

CAPITAL STRATEGY 2019/20

1. Introduction

1.1. The CIPFA revised 2017 Prudential and Treasury Management Code require, for 2019-20, all local authorities to prepare an additional report which will provide:

- A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed; and
- The implications for future financial sustainability.

1.1. This will be the Capital Strategy Report. The aim of this report brings together our existing Medium Term Financial Strategy, Treasury Management Strategy and Capital Programme, whilst also highlighting governance procedures, risk appetites and the impact upon achieving our new corporate objectives.

1.2. In relation to our capital expenditure programme and investments, our aim is to deliver our new corporate objectives and our priorities with a programme that is affordable and sustainable.

2. Capital Expenditure

2.1. Definition of Capital Expenditure

2.1.1. Capital expenditure is expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset. Non-current assets are:

Operational assets:

- Council Dwellings
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Community assets
- Intangible assets

Non-operation assets

- Investment properties
- Heritage assets
- Assets under construction
- Assets held for sale

1.1.1. It should also be noted that grants or loans to a third party towards expenditure that meets the above definition can also be capitalised. For example, Disabled Facilities Grants fulfil this criterion.

1.1.2. There are a number of reasons as to why the Council would incur capital expenditure, and these would include:

- To deliver our corporate priorities
- To meet statutory and legal requirements
- To refurbish and prolong the life of existing assets
- To avoid unnecessary revenue expenditure

1.1. Capitalisation Policy

1.1.1. All new schemes, prior to inclusion in the capital programme, must first have been considered as part of the Service and Financial Planning process. This must include details of the objectives of the scheme, the resources required, the timescale and the revenue implications. The de minimis level for a scheme to be considered as a capital scheme has been set at £3,000.

1.1.2. The following categories of expenditure will be capitalised:

- The acquisition, reclamation, enhancement or laying out of land;
- The acquisition, construction, preparation, enhancement or replacement of buildings and other infrastructure;
- The acquisition, installation or replacement of vehicles, plant, machinery and equipment;
- The making of grants, loans or other financial assistance towards expenditure;
- The acquisition of share or loan capital;
- The acquisition of computer software licences.

2. Capital Plans

The Council's capital programme comprises of these two key themes:

- Delivery of our Corporate Plan
- Delivery of our asset management plans

2.1. Core Influences

2.1.1. The Council has an overarching core influence for our Capital Strategy and this is derived from our Vision and Priorities.

2.1.2. Oadby and Wigston Borough Council recently approved a new five-year Corporate Plan spanning the period 2019-2024. Oadby and Wigston is a borough that is continuing to thrive and develop, developing our communities and economy, enabling and shaping growth and delivering services to our customers to the highest standard. This Corporate Plan sets out the way in which the Council will deliver and develop our services for the next five years, with the three new corporate objectives that serve our residents, communities,

businesses and partners to the highest standards, improving our borough as a place to live, work and visit. Our Vision for 2019-2024 is:

“A Stronger Borough Together, Improving the Lives of Our Communities”

2.1.3. This is supported by three new corporate objectives which aim to serve our residents, communities, businesses and partners to the highest standards, improving our borough as a place to live, work and visit, with these being:

- Building, Protecting and Empowering Communities - “Be Proud of your borough as a place to live”
- Growing the Borough Economically - “Realise the aspirations of the borough, benefiting those who live and work here”
- Providing Excellent Services - “Delivering those services needed to the highest standard whilst providing value for money”

2.2. Building, Protecting and Empowering Communities

2.2.1. This objective looks to not only build suitable accommodation to meet the needs of the community, delivering housing, attract people to our borough to live, reducing homelessness and the causes of homelessness, but to also build upon our strong communities, engaging with them and building greater community cohesion.

2.2.2. We also want to protect our communities, not just working with the Police to tackle crime, antisocial behaviour and enforcement, but to address health needs across the borough. We will work with health partners, including the Fire Service, to improve health equality, meaning nobody should feel excluded and reducing loneliness created by the modern world.

2.2.3. We will empower our communities, generating positive involvement, not only through the work of Councillors within their wards and neighbourhood forums, but to engage a greater proportion of our borough, engaging with those who often feel disenfranchised. We will increase our volunteering opportunities and encourage our communities to get more involved, taking greater responsibility for where they live, work and play.

