

**CAPITAL STRATEGY**

*To:* **General Purposes Committee**

*Meeting Date:* **19th September 2017**

*From:* **Chief Finance Officer**

*Electoral division(s):* **All**

*Forward Plan ref:* **Not applicable**      *Key decision:* **No**

*Purpose:* **The Council's Capital Strategy details all aspects of the Council's capital expenditure programme: planning; prioritisation; management; and funding.**

*Recommendation:* **General Purposes Committee is asked to review and recommend to Council:**

- a) That the advisory limit on the level of debt charges (and therefore prudential borrowing) should be kept at existing levels.**
- b) That borrowing related to Invest to Save/Earn schemes should continue to be excluded from the advisory debt charges limit.**

<b><i>Officer contact:</i></b>		<b><i>Member contact:</i></b>	
Name:	Chris Malyon	Name:	Councillors Count & Hickford
Post:	Chief Finance Officer	Chairman:	Chair/Vice-Chair
Email:	<a href="mailto:Chris.Malyon@cambridgeshire.gov.uk">Chris.Malyon@cambridgeshire.gov.uk</a>	Email:	<a href="mailto:Steve.Count@cambridgeshire.gov.uk">Steve.Count@cambridgeshire.gov.uk</a> <a href="mailto:roger.hickford@cambridgeshire.gov.uk">roger.hickford@cambridgeshire.gov.uk</a>
Tel:	01223 699796	Tel:	01223 706398

## **1. BACKGROUND**

- 1.1 The Council's Capital Strategy is revised each year to ensure it is up to date and fully comprehensive.

## **2. APPROACH TO CAPITAL**

- 2.1 The Council will continue to follow the approach utilised in previous years. Any Invest to Save schemes generated through transformational work in order to deliver revenue savings will continue to be reviewed and assessed through the existing approach for developing and prioritising capital schemes.

## **3. SETTING PRUDENTIAL BORROWING LEVELS**

- 3.1 In its role of recommending the final budget to Council, General Purposes Committee (GPC) is responsible for ensuring that the level of borrowing arising from the capital programmes proposed by Service Committees is prudent. Ultimately, if GPC does not consider borrowing levels to be affordable and sustainable it has the option not to recommend the Business Plan to Council.
- 3.2 In 2014 GPC recommended the introduction of an advisory debt charges limit to effect greater control over the Council's borrowing costs. GPC agreed that it should be reviewed annually towards the beginning of the business planning process, and should be amended if required.
- 3.3 Acknowledging the Council's strategic role in stimulating economic growth across the County, e.g., through infrastructure investment, it is recommended that any new, or changes to existing, capital proposals that are able to reliably demonstrate revenue income / savings at least equal to the debt charges generated by the scheme's borrowing requirement continue to be excluded from contributing towards the advisory limit. Any capital proposals generated through transformation work will be on an Invest to Save/Earn basis and therefore meet this criterion. In line with the approach set out in the Capital Strategy, GPC will still need to review the timing of the repayment, in conjunction with the overall total level of debt charges when determining affordability.
- 3.4 The table overleaf sets out the current advisory limit on debt charges (restated for the change in Minimum Revenue Provision (MRP) policy agreed by GPC in January 2016) that GPC is asked to review and confirm whether it is still appropriate. This level is higher than the level of debt charges approved for the 2017-18 Business Plan, therefore if the current level is maintained, this still provides scope for additional schemes to be added into the 2018-19 Business Plan if they are required and can justify their inclusion via the capital prioritisation process.

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Restated advisory limit	36.8	37.9	38.6	39.2	39.7	40.3
2017-18 Business Plan debt charges (including Invest to Save schemes)	22.8	18.6	18.9	22.0	22.9	-
<b>Headroom between advisory limit and 2017-18 debt charges</b>	<b>14.0</b>	<b>19.3</b>	<b>19.7</b>	<b>17.2</b>	<b>16.8</b>	<b>N/A</b>

## 4. ALIGNMENT WITH CORPORATE PRIORITIES

### 4.1 Developing the local economy for the benefit of all

The following bullet points set out details of implications identified by officers:

- Reducing the advisory limit on debt charges would inevitably have an impact on the Council's ability to drive forward investment in the local economy. However, it is recommended that any capital proposals that are able to reliably demonstrate revenue income / savings at least equal to the debt charges generated by the scheme's borrowing requirement are excluded from contributing towards the advisory limit.

### 4.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

### 4.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

## 5. SIGNIFICANT IMPLICATIONS

### 5.1 Resource Implications

This report provides details minor amendments to the process of planning for capital schemes, which has a direct impact on both capital and revenue (through financing costs). Reviewing the advisory debt charges limit will ensure that resources are targeted efficiently, effectively and equitably, and will provide Value for Money.

### 5.2 Procurement/Contractual/Council Contract Procedure Rules Implications

There are no significant implications within this category.

### 5.3 Statutory, Risk and Legal Implications

There are no significant implications within this category.

### 5.4 Equality and Diversity Implications

There are no significant implications within this category.

## 5.5 Engagement and Consultation Implications

There are no significant implications within this category.

## 5.6 Localism and Local Member Involvement

There are no significant implications within this category.

## 5.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Tom Kelly:
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Not applicable
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Not applicable
Have the equality and diversity implications been cleared by your Service Contact?	Not applicable
Have any engagement and communication implications been cleared by Communications?	Not applicable
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Not applicable
Have any Public Health implications been cleared by Public Health	Not applicable

Source Documents	Location
Draft Capital Strategy 2018-19	Octagon First Floor Shire Hall Cambridge
Council Business Plan 2017-22	<a href="https://www.cambridgeshire.gov.uk/council/finance-and-budget/business-plans/">https://www.cambridgeshire.gov.uk/council/finance-and-budget/business-plans/</a>