APPENDIX 1

Wycombe District Council

Capital Strategy 2019/2020

Version 1.15

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Contents

1 Purpose of the Capital Strategy

This Capital Strategy is an overarching document which sets the policy framework for the development, management and monitoring of the Council's investment activity. Investment in this context means any investment involving the use of the Councils own or borrowed funds, so will incorporate the Capital Programme and all Treasury Investment activity.

In managing its Capital Strategy, the Council will have regard to its statutory obligations within the context of a changing operational environment, the longer term impact of its decisions, the delivery of value for money and the risks associated with any particular course of action.

The strategy is designed to fully comply with the Prudential Code of Practice for local authority capital investment which has recently been revised by the Chartered Institute of Public Finance and Accountancy (CIPFA) in parallel with revised guidance to local authorities from the Ministry of Housing, Communities and Local Government (MHCLG). The main purpose of the Code is to ensure that capital investment proposals are affordable, prudent and sustainable.

The Capital Strategy aligns with the priorities set out in the Council's Corporate Plan and other key council strategies including:

- The Medium Term Financial Strategy
- The Treasury Management Strategy
- The Economic Development Strategy

Full Council will agree the Capital Strategy annually and will review and amend it as necessary in the event of a significant change in circumstances.

2 Context

2.1 Council's Core objectives and role of Capital Investment

The Council's aims and priorities are set out in the Corporate Plan, with the underpinning service delivery plans being refreshed annually. All that the Council does is set within a legislative context, so that meeting its statutory obligations is a key component determining its priorities and how they are to be delivered.

As set out in the Economic Development Strategy Wycombe District Council wants to create a prosperous and dynamic local economy that enables ambitious local companies to grow, attracting new investment and supporting economic development in a sustainable and inclusive way. We want to balance growth with improvements to quality of life securing investment in our town centres and villages to create high quality housing and attractive public realm and green space. We want our district to continue to be an attractive environment providing easy access to London and the benefits of proximity to the Chilterns' area of outstanding natural beauty.

We want the district to appeal to a wide range of people, providing excellent cultural, leisure, sporting, retail and recreational opportunities and supporting active lifestyles.

We also want to build on the strengths of our cultural diversity, making our district a welcoming place for visitors, enabling all our local communities to benefit from economic growth and share in prosperity. We want to be known as a ‘can do’ community; a connected community; a community that supports enterprise and welcomes creative people and entrepreneurial businesses. And we want to support the growth of a sustainable, low carbon economy that uses clean technology and adapts to the challenges of climate change.

The priorities set out in the Corporate Plan are:

- A great place to be – our Place priority
- Strong communities – our People priority
- Growth and prosperity – our Prosperity priority
- Efficient and effective – our Progress priority

2.2 Demographic, Technological and Political Change in Wycombe

2.2.1 Changes in Demography

Economic growth is influenced by three primary factors: population growth, rates of economic activity and the productivity of employees and businesses. Productivity can be enhanced through investment in innovation, skills and technology.

Our district’s population is set to grow significantly over the next 15 years and the submission version of the local plan anticipates that around 10,900 new homes will be built across the district during this period. Growth will be needed to ensure people can secure jobs; fewer are dependent upon benefits and that our companies embrace innovation and technology to boost their productivity and provide higher value products and services.

The district’s economic output in 2016/2017 by Gross Value Added is estimated to be £5.5 billion. We plan to set an ambitious growth target of just under 3 per cent a year over the next decade. The challenge is for Wycombe to become a £7 billion gross value added (GVA) economy by 2027. If we are to achieve that challenge Wycombe needs to offer an attractive environment for new business investment as well as a great place for people to live and work in and raise future generations.

Our vision is not solely about making Wycombe economically competitive but helping it become a more successful place, with strong and cohesive local communities and a great quality of life.

2.2.2 Changes in Technology

Developing the economy needs to reflect changes to the way we work and better still to reflect the way we will work in the future. The pace of change in technological advancement, including *digital transformation* and other major technological advances, appears to get ever faster, so keeping up with these changes presents a range of challenges.

The Council has a role in putting in place, or at least facilitating, *enabling infrastructure*. An example of this currently might be the developing market in electric vehicles that need a more comprehensive network of charging points. However, as is often the case with emerging technologies there are a number of different options available, so identifying which particular solution to support is a key challenge if capital investment is not to be wasted.

