

Forest Heath & St Edmundsbury councils

West Suffolk

working together

ST EDMUNDSBURY BOROUGH COUNCIL

Capital Strategy

To be approved at Council on 20 February 2018

[Include links to all approved documents]

SECTION 1

1. INTRODUCTION

- 1.1. This Capital Strategy has been developed in line with the CIPFA Prudential Code for Capital Finance in Local Authorities 2017. This is a working document, officers will keep under review both as the government makes clear its intended outputs for such a strategy and as good practice is worked through amongst local authorities during 2018/19.
- 1.2. Adherence to the principles of this Strategy should ensure that capital expenditure and investment decisions are taken in line with Council objectives and take account of stewardship, value for money, prudence, sustainability and affordability.
- 1.3. This Capital Strategy has been written in conjunction with the Council's Treasury Management Policy Statement and Investment Strategy 2018/19.
- 1.4. This Capital Strategy is intended to give a high-level overview of how capital expenditure and financing plans are decided upon and how they contribute to the delivery of the Councils Strategic Priorities and Medium Term Financial Strategy and its overall service delivery.
- 1.5. With our carried Strategic priorities, statutory and discretionary responsibilities and increasingly complex demands on the Council, investment activity covers many areas over and above the normal treasury management of our cash balances and borrowing.
- 1.6. These include capital investment in projects to support and deliver our Strategic priorities. These investments will have a broad range of objectives ranging from behaving commercially investments intended to deliver a financial return to support service delivery alongside investments in our communities and places that have a primary objective of social change.
- 1.7. St Edmundsbury has a number of agreed strategies, frameworks, policies and guidance to support its capital and investment decisions. This strategy seeks to reference these from a single document.

2. Prudential Code

- 2.1. This Capital Strategy draws together the framework for capital investment decisions. The strategy for funding this investment is underpinned by the Prudential Code for Local Authority investment, which was introduced by the Local Government Act 2003. The Prudential Code has the following key objectives:
 - That capital investment plans are affordable, prudent and sustainable
 - That treasury management decisions are taken in accordance with good professional practice
 - That local strategic planning, asset management and proper option appraisals are supported
- 2.2. To demonstrate that these objectives have been fulfilled, the Prudential Code details the indicators that must be set and monitored. These are designed to support and record local decision-making, and not to be comparative

performance indicators. The Prudential Indicators are approved annually as part of the budget setting process by Council.

3. TREASURY MANAGEMENT

3.1. For the purposes of this document, "Treasury Management Activities" are defined as:-

"The management of the Local Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance consistent with those risks."

3.2. The Councils approved Annual Treasury Management and Investment Strategy links to the Capital Strategy and programme in determining the Council's approach to borrowing and investment, including borrowing to fund capital expenditure. The Treasury Management Strategy is closely related to the Prudential Code and Prudential Indicators discussed at section 2.

3.3. The Authority has an integrated Treasury Management Strategy, and has adopted the CIPFA Code of Practice for Treasury Management in Public Services. The Treasury Management Strategy deals with borrowing and investment arising as a consequence of all the financial transactions of the authority, not exclusively those arising from capital spending.

3.4. The Treasury Management Code of Practice lays out the Treasury Management Practices (TMPs) that have been adopted by the Council and the indicators that will be used to ensure that the correct approach is taken to:

- Risk management
- Performance measurement
- Decision making and analysis
- Approved instruments, methods and techniques
- Organisation, clarity and segregation of responsibilities and dealing arrangements
- Reporting requirements and management information arrangements
- Budgeting, accounting and audit arrangements
- Cash and cash flow management
- Money laundering
- Training and qualifications
- Use of external service providers
- Corporate governance

The detail behind each of these can be found within the Councils approved Treasury Management Code of Practice.

4. ASSET MANAGEMENT

4.1. The Council maintains Property Asset Management Plans (AMP) and investment plans for the use of all Council assets, be these operational buildings or investment properties. During 2018/19 the Council plans to commission a fundamental review of its AMPs.

