

STROUD DISTRICT COUNCIL
STRATEGY AND RESOURCES COMMITTEE

**AGENDA
ITEM NO**

17 JANUARY 2019

8d

Report Title	STROUD DISTRICT COUNCIL CAPITAL STRATEGY
Purpose of Report	To approve the Council's new Capital Strategy.
Decision(s)	The Committee RECOMMENDS to Council: a) To approve the Capital Strategy at Appendix A. b) To grant the S151 Officer Delegated Powers to re-profile capital budgets in consultation with the relevant service Committee chairs.
Consultation and Feedback	<ul style="list-style-type: none"> • Officer Consultation Meetings • Member workshops
Financial Implications and Risk Assessment	<p>There are no direct financial implications arising from this report. The Capital Strategy sets out the Council's approach to planning and monitoring capital expenditure including its appetite to risk.</p> <p>Andrew Cummings - Head of Finance & Section 151 Officer Email: andrew.cummings@stroud.gov.uk</p>
Legal Implications	<p>This report sets out the proposed new Capital Strategy for 2019/23 and the committee needs to be satisfied with the proposals relying on professional financial advice, and any further guidance advised at committee. The proposed additional s151 Officer Delegated Powers can be inserted into the Constitution immediately following approval by Council.</p> <p>Nicola Swan, Interim Head of Legal & Monitoring Officer Email: nicola.swan@stroud.gov.uk</p>
Report Author	<p>Andrew Cummings – Head of Finance & Section 151 Officer Email: andrew.cummings@stroud.gov.uk</p>
Options	The Council must have a Capital Strategy by March 31st 2019. The Committee may make changes to the presented strategy.
Performance Management Follow Up	<p>Budget Monitoring reporting during 2019/20.</p> <p>Capital Budget Setting 2020/21</p>
Background Papers/ Appendix	<p>CIPFA Prudential Code 2018</p> <p>Appendix A – Stroud District Council Capital Strategy</p>

1. Introduction and Background

- 1.1 Under the Local Government Act 2003 the Council should have regard to the CIPFA Prudential Code. In 2018 this code was revised to include a requirement for every local authority to produce a “Capital Strategy”
- 1.2 Stroud District Council does not have a pre-existing Capital Strategy and previous Internal Audit recommendations have highlighted the need to produce one.
- 1.3 The Guidance notes to the Prudential Code state that “The purpose of the capital strategy is to tell a story that gives a clear and concise view of how a local authority determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite”.
- 1.4 This document should be reviewed at least annually and must be considered a “live” document to be used throughout the financial year.

2. THE CAPITAL STRATEGY

- 2.1 The proposed Capital Strategy is attached at Appendix A. It sets out the Council’s principles on how the Capital Programme is put together, how Capital expenditure can be financed and how the Council approaches and manages the risks related to the Capital Programme.
- 2.2 The Capital Strategy is split into four main sections to enable the reader of the strategy to clearly see the main issues as they are presented.
- 2.3 Section one sets out the basics of Capital Expenditure and the general principles which the Council will follow in its capital programme. The principles are as follows;
 - Capital Investment is a vital tool in delivering strategic priorities
 - The capital programme will include only these schemes which assist in delivering a Council priority or commercial returns
 - The Council will consider schemes purely to generate a commercial return, as part of the budget strategy to close the gap between expenditure and resources
 - The evaluation of capital schemes for inclusion on the programme will follow an agreed process which allows scrutiny whilst not limiting innovation and adaptability
 - The funding of the capital programme must be considered alongside the revenue budget and balance sheet position as part of the Council's integrated financial planning
 - Capital projects will be monitored and evaluated, both during and after their completion, to ensure their efficient progress and that any lessons learnt can be transferred to other Council schemes

- 2.4 It is a requirement of the Capital Strategy that it must state whether the Council undertakes capital investment for a commercial return and how dependant the current revenue budget is on such investment. Within Section One it is set out that the Council will consider such investments should the opportunity arise. To not make that statement would limit the Council's ability to respond to such opportunities. The current MTFP has no reliance on income from previous capital expenditure where income generation was the only objective so the current risk exposure is nil.
- 2.5 Section two shows how the Council will select, approve and monitor capital schemes. There is currently no formalised agreed process for this in the Council so this section sets out the process by which future capital programmes will be established.
- 2.6 Section three covers the different source of funding for Capital Projects and the principles that will be followed in applying them. This includes the Council's policy on new borrowing setting out that the Council must consider the interest and MRP implications of any new borrowing.
- 2.7 Section Four links to existing Council policies on risk and treasury management. It also includes an analysis of the skills and knowledge within the organisation.
- 2.8 As Chief Financial Officer I am satisfied that the existing Capital programme of the Council is both deliverable and affordability within our current financial position. The Strategy sets out how this programme can be reviewed in future years to enhance the outcomes of capital expenditure and to best manage risk within the programme. I am satisfied that the arrangements for managing risk are robust.

3. Profiling of Capital Expenditure

- 3.1 The Capital Strategy sets out the Council's policy on capital projects which span multiple years. In summary when approving a capital programme the Council sets out an approved budget and estimated end date. The nature of capital projects is that it may be necessary, for financial or other reasons, to alter the profile of expenditure across the other years of the project.
- 3.2 It is recommended that approval for re-profiling of capital schemes, including bringing expenditure forward if necessary, be delegated to the S151 Officer. This is to ensure that the effective management of the approved capital programme is not impacted by the Civic timetable. In making such decisions the S151 Officer would consider the overall financial position of the Council and must consult the relevant committee chair.
- 3.3 If the S151 Officer exercises these delegated powers it must be reported to the next meeting of the relevant service committee and Strategy and Resources committee.