

# **Capital Strategy 2024/25 – 2033/34**

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## **1 Introduction**

The council's capital strategy represents its approach to future investment in achieving its agreed objectives, whilst having regard to governance and its limited financial resources available. The council has a significant capital investment programme for the period from 2024/25 to 2028/29, whilst facing a number of competing demands on finite resources. To achieve its aims and objectives the council seeks to work with partners who share its ambitions for improved outcomes for all its residents and will introduce a capital investment programme that will facilitate its key objectives.

## **2 Purpose**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with long-term objectives and take account of stewardship, value for money, prudence, sustainability and affordability.

The definition of an investment covers all the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.

The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long-term financing implications and potential risks to the authority.

The Capital Strategy is a key document for the Council and forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It includes an overview of the governance processes for developing proposals, approval and monitoring of capital expenditure.

## **3 Scope**

This Capital Strategy includes all capital expenditure and capital investment decisions for the council, entered into as an individual local authority and also under joint arrangements. It sets out the long-term context in which decisions are made with reference to the life of the projects/assets and the need for evidence-based decision making.

The Capital Strategy specifically excludes investments that are entered into under Treasury Management powers; these are covered in the Treasury Management Strategy. The Treasury Management Strategy also includes the policy for borrowing to finance capital expenditure.

## 4 Capital Expenditure

Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset that is needed to provide services. Fixed assets are tangible or intangible assets that yield benefits to the Council generally for a period of more than one year, e.g. land, buildings, vehicles, software. This contrasts with revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services.

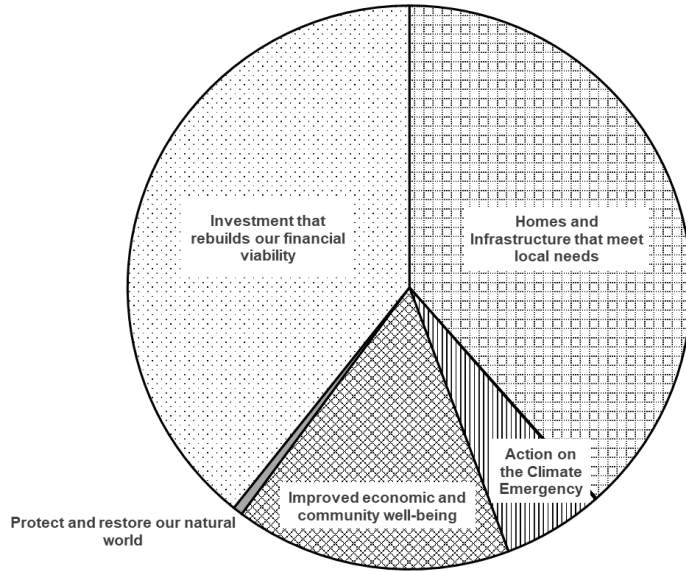
Expenditure on repair and maintenance which does not increase the life, value, or extend the use of an asset, is a revenue cost.

The capital programme is the authority's plan of capital works for future years, including intended funding of the schemes. Included are projects such as the purchase or enhancement of land and buildings, the construction of new buildings, design fees and the acquisition of vehicles and major items of equipment. Capital schemes include spending on assets owned by the council, assets owned by other bodies, and loans and grants.

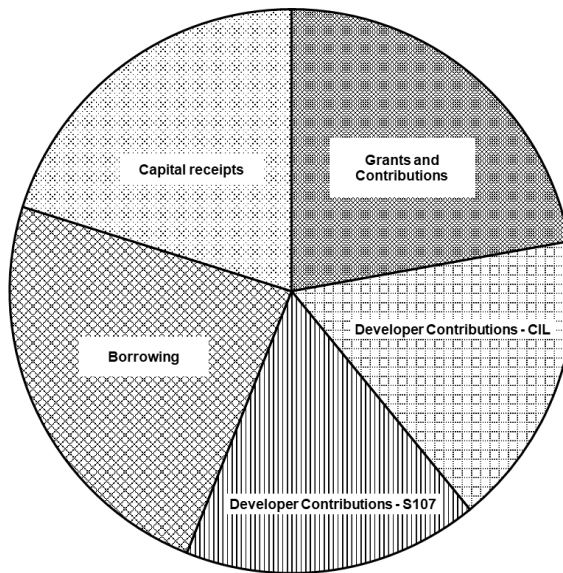
The council will apply a £10,000 de minimis level for expenditure to be considered for capitalisation. Capital schemes with total eligible expenditure below £10,000 will be treated as revenue projects unless capital grants or other contributions have been identified as a source of funding.

