

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CORPORATE OVERVIEW AND SCRUTINY COMMITTEE

11 FEBRUARY 2019

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

CAPITAL STRATEGY 2019-20 ONWARDS

1. Purpose

- 1.1 The purpose of this report is to present to Corporate Overview and Scrutiny Committee the draft Capital Strategy 2019-20 to 2028-29 which includes the Prudential Indicators (**Appendix A**).

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

- 2.1 This report assists in the achievement of the following corporate priorities:-
1. Supporting a successful economy – taking steps to make the county a good place to do business, for people to live, work, study and visit, and to ensure that our schools are focused on raising the skills, qualifications and ambitions of all people in the county.
 2. Helping people to be more self-reliant – taking early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.
 3. Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.
- 2.2 Capital investment in our assets is a key factor in meeting the Council's Priorities as set out in the Council's Corporate Plan.

3. Background

- 3.1 The control on Capital Expenditure is based in legislation. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003, as amended, contain detailed provisions for the capital finance and accounting controls, including the rules on the use of capital receipts and what is to be treated as capital expenditure. They modify accounting practice in various ways to prevent adverse impacts on authorities' revenue resources.
- 3.2 In December 2017, CIPFA published a new edition of the Prudential Code for Capital Finance in Local Authorities. The revised Prudential Code placed a requirement on local authorities to determine a Capital Strategy, to be approved by full Council, which demonstrates that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The Strategy needs to set out the long-term context in which capital expenditure and investment decisions are made and gives due

consideration to both risk and reward and impact on the achievement of priority outcomes.

- 3.3 The Strategy should demonstrate how the Council ensures that all of its capital and investment plans and borrowing are prudent and sustainable. In doing so, the Strategy will need to include the prescribed Prudential Indicators for a three year rolling period. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future sustainability.

4. Current Situation / Proposal

- 4.1 The principles within the Capital Strategy have been applied to allocation of capital resources and schemes within the Capital Programme included within the Medium Term Financial Strategy (MTFS). This will be approved by Council before the start of the financial year in accordance with the Constitution. Following approval, any schemes for which external funding has been approved will be added to the capital programme once the funding has been accepted and included in the next capital programme report to Council. Urgent expenditure not included in any budget approval, which needs to be agreed prior to the next meeting of Council, may only be incurred with the approval of the Chief Finance Officer.

- 4.2 The draft Capital Strategy and associated schedules are contained at **Appendix A**. It will be presented to Cabinet and Council for approval in February.

- 4.3 It confirms the Council's compliance with the Prudential Code for Capital Finance in Local Authorities. It sets out the guiding principles for capital decisions as to:-

1. Focus capital investment on delivery of the Council's Objectives and Priorities
2. Ensure strong governance over decision-making
3. Ensure that capital plans are affordable, sustainable and prudent
4. Maximise and promote the best use of available funds

- 4.4 The Capital Strategy sets out a framework for the self-management of capital finance and examines the following areas:

- Capital expenditure and investment plans
- Prudential Indicators
- External debt
- Treasury Management

It reports on the delivery, affordability and risks associated with the long-term context in which capital expenditure and investment decisions are made.

5. Effect on Policy Framework and Procedure Rules

- 5.1 Council will be asked to approve changes to the Financial Procedure Rules to reflect the duty to produce a new Capital Strategy and the associated monitoring arrangements when the Strategy is presented in February.

6. Equality Impact Assessment

- 6.1 Projects within the Capital Strategy will be subject to the preparation of Equality Impact Assessments before proceeding.

7. Well-being of Future Generations (Wales) Act 2015 Implications

7.1 The report contributes to the following goals within the Well-being of Future Generations (Wales) Act 2015:

- A prosperous Wales
- A resilient Wales
- A Wales of cohesive communities
- A globally responsive Wales

7.2 The wellbeing objectives are designed to complement each other and are part of an integrated way of working to improve wellbeing for the people in Bridgend Council. In developing the Capital Strategy, officers have considered the importance of balancing capital resources over the short-term and minimising the revenue costs of debt with longer-term objectives of managing the Council's long term capital programme. The Prudential Indicators are forward looking and are set to support future sustainability.

8. Financial Implications

8.1 The financial implications are reflected within the report.

9. Recommendations

9.1 The Corporate Overview and Scrutiny Committee is asked to note :-

- the Capital Strategy 2019-20 to 2028-29 including the Prudential Indicators 2019-20 to 2021-22 and its associated Schedules (**Appendix A**)

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Background Papers:

Background documents

CIPFA The Prudential Code for Capital Finance in Local Authorities (Fully Revised 2017)