By contrast the *economic development role* the Council plays may need to facilitate experimentation, such as creating space for start-up businesses in emerging technologies. The very nature of this means that there is likely to be a degree of failure and the Council needs to determine the level of risk it is prepared to take and the mitigations that can be put in place.

More detail of our ambitions and plans can be found in our Economic Development Strategy.

2.2.3 The Changing Public Sector Landscape.

The Secretary of State has now approved the creation of a new a Single Unitary District Council for Buckinghamshire to replace the current County Council and four District Councils. This is likely to need to a rationalisation and re-profiling of the local government estate in Buckinghamshire and a County wide approach to investment decisions.

The financial, technological and demographic pressures in the system likely to lead to change - all public sector bodies are under increasing financial pressure as well as there being an expectation to provide fit for purpose, more coherent and accessible services to the public.

Those financial pressures on local authorities, caused in large part by the year on year cuts in Government grant funding, but also significant increases in demand for services, lead to the need to explore alternative sources of income. This in turn prompts consideration of capital investment in assets which can support the generation of additional income. This might mean investing in existing assets to facilitate their use to create income streams. It may also mean investing in assets purely, or significantly, for the purposes of making a return.

3 Key Objectives of Capital Investment

The Capital Strategy comprises two main elements – Treasury Investment and Capital Investment. Treasury Investment is covered in the Treasury Management Strategy.

3.1 The key objectives of capital investment will be to:

- Support service delivery in line with the Council's strategic objectives
- Support economic development and the wider growth agenda
- Enhance value for money by helping to reduce or avoid costs

- Facilitate the generation of income, be that from commercial assets held predominantly for their rental yield, or service based assets capable of generating income as a by-product.

3.2 Where assets are held by the Council that do not fall into the above categories the Council will aim to dispose of such assets. However, it will seek to maximise the return in doing so and therefore will on occasions hold assets awaiting favourable market conditions. The retention of assets in this way will require an explicit decision to do so.

3.3 As well as the key objectives set out in 3.1 above there will also be regard for the following:

- Meeting legislative requirements, such as health and safety.
- Maximise community benefits, working in partnership with other agencies
- Ensure that investments are affordable and sustainable
- Safeguard the on-going integrity of existing assets (property, ICT, etc.) ensuring they remain fit for purpose.
- Be forward looking in terms of investing in future technologies and recognising societal behaviour patterns and not the ways of the past.
- Ensure, where appropriate, that investments are in line with the Asset Management Plan

3.4 Based on the above objectives it is envisaged that capital investment will fall into three main categories:

- Assets held for a financial return to support the financial resilience of the Council.
- Assets owned by the Council to support the direct delivery of services by the Council itself.
- Assets owned by the Council to support the delivery of services by third parties where there is a strategic need/advantage in continuing to own the assets.

3.5 In addition the Council may on occasions make capital investments in assets owned by third parties where doing so facilitates the delivery of Council objectives, or legislative requirements.

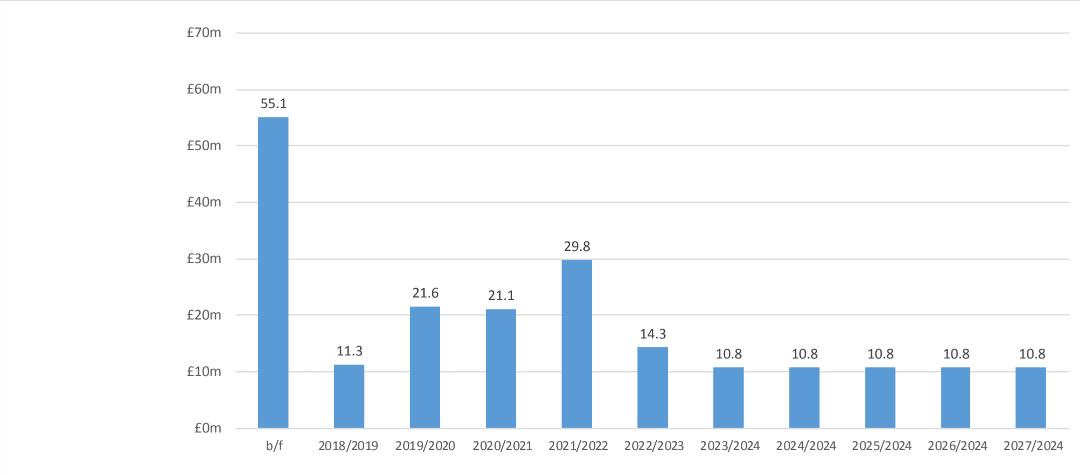
4 Resources

4.1 Available Capital resources, borrowing, key principles

Table 1 below sets out the estimated funding envelope for the next 10 years.