The council's proposed capital programme for 2024/25 to 2028/29 and latest budget is summarised in the table below.

	2023/24 Latest Budget £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	GRAND TOTAL £'000
Capital programme approved	24,448	19,359	22,044	5,377	2,217	2,173	75,618
Provisional capital programme	2,035	10,151	8,910	4,550	2,032	396	28,074
Transformation funding - flexible use of capital receipts	-	250	783	-	-	-	1,033
Capital growth proposals (Appendix D2)	-	1,989	2,506	49	1,799	49	6,392
Capital growth funded by CIL receipts (Appendix D3)	-	961	1,302	86	86	30	2,466
<b>Total Expenditure</b>	<b>26,483</b>	<b>32,710</b>	<b>35,545</b>	<b>10,062</b>	<b>6,134</b>	<b>2,648</b>	<b>113,583</b>
<b>Financing</b>							
Grants and Contributions	13,093	4,087	3,449	1,518	1,518	1,518	25,182
Developer Contributions - S106	3,322	7,188	5,985	2,613	80	80	19,265
Developer Contributions - CIL	1,621	10,332	4,341	2,791	112	30	19,228
Borrowing	-	-	20,500	2,500	4,000	-	27,000
Usable capital receipts	8,447	11,104	1,271	641	425	1,021	22,907
<b>Total Financing</b>	<b>26,483</b>	<b>32,710</b>	<b>35,545</b>	<b>10,062</b>	<b>6,134</b>	<b>2,648</b>	<b>113,583</b>
<b>Estimated balances as at 31 March 2029</b>							
Usable capital receipts							2,024



Total capital programme to 2028/9 including planned growth



Total capital programme to 2028/9 - Sources of finance

## 5 Property Investment Strategy

The Council's property investment objective is to support growth, regeneration and help deliver the Council's strategic priorities. The council uses the following two broad investment categories:

- a) Maximise use of and value (both financial and social) of Council owned assets (land and buildings) linked to the council's Corporate Plan, and
- b) Investments for service delivery are taken or held primarily and directly for the delivery of public services (including regeneration and local infrastructure).

In addition, property investments are made in accordance with Treasury Management Strategy, including cash, money market funds, property funds and equities.

In accordance with the prudential code, the Council will not make investments for commercial purposes, unless it is for the purpose of maintaining or disposing of property within its existing portfolio.

The council's existing property portfolio includes investment properties, these are:- Didcot Enterprise centre, Cavendish Mobile Home Park, Cinema – Station road Didcot, St Albans land Wallingford, Land adjacent to Water Tower Moulsoford. The investment performance of the council's property portfolio is noted in Treasury Management reports.

## 6 Due Diligence

For all capital investments, an appropriate level of due diligence will be undertaken with the extent and depth reflecting the level of additional risk being considered.

The process and procedures will include effective scrutiny of proposed investments that will, for example, consider:

- identification of the risk to both the capital sums invested and the returns;
- understanding the extent and nature of any external underwriting of those risks;
- the potential impact on the financial sustainability of the Council if those risks come to fruition;
- identification of the assets being held for security against debt and any prior charges on those assets;
- where necessary independent and expert advice will be sought.

The Section 151 Officer/Head of Finance will ensure that members are adequately informed and understand the risk exposures being taken. Internal control and policy compliance will regularly be assessed by Joint Audit and Governance Committee.

