

This Report will be made public on 16 February 2021

Report Number **C/20/74**

To: Cabinet
Date: 24 February 2021
Status: Key Decision
Head of Service: Charlotte Spendley - Director of Corporate Services
Cabinet Member: Councillor David Monk – Leader and Portfolio Holder for Finance

SUBJECT: CAPITAL STRATEGY 2021/22 AND MINIMUM REVENUE PROVISION STATEMENT 2021/22

SUMMARY: This report sets out the Council's proposed strategy in relation to capital expenditure, financing and treasury management in 2021/22 to be approved by full Council. The report also sets out the Prudential Indicators for capital expenditure and the Minimum Revenue Provision Statement for 2021/22 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.
- c) The Council is required to approve a Minimum Revenue Provision statement for 2021/22 in advance of the start of the financial year.

RECOMMENDATIONS:

1. To receive and note report C/20/74.
2. To recommend to Council that the 2021/22 Capital Strategy, including the Prudential Indicators, set out in appendix 1 to this report is approved.
3. To recommend to Council that the Minimum Revenue Provision (MRP) Statement for 2021/22 set out in appendix 2 to this report is approved

1. INTRODUCTION AND BACKGROUND

1.1 The Capital Strategy is a requirement of 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 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 capital strategy for 2021/22 is set out in appendix 1 to this report.

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 also includes the Prudential Indicators for capital expenditure that set controls to ensure the Council's capital investment plans are affordable, prudent and sustainable, required under the Prudential Code. The Prudential Indicators are required to be approved by full Council as part of the capital strategy.

1.4 The capital strategy also sets out the Minimum Revenue Provision (MRP) Statement for 2021/22 required to be approved by full Council and is set out in appendix 2 to this report.

1.5 The capital strategy should be considered alongside the investment strategy, due to be considered separately as part of this agenda. Like the capital strategy, the investment strategy is also required to be adopted by full Council.

1.6 The capital strategy is required to be reviewed 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.

1.7 The capital strategy contains a number of links to other documents. Several of these will also be considered by full Council on the same night as this report. It is therefore proposed to add these links to the capital strategy once

it is adopted in February and to create to a dedicated web page to provide a link for it together with those for:

- Investment Strategy 2021/22
- Medium Term Capital Programme to 2025/26
- HRA Capital Programme 2021/22

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 (NM)

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 in the Prudential Code. The Strategy should be approved by full Council.

3.2 Finance Officer's Comments (LW)

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

3.3 Diversities and Equalities Implications (LW)

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

Lee Walker – Capital and Treasury Senior Specialist
Tel: 01303 853593 Email: lee.walker@folkestone-hythe.gov.uk

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

Investment Strategy 2021/22 (Draft)
Arlingclose Ltd – Capital Strategy Report 2021/22 Template
Arlingclose Ltd – MRP 2021/22 Template

Appendices:

Appendix 1: Capital Strategy 2021/22
Appendix 2: Annual Minimum Revenue Provision Statement 2021/22