

Capital Programme

Policy Review and Performance Committee 15 November 2022

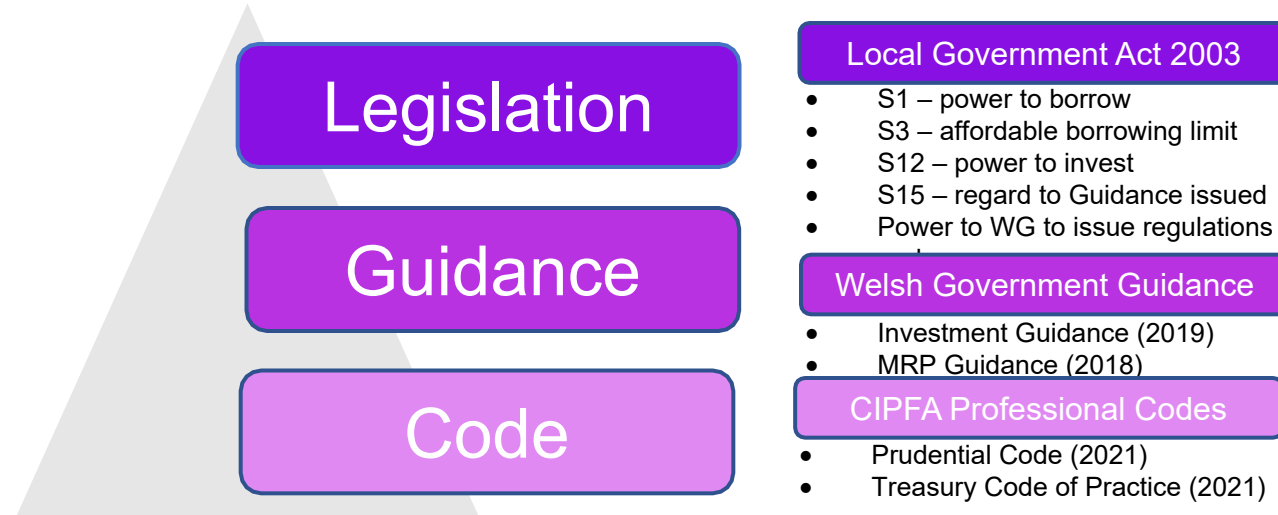
Approach

- Capital Expenditure / Key Terms
- Governance
- Reporting
- Overview of schemes in current programme

Capital Expenditure / Key Terms

- Capital expenditure is money spent on an asset being purchased or created that will last for a number of years e.g. schools, buildings and highway infrastructure
- Cash resources for capital investment can include, Revenue budgets, Capital Receipts (Sale of Council assets), Grants or Contributions from external bodies.
- Where Capital projects are undertaken, without a cash resource to pay for it, this will increase the Council's Capital Financing Requirement (CFR) – Need to borrow monies.
- Revenue Budget impact of capital investment
 - The costs of operating / maintaining new assets.
 - The capital financing costs of servicing any borrowing required to pay for investment
 - Interest payable on borrowing
 - Prudent revenue budget provision for repayment of capital expenditure paid for by borrowing
 - Reimbursement of borrowing costs from directorates / external bodies in respect of Invest to Save schemes.
 - The revenue costs of preparing and delivering projects.

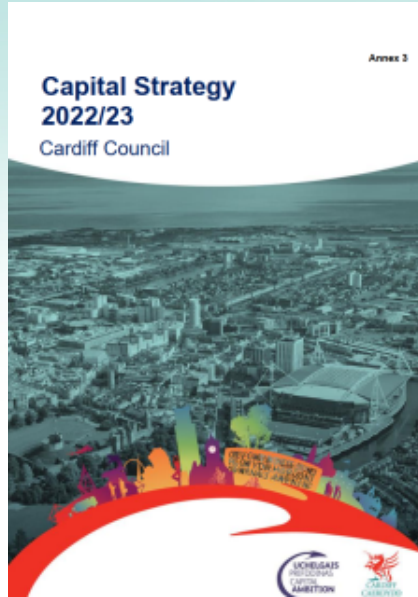
Governance



- Legislation sets out key powers and gives statutory backing to guidance – Powers to Borrow and Invest
- Welsh Government Guidance includes requirement to set aside annually amounts deemed ‘Prudent’ to repay historic capital expenditure paid for by borrowing. MRP Policy Statement. Also HRA business planning and associated guidance
- Statutory requirement since 2004 – To comply with
 - CIPFA - Prudential Code for Capital Finance – “Borrowing must be affordable, prudent and sustainable.” “Stewardship of assets”
 - CIPFA - Treasury Management Code – “Managing risks of borrowing and investments”
 - Recent changes to Codes – disincetivises borrowing ‘primarily for yield’

Capital and Treasury Management Strategy 2022/23

Council and HRA – Medium Term Financial Plans



Sets out Council's approach to:

- Working with partners
- Asset Management Planning
- Risk Appetite
- Governance and decision-making
- Five Year Capital Investment Programme
- Funding the strategy and investment programme
- Managing the borrowing requirement and link to the proposed Treasury Management Strategy
- Prudent Minimum Revenue Provision (MRP) Policy to be approved by Council i.e approach to repayment of expenditure to be paid for by borrowing
- Affordability and Prudential indicators.

Following review by Audit Committee, sets out the

- Treasury Position
- Economic background and prospects for interest rates
- Borrowing Policy / Requirement to Borrow after new commitments and MRP policy
- Investments – Policy / Strategy / Creditworthiness policy / Products
- Non Treasury Investments
- Training
- Treasury Management Indicators and Limits

Prudential Indicators – Affordability / Prudence / Sustainability

- Prudential indicators and financial resilience indicators included in the Budget Report must be considered in taking a longer term view of affordability, prudence and sustainability.
- Budget Report – Includes guide to the Prudential Indicators including setting the Affordable Borrowing Limit
- The S151 Officer is required to report explicitly on the deliverability, affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.

Reporting

- Development and update of 5 year Capital Programme at start of the year as part of Capital Strategy and Budget process
 - Five year Capital Programme previously set for the period 2022/23 to 2027/28
 - The 2023/24 Budget will update the Capital Programme for significant changes and move it on to 2028/29
- Cabinet and Officer decision reports throughout the year.
 - Strategic updates
 - Specific Project updates
 - Procurement Process
 - Business cases and Modelling updates
- Periodic Budget Monitoring update - Cabinet Report
 - Progress on projects aimed to give an overview of key expenditure items in year
 - Try to capture small and large schemes to provide reader with background
 - Capture additional in year external grant approvals
 - Capital receipts
 - Set out final expenditure and funding used to pay for expenditure in year
- External Audit of expenditure as part of Statement of Accounts Process
- Treasury Management Reports to Full Council

Detailed Capital Investment Programme included in Capital Strategy

Includes:

- Annual sums such as disabled adaptations and expenditure to improve existing assets such as infrastructure and property
- allocations for specific projects approved in previous years
- new capital investment proposed in year
- assumptions for known external grants and contributions, which in most cases are subject to a bid process
- projects proposed to proceed on the basis of revenue savings, incidental revenue income or other sources of retained income to repay initial investment
- the HRA programme, with a focus on significant investment in new Council homes to meet the demand for good quality, affordable social housing

Slippage

- A delay in planned expenditure compared to that originally assumed
- Causes
 - Over-optimism
 - Delay as a result of internal / external factors e.g planning, tenders, consultation, technical, legal agreements
 - Capacity and Skills
 - Business case / Due diligence
 - External Grant displacement of Council's own funding
 - Need to use time linked grant funding received first
 - Annual grant awards – Longer term planning difficult