## 7 Council Objectives

In October 2020 the Council published a Corporate Plan for 2020-24 setting out the council's priorities to help communities and people across South Oxfordshire thrive. The plan was developed with community consultation and sets out the corporate aims, priorities and objectives which shape the provision of services. Capital investment projects if, and when undertaken, must be in line with these overall objectives and considered in the longer term.

The corporate plan priority themes are:

- Protect and restore our natural world
- Openness and Accountability
- Action on the Climate Emergency
- Improved economic and community well-being
- Homes and Infrastructure that meet local needs
- Investment that rebuilds our financial viability

The council monitors its progress towards achieving the Corporate Plan aims and priorities and publishes a quarterly report on performance against the six strategic themes.

The council has developed strategies linked to some of the core objectives, setting out plans for achieving them.

### Action on the Climate Emergency

The Council declared a Climate Emergency in 2019, which was followed by a pledge to become a carbon neutral council by 2025 and a carbon neutral district by 2030.

An Ecological Emergency was declared by the Council following a motion that was passed at the Council meeting on 11 February 2021. It also calls for the council to incorporate the climate and ecological emergencies and nature recovery as strategic priorities in planning policies.

A Climate Action Plan (CAP) has been developed to outline the steps the council will take to achieve its carbon neutral ambitions. The plan focusses on the council's own emissions to ensure operations and service provision are carbon neutral by the target date, leading by example before focusing on the wider district target.

The capital programme supports actions identified in the CAP, and currently includes a project focused on the decarbonisation of Cornerstone Arts Centre. The council has secured grant funding towards the project from the Public Sector Decarbonisation Scheme and has allocated an additional £1.6m of CIL developer contribution receipts to finance the project.

In support of a plan to increase tree planting across the district, the council has published a policy for planting trees on council land. Tree planting and biodiversity capital budgets are included within the capital programme.

The council provides grants to voluntary and community organisations to help build thriving communities and improve quality of life for the residents of South Oxfordshire. Applications for funding need to meet climate criteria and support the council's corporate plan priorities. Annual programmes for capital grant schemes are incorporated in the capital programme.

### Housing delivery strategy

The council's housing delivery strategy sets out the framework for enabling the delivery of housing, working with a range of partners to achieve four strategic housing priorities, these are:

- Providing homes to meet current and future local need.
- Delivering housing that is truly affordable.
- Valuing and supporting council and community led housing initiatives.
- Planning for well-designed net zero carbon housing.

The strategy sets out why each of the above is a priority, the work that has already been completed and future plans. The strategy aligns with the council's corporate plan objective to provide homes and infrastructure that people need and will be reviewed and updated when the revised corporate plan is agreed.

The capital programme comprises a number of projects to support the housing delivery strategy including development projects, property acquisition programmes and grant schemes.

### Active Communities strategy

The council's Active Communities Strategy was developed in partnership with the Vale of the White Horse District council to help residents come together to take part in sport, health and recreational activities that improve their physical and mental wellbeing, while forging stronger social links within their local communities.

The strategy aims to maximise opportunities within local communities by making use of green spaces available for recreational or aesthetic purposes, blue spaces – outdoor environments that feature water, and social, community and leisure activity infrastructure.

Six key themes have been identified to guide and shape active communities delivery plans.

- Theme 1 - Enabling everyone to be active
- Theme 2 – Create healthier communities through walking and cycling
- Theme 3 – Maximise the potential of our natural environment
- Theme 4 – Building the skills base of our communities
- Theme 5 – Effective communication, promotion and consultation
- Theme 6 – Collaborative partnerships and funding advice.



The council is committed to working in partnership to deliver high quality, sustainable facilities, services and activities for all, ensuring that residents can enjoy healthy lifestyles in an enabling and local environment.

### Technology strategy

In November 2021 cabinet approved a revised Technology strategy which set out principles for technology investment, design and delivery to meet future business needs and support the Council's Corporate Plans. The strategy is considered to be essential in supporting the move to a more customer centred approach to service delivery.