2.3. Growing the Borough Economically

2.3.1. This objective aims for our borough to be the best it can be, economically. We will work with businesses – from local sole traders to multinational corporations as to how we can help businesses develop and grow within our borough whilst attracting new organisations to the borough. This will not only provide greater opportunities for employment for our residents and regeneration opportunities, but helps our local students with opportunities to stay within the borough whereas they may be forced to look further afield for such opportunities.

2.3.2. The borough has a rich array of attractions that should attract people to the borough, but sadly we are not maximising this. We will market the borough as a place that is worth visiting, working with partners to create a “joined-up”

approach. We will also identify what areas of demand we are lacking and look to plug those gaps – increasing the reasons to visit the borough. We will also look at our entertainment and night-time economy and look to create a sustainable and enjoyable environment where people can enjoy the borough through a host of opportunities in the evenings.

- 2.3.3. The Council will look to be more commercial in regards to generating income that can protect frontline services and not have to cut them. We will look to maximise the value our assets can provide and look at ventures that could generate commercial income rather than increase taxes on our communities.

2.4. Providing Excellent Services

- 2.4.1. This objective for our borough to put the customer first – getting things right first time and providing services to the highest standards. The Council has always aspired to provide excellent services for all of our customers, be they Residents, Businesses, Partner Organisations or internally, meaning that we need to understand their needs. The Council has already shifted to focussing on outcome delivery, and we will ensure that we will get things right at the first opportunity we have.

- 2.4.2. The Council will aim to achieve the prestigious and nationally recognised “Customer Service Excellence Award” to demonstrate that we are achieving what we have set out to do. The award is a quality-mark award that rates how the services received by residents are delivered by the Council. We will use this award as a driver of continuous improvement and enable our staff to improve their skills which will enable further improvements in the delivery of services.

- 2.4.3. We will also be utilising technology to make life safer for our residents or the implementation of smart technology in the homes of the vulnerable to allow them instant access to services, alongside the utilisation of technologies to improve our effectiveness in delivering our services.

- 2.5. The Council has a number of key strategic documents that link directly to our Corporate Plan, and these include the Medium Term Financial Strategy and Risk Management. The Council is currently finalising its workforce strategy and is updating our Asset Management Strategy. Other strategies, such as Play and Parks Strategy are in the pipeline for development and these will further inform the Councils long-term capital strategy.

- 2.6. There are a number of core influences that also directly influence our Capital Strategy and these include:

- The work of the Leicester & Leicestershire Enterprise Partnership (LLEP) and Local Authority Partners – collaborative strategies and plans such as the Strategic Growth Plan and the LIS.
- Local Government Association Peer Review
- Accounting Standards and Regulations
- The Local Plan – due for formal adoption in April 2019 identifying key areas that will influence Council delivery of sites and developments

- Housing Asset Management Plan – the long term development and maintenance of the Councils housing stock.

1. Capital Programme

- 1.1. The Council has always linked its Capital Programme to its Medium Term Financial Strategy, and this Strategy lasts until 2020. Given the financial uncertainty regarding local government finances, the Council will produce both a revised MTFs and an official Capital Programme that will run concurrently.
- 1.2. The 2019/20 Capital Budget is summarised below. New schemes for 2019/20 include the provision of a 3G Pitch in Oadby (costing around £840,000), an extension to Coombe Park Pavilion (£170,000), a sports pitch improvement programme (£80,000) and the provision to award private sports grants, funded by s106 money (£150,000).

Fund	2019/20	Est c/f from 2018/19	Total 2019/20
	£000's	£000's	£000's
Housing Revenue Account	1,500	643	2,143
General Fund	1,750	1137	2,887
Total Programme	3,250	1,780	5,030

- 1.3. New schemes for the year total £3.25m with approximately £1.8m carried forward from 2018/19. The carried forward schemes will include the completion of the Horsewell Lane Pavilion and Ervins Lock projects.

