**Capital Strategy Draft 2017/18** **Appendix F**

## Introduction

The Capital Programme is estimated on a 5 year rolling basis and the council renews its Capital Strategy annually to maintain a strong and current link to the Corporate Plan.

This document focuses on core principles that underpin the capital programme as presented in appendix E to the Draft Budget, Medium Term Plan and Capital Strategy report to council.

## Core Strategy

From 2016-17 to 2019-20 the Council will invest in the district in order to advance the priorities stated within the Corporate Plan. Revenue budget efficiencies have been identified to enable the programme and additional funding will be sought at every opportunity. The management process has four core principles.

- Promote Invest to Save projects in all areas & manage the impact of investment decisions on revenue budgets.
- Performance management to be applied to all projects to ensure targets are met and projected benefits are realised.
- Continually review processes and ensure effective pre and post project appraisal is in place.
- Optimise external capital funding to support and enhance the investment programme and assist in meeting the priorities of the council.

Schemes will be considered for inclusion in the Capital Programme based on affordability, value for money and deliverable outputs that meet the Corporate Plan and council objectives.

The Council is required to have regard to the Prudential Code for Capital Finance in Local Authorities, to demonstrate that proposals are affordable, sustainable and prudent.

Capital financing from various sources as identified below are also examined annually to ensure that performance is in line with the prudential code indicators.

## Capital financing sources

| Capital Resource | Implications with regards to future funding |
|---|---|
| Capital Receipt | These are generated from disposal of assets |
| Section 106 – Planning Obligations | The Council has powers under section 106 of the Town & Country planning act 1990 to provide for infrastructure and facilities to support the local community. |
| External grants and contributions | The Council receives Better Care funding to deliver the mandatory Disabled Facility Grant programme as an example. |
| Revenue Contributions | Revenue contributions to Capital outlay (RCCO) are an integral part of the Capital programme. Efficiency savings built into the Revenue Budget are used together with government funding and council tax increases to promote growth in the district. |
| Balances and Reserves | The council holds both general and specific reserves, earmarked to support service areas. All reserves have been re-examined and where earmarked reserves are no longer required balances have been transferred to an appropriate reserve including a new Investment & Growth reserve which is primarily available for Capital expenditure |

| | |
|---|---|
| | financing.<br><br>The HRA business plan shows that after funding the capital programme, general balances will be maintained. These will generate investment income for the HRA. Future investment plans may utilise these balances including the Major Repairs Reserve. |
| Borrowing | The Council currently holds £67.456m of Long Term HRA debt following the introduction of the HRA Self-Financing scheme in 2012.<br><br>The projected capital programme does not require any additional borrowing at this time. |

**Disposals Policy**

The Council's Asset Management Plan details the approach to asset disposal. As a principle, the Council releases funding from under utilised assets. Asset Management is a key component in the Council's efficiency strategy.

Generally the Council seeks to achieve 'best consideration' in disposing of assets, via a sale subject to competition. In certain circumstances it may be for less than the highest price, normally where the disposal will contribute to the improvement of the economic, social or environmental well being of the whole or part of the area.

**Framework for managing and monitoring performance**

The governance framework in place currently includes:

- The Capital Strategy is presented annually, as part of the Medium Term Financial Plan, to Council;

- The overall Capital Programme and financing is subject to approval by the Cabinet and Council;

- Progress on the Capital Programme and its financing will be reported to Cabinet on a quarterly basis;

An option appraisal methodology for proposed new schemes is used, ensuring accordance with corporate objectives.

All policies and procedures are subject to review and in 2016/17 additional capital expenditure controls are to be introduced to strengthen the quarterly monitoring regime.

Risks in the area are reviewed periodically and every time a new major project is added to the programme. These are aligned to the corporate risk register as appropriate.

**Risk assessment**

| Area | Issue |
|---|---|
| Asset Management Strategy | The Council's Asset Management Strategy supports this Capital Strategy. Annual reviews of assets may identify surplus assets available to generate capital receipts for future capital investment.<br><br>The HRA Asset Management Strategy has been developed to complement the HRA Business Plan by formalising the Council's approach to asset management in respect of its housing stock. |
| Risk Management | Each capital project will have a risk profile, including political, economic, legal, organisational and financial risk assessments.<br>Monitoring and control of exempt input tax is essential for the council. Where exempt input tax exceeds the current 5% de-minimus limit it is irrecoverable and is charged to the programme. Each capital project will be assessed for VAT implications. |
| Sustainability and Carbon & Waste Reduction | A Sustainability Appraisal has been developed from the Local Development Framework. Key capital programmes will be evaluated against sustainability objectives. |
| Procurement | The purchase of capital assets should be conducted in accordance with the Procurement Strategy, ensuring value for money, legality and sustainability at all times. |
| Housing | There is increasing pressure with regards to the Council's statutory obligation concerning Disabled Facilities Grants (DFG).<br><br>The sustainability of this needs review in light of the Medium Term Financial Plan, the change in funding source to the Better Care Fund and potential reductions in grant from Lincolnshire County Council.<br><br>HRA income from rent is reducing due to additional sales of properties under right to buy regulations. Replacement of this income is essential to protect the long term financial viability of the service. |
| Invest to save schemes and VFM | Whilst there are revenue implications for investing in capital schemes, the Council is keen to invest in areas that result in long-term revenue savings and increased income. Principles of value for money (VFM) will be present in all projects as defined in the programme bid process. |