The technology roadmap features four key programmes and identifies plans and component projects to support them, budgets for capital projects are included within the capital programme.

## **8 The Capital Budget Setting Process**

### **8.1 Key Criteria for Strategy**

During preparation of the council's annual budget, the key criteria for considering capital budget proposals will be set. These may include for example:

- Works to the essential infrastructure of the organisation;
- Essential Health and Safety works;
- Essential rolling programmes;
- Invest to save schemes;
- Match funded investment for regeneration projects;
- The outcome of feasibility studies

During Autumn 2023 the council commenced a capital budget challenge process involving a review and challenge of all capital budgets to ensure that the latest estimates reflect current conditions and remain in line with the council's corporate plan objectives. Following the officer challenge process a review and challenge of the amended capital programme by members commenced, and is expected to be completed in early 2024, prior to council agreeing the budget in February.

### **8.2 Deciding which Schemes are to be put forward for review**

When decisions on capital projects to be put forward are made it is proposed that consideration is given to the following:

#### **Prudence:**

- Recognition of the ability to prioritise and refocus following changes to the council's Corporate Plan;

- Recognition of the capacity in the organisation to deliver such a programme;
- Recognition of the knowledge and skills available and whether these are commensurate with the appetite for risk;
- Recognition of the future vision of the authority;
- Ensuring effective due diligence, defining the risk appetite and considerations of proportionality in respect of overall resources;
- The approach to treasury management and the management of risk is set out in the Treasury Management Strategy.

**Affordability:**

- Revenue impact of the proposals on the Medium-Term Financial Plan;
- The borrowing position of the council as required, projections of external debt and the use of internal borrowing to support capital expenditure;
- The authorised limits and operational boundaries;
- Whether schemes are profiled to the appropriate financial year.

**Sustainability:**

- An overview of asset management planning including maintenance requirements and planned disposals;
- A long-term view of capital expenditure plans, where long term is defined by the financing strategy and risks faced with reference to the life of the project/assets;
- If the need to borrow is approved, provision for the repayment of debt over the life of the underlying debt as set out in the Minimum Revenue Provision policy, and consideration by Joint Audit and Governance Committee of the impact on the repayment on future viability.

All proposals would be produced in line with the Corporate Delivery Framework which will ensure the above points on prudence, affordability and sustainability are considered.

The Corporate Delivery Framework uses a three-stage approach to ensure strong governance and consistency in delivering programmes of work. The framework sets out the procedures and approval process to be followed dependent upon the size and complexity of the project, guidance and forms are available on the council's intranet, Jarvis.

The business case for a project is defined during the first stage of the Corporate Delivery Framework and includes proposed funding arrangements. Sources of funding would be considered for each of the proposed capital schemes. Each project would be considered in terms of revenue funding to cover the operational running costs of the asset and any borrowing repayment costs, and how the asset would be funded in terms of capital expenditure. This is known as whole life budgeting.

**Environmental, Social & Governance implications**

To ensure that the costs and benefits of any potential project are balanced with the social, economic and environmental implications, initial business cases must consider how the project will be compatible with the council's carbon emission reduction targets.

Energy efficiency measures should be considered at the start of any capital project and included in the whole project costs when establishing an initial business case.

The full business case should include an assessment of how the project will deliver carbon emission reduction and/or environmental benefit through project delivery and the finished project. It should provide a full assessment of social, environmental, and organisational objectives, costs, savings and benefits.

### **8.3 Prioritisation of Schemes put forward**

New projects that are not externally funded by grants or other contributions increase the council's borrowing requirement and therefore represent an increased revenue cost. Consequently, schemes that are not externally funded will need to be prioritised based on their criticality to service delivery, and whether the potential financing costs of delivering the project are expected to be covered by revenue/income savings generated by them.

All schemes need to comply with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, and the Public Works Loan Board (PWLB) from whom the council may borrow in future to fund the capital programme. Projects that are primarily aimed at income generation cannot be included in the capital programme. Consideration will only be given to projects that primarily support service delivery and regeneration schemes.

