

This Report will be made public on 12 February 2019

Report Number **C/18/75**

To: Cabinet
Date: 20 February 2019
Status: Key decision
Head of service: Charlotte Spendley, Assistant Director – Finance, Customer and Support Services
Cabinet Member: Councillor Malcolm Dearden, Finance

SUBJECT: CAPITAL STRATEGY 2019/20

SUMMARY: This report sets out the council's proposed strategy in relation to capital expenditure, financing and treasury management in 2019/20 to be approved by full Council.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because:-

- a) The Council must have regard to both CIPFA's Prudential Code for Capital Finance in Local Authorities and the Ministry for Housing Communities and Local Government Investment Guidance when carrying out its duties under Part 1 of the Local Government Act 2003.
- b) The Council is required to approve a Capital Strategy for the forthcoming year.

RECOMMENDATIONS:

1. To receive and note report C/18/75.
2. To recommend to Council that the 2019/20 Capital Strategy set out in the appendix to this report is approved.

1. INTRODUCTION AND BACKGROUND

1.1 The Capital Strategy is a new report introduced by the 2017 edition of the Prudential Code. The Prudential Code is a framework which should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003.

1.2 The main purpose of the new capital strategy is to provide a high level summary of how capital expenditure, capital financing and treasury management activities 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 is intended to be written in a way to enhance stakeholders understanding of these sometimes technical areas.

The areas to be covered in this strategy are:

- Capital expenditure;
- Borrowing;
- Minimum revenue provision;
- Investments (treasury, service and commercial);
- Guarantees and loan commitments;
- Knowledge and skills.

1.3 The capital strategy should be considered alongside the investment strategy which was considered by Cabinet on 30 January 2019, and recommended to Council on 20 February for adoption.

1.4 Being a new requirement on the authority, it is anticipated that the capital strategy will develop and evolve over time in line with the council's own aspirations and plans. The intention is to review the capital strategy annually as part of the authority's budget setting process. However, if the nature and structure of the authority's proposed capital expenditure and financing was to change significantly during the year it may be necessary to revise the strategy at the same time.

1.5 It is anticipated that in future years the Capital Strategy will be considered alongside the Medium Term Financial Strategy, at an early stage of the Budget planning cycle. This will aid our approach to capital planning and more closely align the revenue and capital plans for the council.

1.6 The document contains a number of links to other documents. Several of these will also be considered at this committee (& adopted at Full Council on the same night). It is therefore proposed to add these links to a dedicated web page once adopted in February.

2. RISK MANAGEMENT ISSUES

- 2.1 A key element of the capital strategy is to consider the risks associated with our approach to the capital programme, capital financing and treasury management activity. These issues have been addressed in the body of the appendix and no other risk management issues have been identified as relevant to this report.

3. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

3.1 Legal Officer's Comments (AK)

There are no legal implications arising directly out of this report other than those already stated. For each financial year, the council should prepare at least one Capital Strategy which should contain the disclosures and reporting requirements specified Prudential Code. The Strategy should be approved by full Council.

3.2 Finance Officer's Comments (CS)

This report has been prepared by Financial Services and there are no direct financial implications arising from it.

3.3 Diversities and Equalities Implications (CS)

There are no direct diversities or equalities issues arising from this report.

4. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Charlotte Spendley – Assistant Director – Finance, Customer & Support Services

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Email: charlotte.spendley@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

Arlingclose Ltd – Capital Strategy Report 2019/20 Template
20 February 2109 - Update to Medium Term Capital Programme 2018/19-2022/23
20 February 2019 – Treasury Management Strategy 2019/20
31 January 2019 – Investment Strategy 2019/20
Audited Statement of Accounts 2017/18

Appendices:

Appendix 1: Capital Strategy 2019/20