

## **REPORT TO EXECUTIVE**

Date of Meeting: 6 February 2024

## **REPORT TO COUNCIL**

Date of Meeting: 20 February 2024

Report of: Director Finance

Title: Capital Strategy 2024-25

### **Is this a Key Decision?**

No

### **Is this an Executive or Council Function?**

Council

#### **1. What is the report about?**

To approve the Capital Strategy.

#### **2. Recommendations:**

It is recommended that Council approve the Capital Strategy as set out in Appendix 1.

#### **3. Reasons for the recommendation:**

The aim of the capital strategy is to ensure all elected members fully understand the long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

#### **4. What are the resource implications including non financial resources.**

The financial resources required are set out in the body of this report.

#### **5. Section 151 Officer comments:**

The only significant change is to reflect the adoption of IFRS 16 in respect of Leases. This has brought a number of properties that the Council leases in on to our balance sheet and the expenditure is now treated as capital expenditure rather than revenue. If the Council had sufficient capital receipts, it could use them to pay off the capital value of the assets and generate a saving in the revenue account (similar to the treatment of leased vehicles). Unfortunately, we do not have those receipts. From a taxpayer point of view however, there is no additional financial impact, rather than paying the lease cost out of service revenue it is now split and charged to interest paid and repayment of debt (MRP). It does have the effect of increasing the Council's Capital Finance Requirement and it is essential that Services consult with Finance prior to entering into any binding leases to ensure that we do not breach our borrowing limits.

## **6. What are the legal aspects?**

The capital expenditure system is framed by the Local Government and Housing Act 1989 and the Local Government Act 2003. The CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury management in the Public Services Code of Practice and Cross-Sectoral Guidance notes (the Treasury Management Code) were updated in December 2021. The Codes set out the obligation on all local authorities to prepare a Capital Strategy report and the requirements of the report. The proposed Capital Strategy for Exeter City Council for 2024-2025 is set out at Appendix A.

## **7. Monitoring Officer's comments:**

This report raises no issues for the Monitoring Officer.

## **8. Report details:**

The Capital Strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

The proposed Capital Strategy is attached at Appendix 1. The only significant change to the strategy is the inclusion of eligible leases in accordance with International Financial Reporting Standard 16.

## **9. How does the decision contribute to the Council's Corporate Plan?**

The Capital Strategy contributes to all of the key purposes, as set out in the Corporate Plan.

## **10. What risks are there and how can they be reduced?**

Areas of budgetary risk are highlighted to committee as part of the quarterly budget monitoring updates.

## **11. Equality Act 2010 (The Act)**

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because the report is for information only

## **12. Carbon Footprint (Environmental) Implications:**

No direct carbon/environmental impacts arising from the recommendations.

## **13. Are there any other options?**

No

**Director Finance, David Hodgson**

Author: Claire Hodgson, Finance Manager – Corporate

## **Local Government (Access to Information) Act 1972 (as amended)**

Background papers used in compiling this report:-

None

Contact for enquires:  
Democratic Services (Committees)  
Room 4.36  
01392 265275