The Council is working towards introducing a corporate landlord model for the operations and management of its land and building corporate assets and is working towards developing a Corporate Asset Management Document (AMD) to include

- A high-level policy which links the aims and objectives of the organisations into key property vision and behaviours;
- An intermediate strategy which takes the property vision and explains how it will be delivered;
- A working action plan that lists the key property initiatives and projects and can be used to manage this at a corporate level.

Further work is required on implementing strategic asset management governance arrangements. An Asset Management Group (AMG) has been set up consisting of members / senior officers. To advise and support the AMG an officer group (drawn

from across the services) to discuss, plan and challenge property use together with the future direction for the council's estate needs to be formed.

The officer group will co-ordinate and execute the asset management documentation once in place. A 'Corporate Property Group' made up of appropriate senior officers would meet on a regular basis to drive and co-ordinate the councils' asset management vision. It is envisaged that this will be chaired by the Head of Development and Corporate Landlord and co-ordinated by the Strategic Property Manager.

#### **8.4 Options Appraisals and Feasibility Studies**

As part of the process of producing a list of potential schemes the capital programme option appraisals will be required to determine the most cost effective and best service delivery options.

Some projects may require a feasibility study. As part of any feasibility study an assessment of the maintenance costs per annum averaged over the whole life of the asset will be calculated to assess the potential impact on future revenue budgets. Where feasibility work is required to support decision making, it will be considered a revenue cost. The outcomes will be reviewed and form part of the project assessment when determining the prioritisation of capital projects for inclusion in the capital programme.

All appraisals should make clear the distinction between works that are considered essential and works that are contractually required. Where proposed projects involve assets owned or controlled by other parties, the business case should provide clarity of the resource allocations, management arrangements, asset ownership and project risks relating to the council and each of the project partners.

For complex projects a financial assessment of the business case for the proposed project should be carried out. This should normally take the form of a discounted cash flow projection in order to calculate the Net Present Value (NPV) of a proposal, although other assessment methods may be used where more appropriate, such as internal rate of return or payback period.

A standard methodology for calculating NPV should be followed as set out in separate guidance notes. This should include a sensitivity analysis based on the risks of the project and the key assumptions adopted in the financial analysis.

The actual sensitivities used may vary from project to project but should include:

- Costs more than expected by five per cent;
- Expected savings / income less than expected by five per cent;
- Costs more than expected by five per cent AND expected savings / income less than expected by five per cent;
- How much would cost increase / savings need to reduce by to make the project unviable.

All costs and benefits must be clearly broken down so that it is clear what is included and so that the behaviours of the individual elements can be properly assessed and scrutinised. Costs and benefits with different behaviours and / or dependencies should therefore be separately identified.

The overall impact on cashflow, income and expenditure account and balance sheet should be identified.

A risk assessment should be undertaken using the council's standard methodology. The assessment summarises the significant risks specifically related to the project and should explain clearly what the causes, consequences, controls and mitigations are and how the risks are managed

### **8.5 Investment Opportunities**

Property schemes which arise during the year will only be considered for inclusion in the capital programme if they meet key criteria set out in section 8.1 or one or more of the following criteria:

- The requirement for the asset is an extraordinary service demand which could not be anticipated in the normal planning processes.
- An opportunity arises to purchase property that will bring added value to the estate, the availability of which could not be anticipated in the normal planning processes.

Capital investment opportunities will be considered under the following broad categories:

- Property investments – maximising the use and value of council owned assets (land and buildings) to support council services, or for regeneration purposes to deliver a wider social, or community benefit;
- Loans - to companies and other organisations to support the delivery of the council's corporate objectives;
- Renewable energy schemes – Investments in new renewable energy schemes to support delivery of the council's climate action priorities.

In all cases investment will need to be:

- Within the council's legal powers;
- Primarily in support of council objectives and not primarily for commercial gain;
- Proportionate to the council's financial standing.

