

**Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection**

Report to:	<b>Executive</b>
Date:	<b>05 February 2019</b>
Subject:	<b>Capital Strategy 2019/20</b>
Decision Reference:	<b>I016780</b>
Key decision?	<b>Yes</b>

**Summary:**

A Capital Strategy for 2019/20 has been prepared for the Council, in compliance with the CIPFA Prudential Code revised in 2017. The purpose of the Capital Strategy is to provide Members with a high level overview of capital expenditure, its financing and its longer term impact on future financial sustainability. The Capital Strategy will be included in the Council's Budget Book and aims to support budgetary decision making at the February Council meeting.

**Recommendation(s):**

That the Executive recommend that the Capital Strategy 2019/20 is adopted by full Council.

**Alternatives Considered:**

1. Council's are required to have a Capital Strategy in place by 1 April 2019 in accordance with the CIPFA Prudential Code as revised in 2017 and this Capital Strategy satisfies that requirement. Therefore no alternative has been considered.

**Reasons for Recommendation:**

The Capital Strategy 2019/20 will be reported in the Budget Book for 2019/20 and, together with other financial strategies, will support budgetary decision making at full Council.

**1. Background**

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code was revised in 2017, and included the new requirement for local authorities to have a capital strategy in place by April 2019. The purpose of a capital strategy

is to give a high level overview of how capital expenditure and its financing contribute to the provision of services, along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2 This requirement has been driven by the changing face of local government finance. Local authorities have been through a number of years of austerity and reducing government funding, and some authorities are now investing in commercial opportunities and using external borrowing to fund these. In addition, there are increasing demand pressures on services, which have added to the financial risks faced by local authorities.

1.3 There is no prescribed template for a Capital Strategy and Councils are free to include whatever information they feel is relevant to achieve the aim of the Capital Strategy. This aim is to ensure that elected Members can make decisions about capital spending plans that support the Council's objectives, are affordable over the long term and demonstrate that financial risks are being managed. CIPFA has produced some guidance with suggested areas that could be included in the Capital Strategy and this guidance has been followed.

1.4 The Capital Strategy will be refreshed annually and will underpin the capital budget setting process. It will be reported in the Council's Budget Book alongside the other financial strategies, resulting in a more comprehensive strategic framework which supports medium term budget planning.

#### Content of the Capital Strategy

1.5 The Capital Strategy includes background information, definitions and descriptions of processes to aid the understanding of the reader. Section 5 outlines the key principles which underpin the Council's strategy for capital, and section 6 sets out capital objectives i.e. the reasons why the Council might wish to spend money on long term assets.

1.6 The Ministry of Housing Communities and Local Government issued statutory guidance on local government investments, which came into effect on 1 April 2018, and included the requirement to report on investments made for non-treasury purposes i.e. investments made outside of the usual processes for managing the Council's cash flows. Section 10 sets out the Council's strategy for non-treasury investments and gives information about the Council's existing holdings of such investments.

1.7 The affordability of the capital programme is covered in section 11 and this is a key area of the strategy for Members. The assessment of affordability over the longer term is based on assumptions about the Council's future funding levels, and this section sets out the broad assumptions which have been made and the inherent risks arising from this forward view. Despite the level of uncertainty about the future local government finance regime and its impact on the Council, it is still possible to take a view on affordability and it has been assessed that the 2019/20 Capital Programme, which is included in the Council Budget 2019/20 report also on this agenda, is affordable over the longer term.

## 2. Legal Issues:

### Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- \* Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- \* Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- \* Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

- \* Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
- \* Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
- \* Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding

Compliance with the duties in section 149 may involve treating some persons more favourably than others

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process

This is a strategy document which covers capital expenditure and non-treasury investments and, in itself, does not have any equality impacts. Future capital schemes or investments may have equality impacts, and assessments will need to be carried out for these at the time when proposals are made.

### Joint Strategic Needs Analysis (JSNA and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision

This is a strategy document which covers capital expenditure and non-treasury investments and, in itself, does not have any health and well-being implications. Individual capital scheme proposals will only be implemented after due regard to the legal matters that must be considered including the Joint Strategic Needs Assessment and Joint Health and Well-being Strategy.

### Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area

This is a strategy document which covers capital expenditure and non-treasury investments and, in itself, does not have any crime and disorder implications. Individual capital scheme proposals will only be implemented after due regard to the legal matters that must be considered including the duty under section 17 of the Crime and Disorder Act 1988.

## **3. Conclusion**

3.1 The Capital Strategy for 2019/20 is a new strategy for the Council, which will improve transparency around the Capital Programme and non-treasury investments, as well as support Members' decision-making on the Council's Budget.

### **4. Legal Comments:**

The adoption of a capital strategy by the Council before the end of March is required by the CIPFA Prudential Code.

As the Capital Strategy is part of the budget book it must be approved by full Council. The Report proposes a strategy for recommendation to full Council by the Executive. Recommendation of the strategy is consistent with the Policy Framework and within the remit of the Executive.

## 5. Resource Comments:

The recommendation to approve the Capital Strategy to full Council is to ensure that a high level overview of the capital programme, its financing and the implications of these on the Council's future financial sustainability, are understood by Members when making decisions about the Council's Budget. The Capital Strategy 2019/20 shows that the Capital Programme proposals for 2019/20 onwards are affordable over the longer term.

## 6. Consultation

### a) Has Local Member Been Consulted?

n/a

### b) Has Executive Councillor Been Consulted?

Yes

### c) Scrutiny Comments

This report is due to be considered by the Overview and Scrutiny Management Board at its meeting on 31 January 2019. The comments of the Board will be presented to the Executive.

### d) Have Risks and Impact Analysis been carried out?

No

### e) Risks and Impact Analysis

This is a strategy document which, in itself, does not have any risk impacts. However it does highlight the risks associated with capital expenditure and its financing, and sets out how such risks will be managed.

## 7. Appendices

These are listed below and attached at the back of the report

Appendix A	Capital Strategy 2019/20
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## 8. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by David Forbes, who can be contacted on 01522 553642 or [david.forbes@lincolnshire.gov.uk](mailto:david.forbes@lincolnshire.gov.uk).

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