy document therefore sets out the capital, investment and treasury management strategy for 2019/20.

2. Recommendation(s)

- 2.1 For members to agree the Capital Strategy 2019/20 detailed in Appendix A.**

3. Introduction and Background

- 3.1 The Capital Strategy is intended to give a high-level overview of how capital expenditure and financing plans are decided upon and how they contribute to the delivery of the Councils Corporate Plan, Medium Term Financial Plan and overall service delivery.
- 3.2 Previously the Council would take the Treasury Management Strategy (TMS) as part of the Budget report for approval to Ordinary Council. The Budget Report still includes the TMS, however the Capital Strategy looks

to demonstrate how the Capital Program and decisions regarding the Capital Program feeds into the Treasury Management Strategy.

3.3 CIPFA defines treasury management as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

3.4 The Treasury Management Strategy covers the following areas:

- a) The Council’s capital plans and prudential indicators
- b) The Council investment policy and strategy
- c) The minimum revenue provision (MRP) policy

The Capital Strategy provides the background and link to how the Capital Program has been devised, linking all of the Council’s strategies together that impact on the Councils budgets and service delivery.

3.5 This strategy document includes all the information necessary to meet the revised guidance documents.

4. Issue, Options and Analysis of Options

4.1 In the revised Guidance on Local Authority Investments, Ministry for Housing, Communities and Local Government (MHCLG) highlights certain areas that are required to be covered in the strategy, which are relevant to the Council and are over and above those previously expected.

4.2 The strategy must look at proportionality, this requires local authorities to consider the extent to which it is relying on profits from commercial activities to set a balanced budget and measures in place if this is not realised.

4.3 The strategy addresses this and highlights risk associated with commercial income and the use of reserves to smooth out expected income and deal with unforeseen fluctuations.

4.4 Borrowing in advance of need should be addressed in a strategy. Local authorities should consider carefully borrowing purely in order to profit from investing sums borrowed, it is assumed local authorities will not do this. This is addressed in the Treasury Management Strategy and not the Capital Strategy.

- 4.5 Within the Capital Strategy, the delegated obligations for the Section 151 in relation to the Capital Programme and Treasury Management activities are set out throughout the strategy.
- 4.6 The Capital Programme and other Capital Expenditure of the strategy are supported by, at least in part, by borrowing. Where the cost of borrowing is in relation to Other Capital Expenditure (loans to wholly owned companies) this should be reported separately under the Capital Finance estimates. This is addressed in the Treasury Management Strategy and split out as required.
- 4.7 The Capital Strategy as set out in Appendix A has been developed in line with the CIPFA Prudential Code for Capital Finance in Local Authorities 2017. This is a working document, officers will keep under review as strategies, frameworks and policies are developed with the Council and as good practice.

5. Reasons for Recommendation

- 5.1 The Council is required to approve a Capital Strategy to show the Council has regard to the revised Prudential Code (2017 Edition) and Treasury Management Code of practice (2017 Edition).

6. Implications

Financial Implications

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- 6.1 There are no direct implications that arise from this report.
- 6.2 The Capital Strategy seeks to provide a framework within which the Council's investment plans will be delivered. The Council has a number of strategies, frameworks, policies and guidance to support its capital and investment decision. This strategy seeks to reference these from a single document.
- 6.3 Adherence to these principles of the Capital Strategy should ensure the capital expenditure and investment decisions are taken in line with the Council's Corporate Plan and Medium-Term Financial Plan and take account of stewardship, value for money, prudence, sustainability and affordability. This Capital Strategy has been written in conjunction with the

Council's Treasury Management Strategy and Medium Term-Financial Plan.

Legal Implications

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6.4 Legal Implications are contained in the body of this report.

7. Appendices to this report

Appendix A – Capital Strategy 2019/20

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