Investment will be subject to satisfactory business case, due diligence and analysis of risk (which may require external support) and will require a Cabinet

recommendation to Council on a case-by-case basis – at that point budgets will be created.

## **8.6 Governance Arrangements**

The Prudential Code sets out that the responsibility for decision making and on-going monitoring in respect of capital expenditure, investment and borrowing, including prudential indicators, sits with full Council. However, detailed implementation and monitoring may be delegated to a committee.

Council and the Cabinet are the key democratic decision-making bodies for the capital programme. The Council approves the key policy documents and the capital programme as part of the Council's Policy and Budgetary Framework. The Cabinet recommends priorities, policy direction and the new capital programme to the Council for approval. Cabinet and Council also approve new inclusions to the capital programme in line with the scheme of delegation and the financial procedure rules.

Delegations to officers and individual Cabinet members are set out in the council's financial regulations.

## **9 Monitoring of capital programme expenditure**

The Section 151 Officer, jointly with the senior managers with responsibility for delivery of the capital programme, are responsible for ensuring that appropriate arrangements are in place to monitor the capital programme and resources.

Capital budget monitoring reports are produced periodically, listing provisional and approved capital schemes, giving details of the project manager, budgets, year to date spend, brought forward spend and capital financing.

The reports are sent to budget managers of each department for review and comment and returned to the finance team to incorporate into a consolidated capital budget monitoring report. The consolidated report is reviewed and considered by the Strategic Management Team (SMT) to ensure schemes are on target. Summaries are presented to formal Cabinet meetings for consideration.

When the capital schemes are completed a full evaluation report will be made available.

## **10 Multi-year schemes**

Payments for capital schemes often occur over many years, depending on the size and complexity of the project. Estimated payment patterns are calculated for each project so that the expected capital expenditure per year is known. This is known as a cash flow projection and is key to analysing funding requirements.

The length of the planning period is defined by the financing strategy and the risks faced with reference to the life of the project/assets. For example, some schemes may span two or three years whereas others may be over much longer timeframes.

This allows greater integration of the revenue budget and capital programme and matches the time requirement for scheme planning and implementation since schemes have a considerable initial development phase.

## **11 Funding strategy and capital policies**

This section sets out the policies of the council in relation to funding capital expenditure and investment.

### **11.1 Capital programme financing principles**

The council's capital programme financing principles are:

- The council will continue to be proactive in ensuring, as far as possible, that additional capital investment needs arising from new developments are funded from developer contributions;
- Ringfenced resources are used for the purposes for which they are issued;
- Non ringfenced capital grants are treated as a corporate resource and used flexibly;
- Capital receipts are treated as a corporate resource and used across the capital programme flexibly;
- Prudential borrowing will only be considered where it is affordable;
- Revenue contributions can be used to finance the capital programme, subject to the levels of revenue funding available and the judgement of the Head of Finance (section 151 officer).

### **11.2 External funding**

The council will seek to maximise external funding wherever possible to support capital schemes. This can be in the form of grants and contributions from outside bodies including central government.

Prior to submitting proposals for grant funding, an assessment of the risk of a contract price increase, associated with market conditions or abnormal building plan demands attached to some grants, must be completed to estimate the likelihood of additional funding being needed.

As part of the planning process and negotiations on major developments the council takes a positive approach to securing land and buildings through Section 106 agreements.

In April 2021 the council published its Community Infrastructure Levy (CIL) spending strategy, which sets out how the council allocates CIL funds collected. Funds available at 30 September are used as the basis for calculating allocations included in the capital programme and approved as part of the council's budget setting each February.

Funding may be allocated and approved for projects during the year in line with the council's financial procedure rules. A procedural overview of the process for allocating spending and reporting of CIL is outlined in the CIL Spending Strategy.

The council publishes on its website, no later than 31 December each year, an annual infrastructure funding statement showing both CIL and S106 income and expenditure for the preceding financial year.

