

# **WAVERLEY BOROUGH COUNCIL**

## **EXECUTIVE**

**4 FEBRUARY 2020**

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**Title:**

**Capital Strategy 2020/2021**  
**Incorporating Treasury Management Strategy and Property Investment Strategy**

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**Portfolio Holder:** Cllr Mark Merryweather

**Head of Service:** Peter Vickers

**Key decision:** Yes

**Access:** Public

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### **1. Purpose and summary**

1.1 It is a statutory requirement for local authorities to produce an annual Capital Strategy. The Capital Strategy brings together the Council's detailed policies, procedures and plans relating to cash investments and property assets. It incorporates the Treasury Management Framework, Prudential Indicators and Property Investment Strategy for 2020/2021.

### **2. Recommendation**

2.1 It is recommended that the Executive recommends the Capital Strategy for 2020/2021, incorporating the Treasury Management Strategy, Prudential Indicators and Property Investment Strategy, to Council for approval.

### **3. Reason for the recommendation**

3.1 The Council has to comply with The Prudential Code for Capital Finance in Local Authorities (the Code) issued by CIPFA which requires local authorities to determine capital expenditure and investment decisions that are affordable, prudent and sustainable, and to set limits on the amount they can afford to borrow in the context of capital planning. This requires effective strategic planning and a decision making framework.

3.2 The Capital Strategy provides this framework and its purpose is to:

- (a) place decisions about borrowing in the context of the overall longer term financial position of the Council.
- (b) provide improved links between revenue and capital budgets.
- (c) give a clear and concise view of how the Council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite.
- (d) give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along

with an overview of how associated risk is managed and the implications for future financial sustainability.

3.3 CIPFA has also produced the Treasury Management Code to provide a framework for effective treasury management in the public sector to help local authorities:

- develop and maintenance clear objectives for their treasury management activities
- ensure effective risk management
- provide transparency for treasury management decisions
- pursue value for money and measure performance
- maintain and develop the professional competence of staff
- assist those involved in the regulation and review of treasury management

The key documents which require annual approval by the Council are detailed in Annexes 3-5.

3.4 It is likely that the Council will need to borrow in future years to acquire and/or develop commercial property assets in order to generate revenue for the General Fund budget and to support the local economy. The Treasury Management Framework contains the Council's borrowing strategy.

3.5 The Prudential Code requires local authorities to self-regulate the affordability, prudence and sustainability of capital expenditure, borrowing plans and treasury management decisions, by setting and revising a range of prudential indicators.

- affordability - over all the years it will have a financial impact on the Council
- Prudence - exercise caution in taking capital investment decisions
- Sustainability - capital investment consider the cost of maintaining assets

The prudential indicators are designed to support and record local decision making in a manner that is publicly accountable and reflects individual circumstances.

The Council's indicators are contained at Annexe 6.

#### **4. Relationship to the Corporate Strategy and Service Plan**

4.1 The Capital Strategy provides a governance framework around capital investment to ensure resources are in the right place to deliver the key priorities set out in the Corporate Strategy.

4.2 The Council will only consider property investments that support the Corporate Strategy and the Medium Term Financial Plan (MTFP).

#### **5. Implications of decision**

##### **Resource (Finance, procurement, staffing, IT)**

5.1 The Council collects around £200 million of income per annum and has, on average, £70m each day deposited within financial institutions and other local authorities. With the introduction of HRA Self-financing in 2012/13 the Treasury Framework also includes borrowing (originally of £192m) and in future this could also include

borrowing to support commercial investment.

### **Risk management**

- 5.2 The Capital Strategy describes how the Council determines its priorities for capital investment and decides how much it can afford to borrow.
- 5.3 The Treasury Management Framework details the control of the risks associated with cash deposits and cash flows, banking, money market transactions and borrowing and the pursuit of optimum performance consistent with those risks. It requires the achievement of an appropriate balance between risk and return and, therefore, plays a key role in the generation of income required to support service provision.

### **Legal**

- 5.4 The Code and the Code of Practice on Treasury Management supports the provisions of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 and support strategic planning for capital investment at a local level. Compliance with both codes is a statutory requirement for local authorities.

### **Equality, diversity and inclusion**

- 5.4 There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

### **Climate emergency declaration**

- 5.5 In undertaking property investment the Council will support the Climate Change Emergency and honour the commitment to becoming carbon neutral by excluding certain assets from being considered as potential investments. This is detailed in the Property Investment Strategy.

## **6. Consultation and engagement**

- 6.1 Members were invited to briefings on the Medium Term Financial Plan and Budget at the end of November. The O&S Budget Strategy Working Group has reviewed the draft MTFP.

The VfM and Customer Service Overview and Scrutiny Committee considered the report at its meeting on 20 January 2020. Members broadly accepted the recommendations included in the report but there were concerns relating to the proposals to look at residential investments and questioned the ability of good returns.

## **7. Other options considered**

7.1 It is a statutory requirement for local authorities to produce an annual Capital Strategy.

## **8. Governance journey**

8.1 This report was considered by the Value for Money O&S Committee prior to submission to the Executive, and then Council.

### **Annexes:**

Annexe 1 – Capital Strategy infographic

Annexe 2 – Capital Strategy - brings together the Council's detailed policies, procedures and plans relating to cash investments and property assets.

Annexe 3 – Treasury Management Policy - sets out the headline objectives of the Treasury Management function

Annexe 4 – Treasury Management Strategy - sets out the way in which the Council's policy objectives for Treasury Management will be achieved and the high level approach to borrowing and treasury investment.

Annexe 5 – Treasury Management Investment Strategy - sets out how the Council's treasury investments will be managed, in accordance with the Treasury Management Strategy, and how this will help achieve Waverley's policy objectives.

Annexe 6 – Prudential Indicators

Annexe 7 – Property Investment Strategy

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### **Background Papers**

There are no background papers, as defined by Section 100D(5) of the Local Government Act 1972).

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Agreed and signed off by:

Legal Services: n/a

Head of Finance: n/a

Strategic Director: 24 January 2020

Portfolio Holder: 24 January 2020