

## Decision Report – Cabinet

- 11 February 2019

### Capital Strategy 2019/20 - 2021/22

Cabinet Member(s): Cllr Mandy Chilcott, Cabinet Member for Resources

Division and Local Member(s): All

Lead Officer: Peter Lewis, Director of Finance

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	<b>Seen by:</b>	<b>Name</b>	<b>Date</b>
	County Solicitor	Honor Clarke	28/01/19
	Monitoring Officer	Scott Wooldridge	18/01/19
	Corporate Finance	Peter Lewis	28/01/19
	Human Resources	Chris Squire	28/01/19
	Property	Paula Hewitt / Claire Lovett	28/01/19
	Procurement / ICT	Simon Clifford	28/01/19
	Senior Manager	Peter Lewis	28/01/19
	Commissioning Development Team	Vikki Hearn	29/01/2019
	Local Member(s)		
	Cabinet Member	Cllr Mandy Chilcott	28/01/19
	Opposition Spokesperson	Cllr Liz Leyshon	29/01/2019
	Relevant Scrutiny Chairman	Cllr Anna Groskop for Scrutiny Place	29/01/2019
<b>Forward Plan Reference:</b>	FP/18/12/07		
<b>Summary:</b>	<p>The Cabinet considered the proposed Capital Programme for 2019/20 and beyond at its meeting on 23 January for recommendation to the Council on 20 February. That programme shows an investment of £224m in the County. The Capital Strategy appended to this report, which is new for 2019/20, gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services. There is also an overview of associated risk and how it is managed along with the implications for future financial sustainability.</p> <p>Most significantly, this strategy introduces the concept of non-treasury investments and how they might contribute towards supporting the revenue budget of the Council in future years. The proposals in regard of non-treasury investments are not yet fully formulated so this report seeks delegated authority for a small group of members and officers to design the governance arrangements and ambitions for this part of the strategy.</p>		

<p><b>Recommendations:</b></p>	<ol style="list-style-type: none"> <li>1. That the Cabinet recommends the Capital Strategy 2019/20-2021/22, and the prudential indicators contained within, to the Council for consideration and approval at their meeting on 20 February 2019 (as set out in Appendix 1).</li> <li>2. That the Cabinet and Council agree to delegate authority to the Section 151 Officer, in consultation with the Leader, Deputy Leader, Opposition Spokesperson for Resources, Monitoring Officer and County Solicitor, to design the governance arrangements and remit of the non-treasury investments for recommendation to, and approval by, the Cabinet and the Council before the end of July 2019.</li> </ol>
<p><b>Reasons for Recommendations:</b></p>	<p>This is a new requirement of statutory guidance for 2019/20 and as a result must be considered and approved by the Council alongside the Capital Programme.</p> <p>The non-treasury investment proposal requires further investigation and deliberation before firm recommendations can be made to the Cabinet for implementation.</p>
<p><b>Links to County Vision, Business Plan and Medium Term Financial Strategy:</b></p>	<p>The Capital Strategy provides an overview of Capital Expenditure, Capital Financing and Treasury Management, all of which contribute of the delivery of the County Vision. Furthermore, the non-Treasury investment proposal is aimed to produce a positive net revenue income stream for the Council which would contribute towards the delivery of all objectives.</p>
<p><b>Consultations and co-production undertaken:</b></p>	<p>The Capital Programme has been subject to Scrutiny (in December 2018), but this strategy has not been the subject of wider consultation at this time. It is proposed that, should it be necessary, there will be further consultation on non-treasury investments as the proposals are developed.</p>
<p><b>Financial Implications:</b></p>	<p>There are no specific financial implications arising directly from this report, although the contents of the report shape and influence a range of other financial matters, including the Capital Programme, for which detailed financial implications are set out in the relevant reports.</p>
<p><b>Legal Implications:</b></p>	<p>The Local Government Act 2003, section 15(1), requires a local authority "...to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify...".</p>