### **11.3 Capital receipts**

A capital receipt is an amount of money which is received from the sale of an asset. In most cases they cannot be spent on revenue items. However, capital receipts may be spent on certain projects as defined in the Statutory Guidance on the Flexible Use of Capital Receipts (updated) March 2016 by Department for Communities and Local Government.

The council's disposal policy provides a framework by which the council considers how surplus or underperforming assets can deliver and maximise capital receipts and/or income revenue, in order to facilitate the council's provision of existing and future services and locality needs.

The objectives of the council's disposal strategy are intended to align with the council's Corporate Plan, with reference to reducing the funding gap between income and expenditure in adherence to the council's Medium Term Financial Plan, and aim to:

- Complement the council's policy of only holding assets that meet the council's objectives for operational, socio-economic or investment purposes;
- Enable actual and latent capital value tied up in potentially surplus assets to be realized;
- Eliminate liabilities;
- Unlock the benefits of regeneration;
- Enable Local Development Plan/Framework policies to be realised;
- Maximise the proceeds or land use benefit from disposals for the benefit of the council and its community.

The disposals policy sets out a five-stage procedure to be adopted by the council in connection with the disposal of its surplus and underperforming assets.

- PROCESS – to identify the assets as 'surplus' or 'underperforming';
- PREPARATION - for disposal, including obtaining confirmation that the property is suitable for disposal;
- DETERMINATION - of the method of disposal;
- ONGOING MANAGEMENT - for managing the asset in the run up to disposal;
- DISPOSAL of the asset.



### **11.4 Flexible use of capital receipts**

The council has adopted a strategy on the flexible use of capital receipts as detailed in Annex A of this report.

### **11.5 Prudential/unsupported borrowing**

Local authorities can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. This borrowing may also be referred to as Prudential Borrowing.

Section 151 Officer/Head of Finance will make an assessment of the overall prudence, affordability and sustainability of the total borrowing which is reviewed by the Joint Audit and Governance Committee before approval by the Council. The impact of this borrowing will be reported in the Treasury Management Strategy alongside the Prudential Indicators required by CIPFA's Prudential Code for Capital Finance.

The view of the Section 151 Officer/Head of Finance will be fed into the corporate budget process so that, should the required borrowing levels be unaffordable or not prudent, then the schemes will be prioritised against the available funding from borrowing.

Section 151 Officer/Head of Finance will also determine whether the borrowing should be from internal resources, or whether to enter external borrowing.

The council's current capital programme includes borrowing of £27million to finance capital expenditure.

### **11.6 Invest to save schemes**

Occasionally projects arise which require set-up costs. Such projects may bring long term service delivery improvements and/or cost savings. The initial set up costs may be of a revenue or capital nature. Assistance for these schemes must be considered on an individual basis.

For 'invest to save' schemes it is expected that in the longer term these schemes will produce savings and/or additional income that will support the revenue budget.

### **11.7 Leasing**

Section 151 Officer/Head of Finance may enter into finance leasing agreements to fund capital expenditure. However, a full option appraisal and comparison of other funding sources will be made, and the Section 151 Officer/Head of Finance will

ascertain that leasing provides the best value for money method of funding the scheme.

Under the Prudential Code finance leasing agreements are counted against the overall borrowing levels when looking at the prudence of the authority's borrowing.

## **12 Procurement and Value for Money**

In October 2021 the council adopted a Procurement Strategy and Action Plan providing guidance of matters to be considered and procedures to followed when purchasing goods, services and works. The Procurement Strategy and Action Plan aim to ensure resources are focussed on delivering the councils' priorities and strategic themes.

The council requires consideration of climate and ecological impacts to be at the heart of procurement decisions. Due consideration of the carbon footprint of service delivery, goods manufacturing and provision of works should be factored into the procurement process through statements of requirements and evaluation criteria.

The council recognises that through the purchase of goods, services and works the resulting contracts should promote ethical procurement. Decisions made during the procurement process can have a direct effect on socio-economic and environmental implications. The council's approach to this is set out in its Ethical Procurement Statement.

