

DRAFT

MEDIUM TERM FINANCIAL STRATEGY STATEMENT

CAPITAL ESTIMATES 2016/17 ONWARDS

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1 INTRODUCTION

- 1.1 This financial strategy statement is one of two that aim to support the Council's corporate objectives as identified in the strategic plan 2015 – 2020. Where they relate to the Council's capital programme, the major issues relating to resources in the medium term are set out in this statement. For matters relating to the revenue activity see the separate strategy statement on revenue.
- 1.2 Set out in this strategy statement is an overview of the capital plans of the Council and the criteria by which such plans are developed and approved. The success of the programme is dependent upon the Council's ability to generate the resources required to finance the plans.
- 1.3 Although this document is developed for the medium term the Council reviews its strategy and therefore this statement on an ongoing basis and considers its effectiveness at least quarterly. This enables the plans to remain current and reflect changes in circumstances which impact upon the Council's strategic priorities. The annual review is completed to coincide with the annual review of the strategic plan to enable changes to be appropriately reflected in both documents.
- 1.4 The capital strategy and this statement are in compliance with the guidance set out in the Prudential Code for Capital Finance in Local Authorities. This code of practice is published by the Chartered Institute of Public Finance and Accountancy and covers the full range of capital planning activities. Compliance with the code is a statutory requirement and the Council's medium term financial strategy has been developed to ensure compliance. In summary the relevant objectives of the code are:
 - 1) To ensure, within a clear framework, that capital expenditure plans are affordable, prudent and sustainable;
 - 2) That treasury management decisions are taken in accordance with good professional practice;
 - 3) That local strategic planning, asset management planning and proper option appraisal are supported; and
 - 4) To provide a clear and transparent framework to ensure accountability

2 THE PROGRAMME

- 2.1 The strategy for the capital programme requires consideration at two levels, managing the overall programme and details of the specifics of individual schemes.
- 2.2 The overall programme must be considered in terms of the prudential borrowing principles of affordability, prudence and sustainability. At the overall programme level the relative priority of schemes, as they enhance the provision of corporate or service based objectives is also considered.
- 2.3 The inclusion of specific capital schemes within the overall programme requires an option appraisal, at scheme level, that is based on affordability in revenue and capital terms. This should include whole life costs, project timelines and risk assessments.
- 2.4 Schemes will be appraised using three approaches:
 - 1) Where schemes fit within a specific strategy and resources are available within the capital programme for that strategy, such as the Asset Management Plan, the schemes would also be subject to appraisal and prioritisation against the objectives of that strategy. These schemes must be individually considered and approved by the relevant service committee following the approval of the full programme.
 - 2) Where schemes can be demonstrated to be commercial in nature and require the use of prudential borrowing, a business case must first be presented to the relevant service committee. The relevant service committee will recommend approved proposals to the Policy and Resources Committee for final approval of the prudential borrowing.
 - 3) Where schemes do not fit within the criteria above but an appropriate option appraisal has been completed, evaluation and prioritisation will remain as previously approved by Council and set out below.
 - 1st For statutory reasons;
 - 2nd Fully or partly self-funded schemes focused on strategic plan priority outcomes;
 - 3rd Other schemes focused on strategic plan priority outcomes; and
 - 4th Other priority schemes with a significant funding gearing

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- 2.5 The Council is committed to maintaining its ambition and aspiration to deliver its priorities and has identified that this will lead to a significant need for capital investment in the future. This includes those schemes currently in the capital programme along with the infrastructure schemes needed to achieve the housing and business growth required for the borough.
- 2.6 It is expected that infrastructure schemes will be funded directly from the benefits gained from the development however viability assessments of expected developments suggest that there will be a funding gap. The Council is preparing to support that infrastructure need in order to deliver its strategic priorities.
- 2.7 In addition the Council is constantly focused on the need for efficiency in the use of resources and the delivery of services. It is aware of the need to diversify the sources of income obtained outside of the reducing support from central government. One aspect of this is to take a commercial approach to the provision of services that have displayed increased demand and higher cost over the last five years. As this may require capital investment the Council has agreed to allow borrowing to achieve this objective subject to:
- 1) A business case and successful implementation of savings that cover the cost of borrowing; and
 - 2) Ensuring the principles set out in paragraphs 1.4 and 3.4 are achieved.
- 2.8 The programme for the period 2016/17 to 2020/21 currently focuses on a series of projects providing investment in the property assets, core funding for affordable housing and support the commercialisation strategy.
- 2.9 Table 1 below summarises the five year programme by service committee.

CAPITAL PROGRAMME / COMMITTEE	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000
Policy & Resources	12,926	10,350	9,325	300	275
Communities Housing & Environment	3,588	7,475	1,450	1,450	1,450
Heritage Culture & Leisure	2,847	1,875	2,866	564	90
Strategic Planning Sustainability & Transportation	1,469	0	0	0	0
	0	0	0	0	0
Total	20,830	19,700	13,641	2,314	1,815

Table 2: Committee Summary of the Capital Programme.

3 FUNDING

- 3.1 The medium term financial strategy takes a flexible approach to funding the capital programme. As resources from capital receipts have become uncertain the Council has provided support for core programmes from other resources. The main resource available to the capital programme is now New Homes Bonus.
- 3.2 The new homes bonus is an identifiable value enabling medium term planning but has an uncertain future as the government is completing a review of the affordability of the Bonus and effectiveness of the incentive it creates. This is tied to the future changes planned for business rates.
- 3.3 In the past the programme has benefitted from the sale of surplus assets. The Council no longer holds many assets of significant value that are surplus to operational or commercial need. As a result the funding from capital receipts has reduced to occasional resources from the sale of small assets.
- 3.4 Originally in 2012/13 the Council approved the use of prudential borrowing for the following activities:
- 1) Acquisition of commercial property;
 - 2) Acquisition of property to alleviate homelessness; and
 - 3) Action to enable stalled development to progress.
- 3.5 The use of prudential borrowing is subject to an approved business case that evidences a benefit above that required to repay any debt over the life of the activity. The additional benefit may be financial or nonfinancial but must support the objectives of the strategic plan.
- 3.6 Due to uncertainty of future funding the Council maintains a principle of prior funding of schemes. Although commitment to a scheme is given by its inclusion in the programme the strategy requires that funding is identified in advance of formal commencement of the work. The quarterly monitoring of the capital programme enables Policy & Resources Committee to take effective decisions based on current levels of funding before major projects commence.

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3.7 Table 2 below identifies the current funding assumptions:

STRATEGIC ISSUES	2016/17 £,000	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000
Balance B/Fwd	9,812				
Use of Earmarked Reserves	4,306	4,998	2,720	1,971	1,456
Capital Grants	450	450	450	450	450
Capital Contributions	1,000	1,000	0		
Prudential Borrowing	11,950	15,525	11,000		
Total	27,518	21,973	14,170	2,421	1,906

Table 2: Resources Available to the Capital Programme.