FLINTSHIRE COUNTY COUNCIL

Date of Meeting	Tuesday, 7 December 2021
Report Subject	Capital Strategy Including Prudential Indicators 2022/23 to 2024/25
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

This report updates the Council's Capital Strategy and seeks Council's approval.

The report explains the need for the Strategy, its key aims, and the content of each of its sections.

Under the Prudential Code for Capital Finance in Local Authorities (the Prudential Code), authorities are required to set a range of Prudential Indicators (PI's). The Capital Strategy includes details of the Council's Prudential Indicators for 2022/23 – 2024/25.

RECOMMENDATIONS	
1	Council approves the Capital Strategy.
2	Council approves:- • The Prudential Indicators for 2022/23 - 2024/25 as detailed within Tables 1, and 4 – 7 of the Capital Strategy. • Delegated authority for the Corporate Finance Manager to effect movements between the separately agreed limits within the authorised limit for external debt and the operational boundary for external debt (Table 6 of the Capital Strategy).

REPORT DETAILS

1.00	**CAPITAL STRATEGY 2022 – 2025**
1.01	The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the Code), requires that the Council has in place a Capital Strategy (the Strategy). The guidance to the Code defines the specific requirements of the Strategy. This report updates the Strategy for Council's consideration.
1.02	The key aims of the Strategy are to explain the ways in which the capital programme is developed and funded, the potential impact it has on the Council's Medium Term Financial Strategy (MTFS) and the way in which it relates to the Council's Treasury Management Strategy. The Strategy is an overarching document and refers to other documents such as the Capital Programme, the Treasury Management Strategy and the Minimum Revenue Provision Policy. The Strategy is split into a number of sections as described below. The Strategy is enclosed as Appendix 1.
1.03	**Capital Expenditure** This section defines capital expenditure and that there is some limited local discretion in the definition as reflected in the Council's accounting policies.
1.04	**Resources** This section explains the way in which the Capital Programme is funded. The Council has a number of funding sources but these sources are limited and in some cases, particularly capital receipts, diminishing. Some of those sources, particularly prudential borrowing, add pressure to the Council's MTFS.
1.05	**Prioritisation of Capital Expenditure** This section explains the way in which the Capital Programme is divided into three sections and how decisions are made as to which schemes to include in each section in each year.
1.06	**Governance** This section explains the governance arrangements in place in the development and monitoring of the capital programme.
1.07	**Capital Expenditure Plans** This section refers to the Council's capital expenditure plans as agreed in its Capital Programme. It covers: • Capital expenditure plans • The way in which those plans are expected to be financed • Minimum Revenue Provision • Estimates of the Capital Financing Requirement, a measure of unfinanced expenditure

1.08	**Treasury Management** This section covers the way in which the Strategy relates to the Council's treasury management activity. It covers: • The Council's Borrowing Strategy • The relationship between the Council's debt portfolio and its Capital Financing Requirement • The Authorised Limit and Operational Debt Limits for borrowing, ensuring the limits on the Council's exposure to debt are set • The Council's Investment Strategy • Treasury management governance
1.09	**Commercial activities** This section reports that the Council has limited commercial activity, having a limited portfolio of investment properties (agricultural properties and industrial units).
1.10	**Liabilities** This section explains the liabilities which the Council has, in particular the deficit on its pension fund, and links with the Council's Statement of Accounts.
1.11	**Revenue budget implications** This section shows the impact of the capital financing costs on the revenue stream of the Council's budget.
1.12	**Knowledge and skills** This section details the skills of officers involved in developing and managing the capital programme and treasury management activity, and explains that the Council makes use of external advisers to assist with this activity.
1.13	**Prudential Indicators** The Council is required by the Code to develop and monitor Prudential Indicators. These are contained within the various sections of the Strategy, and are indicated as such.
1.14	**Prudential Code Update** CIPFA is looking to strengthen its Code to ensure local authorities' financial plans are affordable, prudent and sustainable. The updated Code is expected to be published by the end of the year. The Code will clarify what constitutes prudential borrowing activities to help stop a number of authorities from misinterpreting its provision. Key changes will include clarification to better define commercial activity and investment and a requirement to incorporate an assessment of risk against levels of resources.

2.00	**RESOURCE IMPLICATIONS**
2.01	Financial consequences for capital resources are as set out within the report and in Appendix 1.
2.02	Financial consequences for revenue resources are as set out within the report and in Appendix 1.

3.00	**CONSULTATIONS REQUIRED / CARRIED OUT**
3.01	The Capital Strategy and the proposed Capital Programme were considered by the Corporate Resources Overview and Scrutiny Committee at its meeting on 11th November 2021 with their comments being fed back to the Cabinet at its meeting on 16th November 2021.

4.00	**RISK MANAGEMENT**
4.01	Decisions made which involve the Council's assets and its Capital Programme often have very large and long term financial implications. The purpose of the Capital Strategy includes setting a clear framework within which such decisions can be made mitigating the risks involved.

5.00	**APPENDICES**
5.01	Appendix 1 – Capital Strategy

6.00	**LIST OF ACCESSIBLE BACKGROUND DOCUMENTS**
6.01	None. **Contact Officer:** Chris Taylor, Strategic Finance Manager **Telephone:** 01352 703309 **E-mail:** christopher.taylor@flintshire.gov.uk

7.00	**GLOSSARY OF TERMS**
7.01	**Capital Expenditure** - Expenditure on the acquisition of **Non-current Assets** or expenditure that extends the life or value of an existing asset **Capital Programme** - The Council's financial plan covering capital schemes and expenditure proposals for the current year and a number of future years. It also includes estimates of the capital resources available to finance the programme

	Capital Receipt - Receipts (in excess of £10,000) from the disposal of an asset **Capital Scheme** - An individual capital project which is monitored and managed in isolation. The aggregate of all schemes comprises the **Capital Programme** **Capital Strategy** - A corporate document providing clear strategic guidance about an authority's objectives, priorities and spending plans, demonstrating the link to key corporate and service objectives. **Council Fund** - The fund to which all the Council's revenue and capital expenditure is charged **Disposal** - The decommissioning or transfer of an asset to another party **Non-current Asset -** A resource controlled (but not necessarily owned) by the Council, from which economic benefits or service potential are expected to flow to the Council for more than 12 months. **Prudential Code -** The Code of Practice drawn up by the Chartered Institute of Public Finance and Accountancy (CIPFA) to underpin the requirements of the Local Government Act 2003 in respect of an authority's duty to determine the affordability, prudence and sustainability of its capital investment needs **Prudential Indicators** - Required by the **Prudential Code**, these take the form of limits, estimates or actual figures used to support the local decision making process for capital investment **Unsupported Prudential Borrowing -** Borrowing administered under the **Prudential Code**, whereby authorities can set their own policies on acceptable levels and types of borrowing. The Prudential Framework allows authorities to take out loans in response to overall cash flow forecasts and other factors provided they can show that the borrowing is to meet planned capital expenditure in the current year or the next three years.