It is essential that all procurement activities comply with procurement legislation and adhere to the relevant requirements. Guidance on this can be sought from the Procurement team. Procurement must also comply with the council's policies and regulations such as Contract Procedural Rules and Financial Regulations.

The main aim is to hold 'value for money' as a key goal in all procurement activity to optimise the combination of cost and quality and ensure all expenditure is appropriate.

The council has drafted a Land and Property Asset Acquisition Policy to set out the principles and rules by which the council will acquire land and property. The policy, when adopted, will inform officers and members when considering the acquisition of additional property holdings (land or buildings) to be brought under the control of the council.

This policy places emphasis on adopting procedures that are consistent and which ensure maximum benefit from the effective acquisition and subsequent management of the council's property whether on a freehold, leasehold or other basis.

## **13 Performance management**

Clear measurable outcomes will be developed for each capital scheme. After the scheme has been completed, the gateway three stage of the Corporate Delivery

Framework ensures programmes of work are reviewed and all lessons learnt are identified to ensure that we are constantly refining and improving the approach we take to delivering our work.

Reviews will look at the effectiveness of the whole project in terms of operational delivery outcomes, design and construction, financing etc. and identify good practice and lessons to be learnt in delivering future projects.

## **14 Risk management**

Risk is the threat that an event or action will adversely affect the council's ability to achieve its desired outcomes and to execute its strategies successfully.

Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities.

The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties.

To manage risk effectively, the risks associated with each capital project will be identified, analysed, and monitored.

As part of the Corporate Delivery Framework a project dashboard is created for each project, this includes the details of project risks and mitigation defined at the Gateway 2 stage.

It is important to identify the appetite for risk by each scheme and for the capital programme, Under the CIPFA Prudential Code these are defined as investments and so the key principle of control of risk and optimising returns consistent with the level of risk applies.

Section 151 Officer/Head of Finance will explicitly identify the affordability and risk associated with the Capital Strategy. Where appropriate they will consider specialised advice to assist in decision making.

An assessment of risk will therefore be built into every capital project and major risks recorded in a Risk Register, before consideration by Council.

## Annex A

### Strategy for Flexible use of Capital Receipts

#### Purpose

1. This report reviews the statutory guidance on the flexible use of Capital Receipts and its application within this Council.

#### Background

2. Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure but the use of capital receipts to support revenue expenditure is not permitted by these regulations.

3. The Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under these Regulations.

4. The Secretary of State for Communities and Local Government has issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts can be used to finance expenditure. This Direction allows for the following expenditure to be treated as capital,

*“expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”*

5. In order to comply with this Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This Guidance requires authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy with the initial strategy being effective from 1 April 2016 with future Strategies included within future Annual Budget documents.

6. There is no prescribed format for the Strategy, the underlying principle is to support local authorities to deliver more efficient and sustainable services by extending the use of capital receipts to support the revenue costs of reform projects.

7. The Statutory Guidance for the Flexible Use of Capital Receipts Strategy states that the Strategy should include a list of each project which plans to make use of the capital receipts flexibility. The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.

## Flexible Use of Capital Receipts Strategy

8. Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

*“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”*

9. The council intends to use capital receipts to fund significant transformation work associated with the end of the Five Council’s Partnership arrangement. Precise details of the projects to be funded are not currently known, however where it is considered appropriate flexible use of capital receipts powers will be used. An estimate of the potential flexible use of capital receipts is as follows:

<b>Project Description</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>2028/29 £000</b>
Five Councils' Partnership	250	783	0	0	0
<b>Total</b>	<b>0</b>	<b>783</b>	<b>0</b>	<b>0</b>	<b>0</b>

10. The Council will revisit the use of capital receipts to fund projects during the financial year if further opportunities arise for consideration.

## Impact on Prudential Indicators

11. The guidance requires that the impact on the Council’s Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy.

12. The key indicator that is impacted by this strategy is the “Estimates of Capital Expenditure Indicator”, which will reflect the £1,033,000 over the five financial years.