2. Capital Receipts

- 2.1. Capital receipts primarily arise from the disposal of council assets, subject to the de minimis limit of £3,000. However, it should be noted that the council has a limited asset base, both through the general fund and HRA, meaning there is limited opportunity to generate capital receipts through the disposal of assets.
- 2.2. The Council may also use capital receipts to repay debt or fund organisational transformation. In each case, this has the effect of reducing revenue impact on the general fund account.
- 2.3. The Council receives the Disabled Facilities Grant annually from Central Government, amounting to approximately £350k per annum. This grant is required to be spent in accordance with a Better Care Fund spending plan jointly agreed by local authorities and CCGs, and administered through the "Lightbulb Partnership".
- 2.4. The Council also receives other government grants occasionally which are normally ring-fenced for specific spend, such as air quality monitoring.

2.5. The Council is able to borrow money for capital purposes, subject to it being:

- Affordable;
- Sustainable; and
- Prudent.

2.6. The way the Council assesses the borrowing capabilities and proposals is using Prudential Indicators. These indicators are reported in our Treasury Management Strategy and Plan.

2.7. The Council may borrow externally (i.e. Loans via the Public Works Loan Board), or by way of applying our cash balances – internal borrowing. The Council looks to limit the amount of borrowing it undertakes given its significant impact on the repayment of interest and Minimum Revenue Position. The Council, when assessing the financial viability of capital schemes, looks to ensure these impacts are minimised. For example, the cost of funding Leisure Centre Development is funded in the majority by increased revenue generated, thereby minimising the impact on the General Fund.

2.8. The Council receives Section 106 contributions which are received via planning obligations through new developments within the borough. These are normally intended to fund new infrastructure developments and improvements to the area such as play equipment, community centres or affordable housing delivery.

2.9. The Council may use reserves to fund capital expenditure. However, given the Council's relatively low monetary value of its reserves, the Council is planning to boost its reserves in future years that will not only allow for greater financial stability, but to also allow funding to be used to pump-prime development.

2.10. The Council has the following sources of funding available for 2019/20 (excluding specific government grants such as the Disabled Facilities Grant).

Funding	£000's
Borrowing (General Fund)	1,425
Borrowing (HRA)	803
Grants and Contributions	876
S106 Funding	436
Usable Capital Receipts	140
Major Repairs Reserve	1,340
Total	5,030

2.11. When the 2019/20 Capital Programme was approved in February 2019, this was based upon the Corporate Objectives that ended in March 2019. These objectives were updated in March 2019 and came into effect on 1st April 2019. The

breakdown of spend by objective has been updated and can be seen in the table below (new schemes only).

Funding	£000's
Building, Protecting and Empowering Communities	1,517
Growing the Borough Economically	1,547
Providing Excellent Services	186
Total	5,030

3. Appraisal and Approval Process

- 3.1. The Council approves the Capital Programme annually as part of the Budget Setting Process, which normally lasts for the duration of the Medium Term Financial Strategy. For 2019/20, Council only formally approved one year of the Capital Programme whilst we await formal confirmation of the post 2020 funding for local government. In future years, schemes falling within the first year of the programme will be fully analysed and appraised before being recommended to Council as part of the Budget Setting Process. The remaining years of the capital programme will remain to identify schemes of work, their costs and how they meet the Corporate Plan objectives. This plan, as with the Medium Term Financial Strategy is updated on a rolling basis, be this annually (formally) or as and when new information that can materially influence the programme comes to light.
- 3.2. Capital Projects are appraised by the Chief Financial Officer and Deputy Section 151 Officer before being submitted to the Senior Management Team for formal approval to be recommended to Council. All Capital Schemes are monitored by the Programme Management Board which comprises the Chief Executive, Deputy Chief Executive, Chief Financial Officer and Head of Customer Service and Transformation. The findings of the Programme Management Board are reported to the relevant committee, with the financial monitoring being reported to the Policy, Finance and Development Committee.
- 3.3. The Programme Management Board will also review all corporate projects – these may be comprised of Capital and Revenue Projects and Transformation projects. These are reported to the Service Delivery Committee. Projects funded by Section 106 agreements are reported to the Service Delivery Committee, as is the work of the Lightbulb Partnership which delivers our Disabled Facilities Grant.
- 3.4. The Capital Planning process covers the core items that enable assessment, whilst larger programmes of work also have to include a project initiation document alongside the business case for approval. The Council follows the PRINCE 2 methodology when managing and monitoring projects (including capital schemes).