4.2. Following this review, the Council will then develop a new Asset Management Strategy to evaluate the Council's portfolio of Assets and identify how they can be best used to deliver the Council's strategic priorities. This will also provide a framework for assessing disposal and new acquisitions against our wider asset portfolio.

5. INVESTMENT STRATEGY

5.1. This strategy covers investments in projects that support our Strategic Plan objectives, particularly around our growth priority and fall outside of standard treasury management activities.

5.2. This strategy has been devised in order to meet the following aims:

- Ambitious vision for the towns and rural communities of St Edmundsbury. Set out in the Strategic Plan 2018-2020.
- Delivery on capital and revenue investment to deliver our Growth agenda.
- All our activities and duties are investments in our communities and our places, seeking to create positive returns from all we do.
- Behaving more commercially – seeking financial returns to invest in our communities.
- Seeking blended returns across social, economic and financial investments.



5.3. This is laid out in more detail in the West Suffolk Investment Strategy. As part of our agreed approach, members agreed to prepare investment plans for our places which will be approved by Cabinet and will enable the consideration of investment opportunities in relation to the different characteristics of our market towns and rural areas.

6. CAPITAL EXPENDITURE GOVERNANCE FOR PROJECTS

- 6.1. Projects that are identified that will support our Strategic Priorities and Medium Term Financial Strategy are assessed against our approved Investment Framework and are required to go through an approval process prior to accessing any capital funding. This approval is subject to the council's democratic decision making process. However each proposal is required to go through a rigorous process of evaluation and scrutiny prior to reaching a formal council report.
- 6.2. The project evaluation, assessment framework and business case development stages will focus on the following areas for each proposal:
- strategic fit
 - deliverability within existing resource commitments
 - risk profile
 - added value
 - financial return
- 6.3. An opportunity will be rejected at any stage if it is not appraised by members as an appropriate investment decision, for example; it doesn't have a sufficient strategic fit or bears an imbalance between investment, risk and returns.
- 6.4. As projects are developed, they require production of:
- Project Initiation Document
 - Stakeholder engagement analysis
 - Risk log
 - Issues log
 - Lessons learned log
 - Detailed project plan including delivery and decision timetable and resource requirements.
- 6.5. During implementation project plans, risk registers and financial schedules are reviewed monthly and a Project Status Update (PSR) is submitted to the Programme Office support team, each month. Any significant variance from any component of the plan is elevated for Leadership Team review.
- 6.6. The overall capital programme is reported to Leadership and PASC on a quarterly basis highlighting forecast variances to plan in terms of investment.

7. RISK MANAGEMENT

- 7.1. Our approach to risk, as set out in our approved risk management framework, is based on context, proportionality, judgement and evidence-based decision making that considers each capital investment project on case by case basis and is documented at all stages, following the following core principles:
- a positive approach
 - contextual decision making
 - informed risk-taking
 - proportionality
 - decision risk vs delivery risk
 - documented decision
 - continuous improvement

8. MEDIUM TERM FINANCIAL STRATEGY - CAPITAL EXPENDITURE

- 8.1. The summary for Capital expenditure on Projects for St Edmundsbury BC is set out within the main budget setting report.
- 8.2. The current expectation is that the majority of investment planned for SEBC is to come from external borrowing in 2018/19 and 2019/20. This is in line with the establishment of £20m Growth fund and the Invest for Growth strategy.

9. STATEMENT OF ACCOUNTS

- 9.1. The capital expenditure carried out in the year is reflected in the Balance Sheet of the Statement of Accounts ensuring stewardship of assets is demonstrated.
- 9.2. The accurate monitoring and recording of capital expenditure ensures that this document is free from material error. The Statement of Accounts is externally audited at the end of each financial year to certify that it presents a true and fair view of the financial position of the Council.

10. PROCUREMENT STRATEGY

- 10.1. The manner in which capital monies are spent is determined by the Procurement Strategy, which along with the Contract Procedure Rules and Financial Regulations, set the framework for the supply of goods and services to the Council, and how these goods and services should best be obtained to secure value for money.