

SHADOW CABINET

Monday, 18th February 2019

CAPITAL STRATEGY 2019/20 TO 2022/23 (REP35 (SH))

EXECUTIVE SUMMARY

1. The Capital Strategy (**Appendix A**) is a new report for 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in East Suffolk, along with an overview of how associated risk is managed and the implications for future financial sustainability.
2. Section 2 of the Strategy outlines the planned Capital Programme 2019/20 to 2022/23 and the way in which it is to be financed. It includes overall planned expenditure of £207.5 million (General Fund £151.4 million and HRA £56.1 million) over the four-year period. In 2019/20, there is planned capital expenditure of £52.6 million.
3. Section 3 of the Strategy introduces the new Asset Management Strategy and highlights the treatment of asset disposals and, in particular, the continuation of the prudent policy of not anticipating capital receipts before they are actually received.
4. Section 4 covers Treasury Management, including both borrowing and investment. Treasury Management is a well-established Council activity that operates within a tightly controlled framework. The most significant development for 2019/20 is the introduction of a separate Investment Strategy in accordance with recently issued statutory guidance. Borrowing levels are expected to remain comfortably within the Council's pre-set limits throughout the duration of the Strategy. Projected investments are expected to rise by £16.82 million, reaching £124.1 million by March 2022/23.
5. Section 5 presents the Council's approach to Service Investments and, in particular, it's ongoing joint venture commitments with the Norse Group for a package of services including Refuse Collection, Cleansing and Maintenance.
6. Section 6 sets out the position on Commercial Investment and the way in which a step change increase in commercial investment and trading by the Council is set to build on current (low) levels of activity. This represents a substantial change in approach and a 'mixed delivery approach' – combining in-house/direct and arms length delivery (through a local authority trading company) – is proposed for a range of commercial activities (subject to Cabinet approvals).

7. Section 7 explores the Council’s other financial liabilities, both in terms of existing commitments (e.g. the Pension Fund deficit) and guarantees.
8. Section 8 explores the in-built revenue implications within the Capital Programme, its financing costs and also evaluates its overall “prudence, affordability and sustainability”.
9. Section 9 explains how the Strategy is underpinned by a systematic approach to obtaining and maintaining the necessary knowledge and skills required, to operate effectively, whilst (simultaneously) adequately protecting the Council’s financial risk exposure and wider interests.
10. The Strategy concludes in Sections 10 and 11. This includes an explicit statement by the CFO in accordance with the Prudential Code, providing assurance to Members that the Capital Strategy as a whole is affordable, and that risk has been identified and is being adequately managed.

Is the report Open or Exempt?	Open
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Wards Affected:	All Wards across East Suffolk
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Cabinet Member:	Councillors Stuart Lawson and Bruce Provan Cabinet Members with Responsibility for Resources
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Supporting Officer:	Simon Taylor Chief Finance Officer and Section 151 Officer (01394) 444570 simon.taylor@eastsoffolk.gov.uk
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1 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

1.1 The Capital Strategy is a critical component in the delivery of the majority of ambitions included within the Business Plan. It is not only essential to achieving one of the three overarching strategic priorities of the Plan (“Financial Self-Sufficiency”), but is also vital in the delivery of a vast range of service development and delivery initiatives.

2 FINANCIAL AND GOVERNANCE IMPLICATIONS

2.1 The financial and governance implications are covered in the report (*Appendix A*).

3 OTHER KEY ISSUES

3.1 There are no other key issues arising from this report. Equality, (environmental) Sustainability and Partnership issues are considered as part of individual Capital Programme bids.

4 CONSULTATION

4.1 Professional guidance has been received (and followed) from the Council’s Treasury Management advisors (Arlingclose), and consultation has been undertaken with Shadow Cabinet Members with responsibility for Resources.

5 OTHER OPTIONS CONSIDERED

5.1 There are no alternative options.

6 REASON FOR RECOMMENDATION

6.1 To update Shadow Cabinet on progress in implementing the updated Prudential Code requirement for an overarching Capital Strategy with effect from 2019/20, including obtaining a recommendation for approval to Shadow Council.

RECOMMENDATIONS
1. That the Shadow Cabinet reviews, comments and recommends the Capital Strategy 2019/20 to 2022/23 to Shadow Council for approval.
2. That the Shadow Cabinet notes the comments on the ongoing development of the Asset Management Strategy (Section 3 of Appendix A) and the Commercial Investment Strategy (Section 6 of Appendix A).

APPENDICES	
Appendix A	Capital Strategy 2019/20 to 2022/23

BACKGROUND PAPERS - none