3.5. The Capital Programme planning process is run concurrently with the budget setting process, and the appraisal process, findings and implications are built into the budget. However the Council is aware that, as with the revenue budget, the need to appraise and approve new projects can happen throughout the financial year. Therefore the Council can carry out the assessment of projects at any point during the year utilising the process outlined previously.

4. The Prudential Code

4.1. The Prudential Code states that the governance procedure for setting and revising the capital strategy and prudential indicators is the responsibility of full Council.

4.2. Part 1 of the Local Government Act 2003 and C.I.P.F.A.'s Prudential Code for Capital Finance in Local Authorities (the Code) set out a framework for self-regulation of capital spending, in effect allowing council's to invest in capital projects without any limit as long as they are affordable, prudent and sustainable. This allows the Council to determine the appropriate level of capital investment to properly deliver quality public services, subject to affordability.

4.3. For housing authorities these are separated for the Housing Revenue Account and non-Housing Revenue Account capital investment.

4.4. The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for a capital purpose; the change year on year will be influenced by the capital expenditure in the year. In simple terms the CFR will increase by the amount of capital expenditure to be financed by borrowing less any amount set aside in the year to repay debt.

4.5. The expected movement in the CFR over the next three years is dependent on the level of supported and unsupported capital expenditure decisions taken during the budgeting cycle. There are two main limiting factors on the Council's ability to undertake unsupported capital expenditure:

- Whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs. Can the Council afford the implications of the unsupported capital expenditure?
- The Government may use a long stop control to ensure that either the total of all local authorities' plans do not jeopardise national economic policies, or in the event of an assessment by central government that local plans are not affordable at a particular council, it may implement a specific control to limit its capital expenditure plans.

4.6. The Council's expectations for capital expenditure and Capital Financing Requirement (CFR) in the next three years are shown in the following tables. These form two of the required Prudential Indicators.

4.7. The Council therefore demonstrates our compliance through monitoring a range of locally agreed indicators that are approved by Council. These indicators are included in the Treasury Management Strategy and are based upon the Capital plans approved in the budget and are formulated in accordance with our Capital Strategy.

4.8. A summary of the Prudential Indicators can be found in the Treasury Management Strategy.

5. Constitution

5.1. Oadby and Wigston Borough Council's Constitution states that Full Council is responsible for approving the Medium Term Financial Strategy, which will be recommended by the Policy, Finance and Development Committee. This covers the Financial Strategy, Capital Programme and Treasury Management.

5.2. The Chief Financial Officer is responsible for determining the capital resources available to fund the expenditure plans of the Council. The Senior Management Team is responsible for ensuring that the Capital Programme is prepared on an annual basis for consideration by the Policy, Finance and Development Committee.

5.3. Progress against the Capital Programme is reported to the Service Delivery Committee and the Policy, Finance and Development Committee on a quarterly basis. Specific projects are reported to the relevant committee/sub-committee where appropriate.

6. Skills, Resources & Knowledge

6.1. The Council employs a number of officers who have key responsibilities in the delivery of the core aims of Capital Strategy. In 2019, these include:

- The Deputy Chief Executive
- The Chief Financial Officer
- The Financial Services Manager
- The Corporate Asset Manager
- The Housing Services Manager
- The Regeneration Manager

6.2. These officers have extensive knowledge and experience of the development of capital schemes, including the commissioning of partners and suppliers to deliver the schemes.

6.3. The Council has in-house Legal and Finance teams who support the Council in the delivery of the Capital Programme.

6.4. The Council also makes use of external advice when developing projects which are commissioned either on a contract basis or as and when required, and these include:

- Treasury Management advisors
- External Legal advisors
- Property experts
- External valuers
- Local Government advisors

6.5. Members are engaged with the budget process, including the Service Delivery Committee, the Policy, Finance and Development Committee and Council, with Council being responsible for approving the Budget, Capital Programme and Treasury Management Strategy.

6.6. The Council runs Member inductions training for newly elected members and also has a member training plan to provide ongoing training support for members.