

CAPITAL STRATEGY (2015/16)

Introduction

The Capital Strategy provides the framework which governs how the Council manages its capital expenditure programmes. The Council maintains two Capital Programmes one for the General Fund and one for the Housing Revenue Account which, although they are accounted for separately, are both subject to the arrangements outlined in this strategy.

Purpose and Objectives

The purpose of the Strategy is to ensure that capital investment contributes to delivering the Council's strategic priorities.

The objectives of the Strategy are to ensure that:

- Capital expenditure supports a defined priority of the Council;
- The Capital Programme is realistic, affordable and well managed;
- Any on-going revenue cost implications are identified and incorporated into the Medium Term Financial Plan;
- Wherever possible, capital expenditure is focussed on areas that yield on-going revenue savings and efficiencies;
- Strategic procurement is used to achieve value for money.

Policy and Financial Framework

The Capital Strategy is one of a suite of plans and strategies that fit within the financial framework. It is closely linked to the:

- Corporate Plan – which defines the strategic priorities
- Medium Term Financial Plan – affordability in revenue terms
- Asset Management Plan – asset disposal, retention and improvement options.
- Housing Revenue Account Business Plan – the investment in existing stock to meet the required standard and in new builds.

Financing Capital Expenditure

Funding for capital expenditure can be from:

- Capital Receipts – from the sale of surplus or under-performing assets.
- Grants and Contributions – from external bodies.

- Prudential Borrowing – where a business case shows that the borrowing is affordable, sustainable and prudent or as short term financing to cover delays in securing capital receipts. To minimise the revenue budget implications of prudential borrowing, it should be repaid as soon as possible from the revenue savings generated, other revenue provision or from future capital receipts.
- Councils' own resources – contributions from revenue or the use of reserves.

Prioritisation

The financing resources are scarce and face competing demands. Bids for capital expenditure are, therefore, subject to a rigorous evaluation process to ensure that the available resources are focused on the statutory and strategic priorities. Bids are first considered by the Senior Management Team before being put before the Council for final approval. The criteria used in the appraisal process include:

- Links to the corporate and service priorities.
- The affordability in capital terms – the level of funding required and the availability of external grants or contributions.
- The affordability of the scheme in revenue budget terms over the longer term (i.e. whole life costs)
- The opportunity to invest capital in order to produce revenue budget savings (income or cost savings).
- The risks and opportunities associated with the scheme.

Management

Each year the full Council approves the Capital Programmes covering the medium term. Progress is monitored throughout the year by Officers and regular updates provided for Members (Financial Planning Group, Cabinet and full Council). Post-completion reviews are to be undertaken for all major schemes to ensure that the original objectives are met and to ensure that any lessons are learnt are shared.

Conclusion

The Capital Strategy provides a framework for managing capital investment throughout the Council and is designed to ensure that the scarce capital resources are used in the most effective way. The strategy is a 'live' document which will be subject to an annual review.