

CABINET

24 OCTOBER 2023

CAPITAL STRATEGY 2024 / 2025

Portfolio Holder: Councillor Vince Maple, Leader of the Council

Report from: Phil Watts, Chief Operating Officer

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Summary

This report introduces the Capital Strategy, which sets out the Council's priorities for capital investment to deliver its strategic aims and the process for formulating the capital programme.

1. Recommendation

- 1.1. Cabinet is asked to agree the Capital Strategy, setting out the Council's priorities for capital investment and providing a framework for formulating the capital programme for approval by Full Council on 29 February 2024.

2. Suggested reasons for decision

- 2.1. The Capital Strategy sets out how the Council sets its priorities for capital investment and the process for formulating the capital programme. It is therefore an important part of the framework underpinning the budget setting process.

3. Budget and policy framework

- 3.1. The Council's annual budget and council tax setting establishes the Council's budget and sets out the funding of services. The Capital Strategy provides a framework for the more detailed preparation of the capital programme.
- 3.2. The Capital Strategy, at Appendix 1 of this report, needs to be viewed in conjunction with the Medium Term Financial Outlook 2023-2028 and the Council Plan to integrate budget setting with service planning and ensure that priorities and funding are matched. Approval of the Capital Strategy is a matter for Cabinet.

4. Background

- 4.1. 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 service objectives and take account of stewardship, value for money, prudence, sustainability and affordability.
- 4.2. The Capital Strategy is a key document for the Council and forms part of the authority's financial planning arrangements alongside our Treasury Strategy, Medium Term Financial Outlook and annual capital and revenue budgets. The Capital Strategy sets out how investment in both new and existing infrastructure and assets is prioritised to support the delivery of the Council's priorities as set out in the Council Plan and supporting policy framework. It also provides an overview of how associated risk is managed and the implications for the future financial sustainability of the Council.

5. Advice and analysis

- 5.1. Appendix 1, the document accompanying this covering report, has been prepared with regard to the CIPFA Prudential Code. It seeks to detail the framework within which decisions are made in respect of capital expenditure and funding and the principles to which the Council adheres, in the context of the current capital budget.
- 5.2. Table 2 of the Capital Strategy summarises the Council's approved capital programme for 2023/24 and beyond, totalling £267.103million. The document identifies the sources of funding for capital expenditure and the opportunities for future funding. It then goes on to discuss the capital investment required in order to deliver the Council's aims as laid out in the Council Strategy.

6. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Insufficient resources	Capital funding is insufficient to fund the investment required to deliver the Council's strategic objectives.	Whilst it is impossible to predict with certainty the availability of funding, whether grants or other sources of capital finance, the Capital Strategy does seek to make reasonable assumptions regarding how	All

Risk	Description	Action to avoid or mitigate risk	Risk rating
		capital investment might be financed over the medium to long term. This in turn, helps to prioritise investment.	
Impact of changes in the economy	Macro-economic factors, including inflation, interest rates and supply chain issues could impact cost, timing and ultimately the viability of the Capital Programme	The Capital Strategy needs to be viewed as part of a suite of documents – Including the Treasury Strategy and the Revenue Budget – that together inform the formulation of the Council’s capital programme. Risk is a key element of these documents.	All
Likelihood		Impact:	
A Very likely B Likely C Unlikely D Rare		I Catastrophic II Major III Moderate IV Minor	

7. Financial implications

- 7.1. The financial implications of this report are fully detailed throughout the accompanying Capital Strategy.

8. Legal implications

- 8.1. Local authorities are required by regulation to have regard to the Prudential Code for Capital Finance in Local Authorities (published by the Chartered Institute of Public Finance and Accountancy, CIPFA) when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003. The Prudential Code requires local authorities to: “have in place a capital strategy that sets out the long-term context in which capital expenditure, borrowing and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.”

Lead officer contact

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Appendices

Appendix 1: Capital Strategy 2024/25

Background papers

None