	<p>The Secretary of State issued statutory guidance in 2018 regarding 'Local Government Investments' which came into effect from 1 April 2018.</p> <p>The definition of an investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations. The guidance applies to all local authorities, who hold or during the next financial year intend to hold financial or non-financial investments, solely or in part to generate revenue income.</p> <p>For each financial year, a local authority should prepare at least one Investment Strategy. The Investment Strategy needs to be approved by the Full Council prior to the start of the financial year.</p> <p>Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, a Treasury Management Strategy in line with the requirements of the Treasury Management Code, or any other publicly available document, the disclosures required to be included in the Investment Strategy can be published in those documents.</p>						
<b>HR Implications:</b>	There are no specific HR implications arising from this report.						
<b>Risk Implications:</b>	<p>The section of the Strategy that relates to non-treasury investments identifies a range of risks that could emerge from such an approach. It is essential that the further development of these proposals, through the working group, clearly identifies and evaluates the risks associated with non-treasury investments of the type described in the Strategy. It is only after that evaluation that an appropriate risk score can be identified.</p> <table border="1" data-bbox="528 1585 1445 1624"> <thead> <tr> <th data-bbox="528 1585 740 1624">Likelihood</th> <th data-bbox="740 1585 852 1624"></th> <th data-bbox="852 1585 1024 1624">Impact</th> <th data-bbox="1024 1585 1136 1624"></th> <th data-bbox="1136 1585 1366 1624">Risk Score</th> <th data-bbox="1366 1585 1445 1624"></th> </tr> </thead> </table>	Likelihood		Impact		Risk Score	
Likelihood		Impact		Risk Score			
<b>Other Implications (including due regard implications):</b>	<p><b><u>Equalities Implications</u></b></p> <p>There are no Equalities implications arising from this report</p> <p><b><u>Community Safety Implications</u></b></p> <p>There are no Community Safety implications arising from this report</p> <p><b><u>Sustainability Implications</u></b></p>						

	<p>There are no Sustainability implications arising from this report</p> <p><b><u>Health and Safety Implications</u></b></p> <p>There are no Health and Safety implications arising from this report</p> <p><b><u>Privacy Implications</u></b></p> <p>There are no Privacy implications arising from this report</p> <p><b><u>Health and Wellbeing Implications</u></b></p> <p>There are no Health and Wellbeing implications arising from this report</p>
<p><b>Scrutiny comments / recommendation (if any):</b></p>	<p>The Capital Strategy will be considered by the Audit Committee on 31 January 2019; feedback will be given to the Cabinet as part of its deliberations prior to making any recommendations to Council.</p>

## 1. Background

- 1.1. As is set out in the Capital Strategy attached to this report, it is a new requirement for 2019/20. The Strategy gives 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.
- 1.2. The Strategy addresses the capital components of the wider financial strategies adopted by the Authority. It identifies the links and relationships that need to be made in considering and implementing the Capital Programme to support the Corporate Asset Management Plan objectives. This is done through the Medium Term Financial Plan (MTFP) and alerts services to the governance and control framework within which the investment planning and delivery takes place.
- 1.3. Perhaps of significant interest in this Strategy is the introduction of the proposal to consider non-treasury investments (Treasury Investments are dealt with in the Treasury Management Strategy Statement elsewhere on the agenda for the Cabinet meeting on 11 February). With central government financial support for local public services declining, the Council intends to explore investing in non-treasury investment options purely or mainly for financial gain. With this in mind a sum of £100m has been noted in the Capital Programme as being identified for this purpose pending the appropriate strategy and governance being put in place.
- 1.4. The attached document sets out a range of considerations that should be taken into account in developing the Council's approach to non-treasury investments. This report then seeks delegated authority to the Section 151

Officer to engage with a small working group as part of the development and preparation of detailed proposals for the governance of non-treasury investments for consideration and agreement by the Council.

## **2. Options considered and reasons for rejecting them**

- 2.1.** It is now a regulatory requirement that a Capital Strategy is produced for consideration and agreement by the Cabinet and Council so there is no other option but to present this document.
- 2.2.** In regard of non-treasury investments, the proposal is to consider suitable governance and investment arrangements to proportionally manage risk and deliver a suitable financial return to the Council to support the revenue budget. Within this proposal there are options, in terms of the type of investment considered, that are set out in the Strategy.
- 2.3.** An alternative option is to avoid making any non-treasury investments. This should be part of the deliberations of the working group that is proposed to be set up as a result of this report.

## **3. Background Papers**

- 3.1.** The most significant background papers for this report are:
  - Capital Programme 2019/20 – Cabinet 23 January 2019
  - Treasury Management Strategy Statement – Cabinet 11 February 2019