

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO CABINET

22 FEBRUARY 2023

REPORT OF THE CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

CAPITAL STRATEGY 2023-24 ONWARDS

1. Purpose of report

- 1.1 The purpose of this report is to present to Cabinet the Capital Strategy 2023-24 to 2032-33 (**Appendix A**), which includes the Prudential Indicators, and the Annual Minimum Revenue Provision Statement 2023-24 (**Section 7 of Appendix A**), before submitting to Council for approval.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objectives under the **Well-being of Future Generations (Wales) Act 2015**:

1. **Supporting a successful sustainable economy** – taking steps to make the county borough a great 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 for all people in the county borough.
2. **Helping people and communities to be more healthy and resilient** – taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
3. **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

- 2.2 Capital investment in the Council's assets is a key factor in meeting the Council's well-being objectives as set out in the Corporate Plan.

3. Background

- 3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities requires 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 give due consideration to both risk and reward and impact on the achievement of priority outcomes. The proposed Capital Strategy 2023-24 to 2032-33 is attached as **Appendix A**.

- 3.2 As well as the legislation, the Council manages its capital activities in accordance with the Welsh Government (WG) revised Statutory Guidance on Local Authority Investments.

4. Current situation/proposal

- 4.1 The Capital Strategy at **Appendix A** gives 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. In doing so, it includes the prescribed Prudential Indicators for a three year rolling period.

- 4.2 The principles within the Capital Strategy at **Appendix A** have been applied to the allocation of capital resources and schemes within the Capital Programme included within the Medium Term Financial Strategy (MTFS). The Capital Programme 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 Executive Officer.

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

- Capital Strategy Framework
- Asset Management Planning
- Risk
- Governance and Decision Making
- Capital investment programme and funding
- Managing borrowing
- Prudent Minimum Revenue Provision (MRP) Policy Statement
- Affordability

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

- 4.4 The Capital Strategy reflects the CIPFA Capital Strategy Guidance 2021 and aims to provide the strategic context for capital investment, and how the Council manages risk in relation to the Capital Programme. It also provides a focus on managing the level of debt to finance capital expenditure and appropriate levels of borrowing. Some of the key areas of the Strategy are outlined below.

4.4.1 Capital Strategy Framework

The Capital Strategy is the policy framework document that sets out the principles to be used to guide the allocation of capital investment across the Council's services. It is an integral part of the Council's Budget and Policy Framework, as set out on page 5 of the Capital Strategy.

4.4.2 Risk

All projects involve an element of risk, and managing that risk is crucial in contributing towards the successful completion of projects. A particular risk currently facing the Council is the impact of inflation on costs of capital works and challenges in the timing of securing supplies to undertake such works. This is reflected within the section on Risk. Included also is the potential impact of recent changes to restrict Public Works Loans Board (PWLB) borrowing solely for commercial yield. This is also emphasised in the latest version of the CIPFA Prudential Code for Capital Finance in Local Authorities. Given the need to borrow to support significant schemes such as Sustainable Communities for Learning (formerly 21st Century Schools) Band B programme, it is unlikely the Council would wish to consider borrowing purely for commercial reasons as this would prevent it from accessing PWLB borrowing for the Band B programme.

4.4.3 Governance and Decision Making

This section brings together the prioritising of capital schemes, what happens with approvals during the year, how the programme is monitored throughout the year and post project evaluation.

4.4.4 Capital Investment Programme 2023/24 to 2032/33 and Financing

Section 4.0 of the Capital Strategy summarises the 10-year Capital Programme. It identifies some of the key projects within the programme and references the detailed 10-year Capital Programme at Annex A of the Capital Strategy. Key indicators are then included at section 5.0 – Funding the Strategy and Section 6.0 – Managing the Borrowing Requirement. These Performance Indicators are crucial in determining the effective management of borrowing to support the Capital Programme and are reported to Cabinet and Council on a quarterly basis.

4.4.5 Minimum Revenue Provision Policy Statement

The Minimum Revenue Provision Policy Statement is included within the Capital Strategy under section 7.0. This ensures its importance of putting aside revenue resources to repay borrowing.

5. Effect upon policy framework and procedure rules

- 5.1 As required by paragraph 3.5 of the Financial Procedure rules, the Chief Finance Officer will be responsible for preparing a Capital Strategy for submission to Council for approval prior to the start of each financial year.

6. Equality Impact 2010 implications

- 6.1 The protected characteristics within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh language have been considered in the preparation of this report. As a public body in Wales, the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

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

- 7.1 The Act provides the basis for driving a different kind of public service in Wales, with 5 ways of working to guide how public services should work to deliver for people. The following is a summary to show how the 5 ways of working to achieve the well-being goals have been used to formulate the recommendations within this report:

- **Long-term:** the consideration and approval of this report will assist in the capital planning in both the short and long-term. The Prudential Indicators are forward looking and are set to support future sustainability.
- **Prevention:** the consideration and approval of this report will assist in the planning of capital expenditure by approving projects and funding thereof to support future service delivery for the benefit of communities.
- **Integration:** the report supports all the well-being objectives.
- **Collaboration:** the Capital Strategy ensures collaboration across the Council in the delivery of its Capital Programme.
- **Involvement:** publication of the report ensures that the public and stakeholders can review the strategy, which is considered by Corporate Overview and Scrutiny Committee.

8. Financial implications

- 8.1 The financial implications are reflected within the report.

9. Recommendations

- 9.1 Cabinet is recommended to consider the report and recommend that the Capital Strategy 2023-24 to 2032-33 including the Prudential Indicators 2023-24 to 2025-26 and the Annual Minimum Revenue Provision (MRP) Statement 2023-24 at **Appendix A** be presented to Council for approval.

Carys Lord
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Background documents:

None