Table 1

10 Yr Funding Envelope



	Yrs 1-5								6-10	
	Balances b/f	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022	2022 / 2023	Yrs 1-5	Yrs 1-5 + op bals	Yrs 6-10	Total
Capital Receipts	**16.8**	5.1	12.3	9.5	13.0	6.0	**45.8**	**62.6**	**15.0**	**£77.6m**
CIL	**8.0**	4.0	4.0	4.0	4.0	4.0	**20.0**	**28.0**	**20.0**	**£48.0m**
S106	**5.6**	-	-	-	1.5	1.2	**2.7**	**8.4**	**-**	**£8.4m**
DFG	**-**	0.8	0.8	0.8	0.8	0.8	**4.0**	**4.0**	**4.0**	**£8.0m**
HiF Abbey Barn Lane	**-**	0.1	0.5	0.2	5.0	1.7	**7.5**	**7.5**	**-**	**£7.5m**
HiF Princess Reisb Relief Rd	**-**	0.1	0.8	6.0	5.1	-	**12.0**	**12.0**	**-**	**£12.0m**
ACF			2.7				**2.7**	**2.7**		**£2.7m**
LRF	**-**	0.5	-	-	-	-	**0.5**	**0.5**	**-**	**£0.5m**
Revenue Reserve	**24.7**	0.7	0.5	0.6	0.4	0.6	**2.8**	**27.5**	**15.0**	**£42.5m**
Total Funding available	**£55.1m**	**£11.3m**	**£21.6m**	**£21.1m**	**£29.8m**	**£14.3m**	**£98.0m**	**£153.1m**	**£54.0m**	**£207.1m**

4.1.1 There are a number of potential sources of financing for the capital programme. These can be described as follows:

4.1.2 **Grant Funding** (often specifically for capital purposes and also often from central government, but they may come from, or through, other agencies).

4.1.3 **Capital Receipts** (receipts arising from the disposal of existing assets are constrained to only be useable for the purposes of funding new assets. Such funds when generated are held in a Capital Receipts Reserve until such time as used).

4.1.4 **Developer Contributions** (S106 agreements and/or the Community Infrastructure Levy (CIL) effectively impose a tax on new development in order to fund infrastructure required as a consequence of the development.). Future funding application has been risk assessed to take account of uncertainty in the housing market.

4.1.5 **Partner Contributions** (some projects may be jointly funded between the Council and other agencies or development partners, both in the public and private sector)

4.1.6 **Revenue Contributions to Capital** (the Council is able to use it revenue resources to fund its capital expenditure, but obviously this then reduces the funding available for recurrent expenditure.)

4.1.7 **Leasing** (essentially this is a specialised form of borrowing linked directly to the asset. The Council currently has no operating or finance lease agreements where the Council is lessee)

4.1.8 **Prudential Borrowing** (The default position is zero borrowing. However, the Council is able to borrow in order to fund its capital investments in accordance with the Government's guidelines and with regard to the Prudential Code for capital finance in local authorities, and provided that the return and payback period is in accordance with the minimum requirements set out by cabinet and in force at that time).

4.2 The Choice of Funding

4.2.1 The choice of funding for the capital programme and projects within it will depend upon the overall availability of resources and any constraints applicable to particular sources and the priorities of the Council.

Wherever possible external resources such as partner contributions, or grants will be the first preference for funding projects. In the case of developer or partner contributions that arise through legal agreements (eg s106 contributions) these funds may only be available for specific projects that meet the legal conditions of those agreements.

4.2.2 The Council will aim to maximise its funding for capital expenditure by bidding for grant funding, disposing of surplus assets, seeking to maximise its leverage with partners in respect of joint funding opportunities, etc. The ability to respond to and deliver the Capital Programme and Pipeline schemes will be heavily dependent upon the ability to attract additional resources. This may come in the form of additional funding from Government and the private sector, such as is being sought via the HIF bids, developer contributions, or working in partnership with other bodies.

4.2.3 Although the Council will continue to bid for all the resources available to it, the Government's austerity measures are leading to a tightening of grant funding associated with Capital projects.

4.2.4 Historically the Council has provided a reasonable level of revenue contributions to fund the capital programme. However, as part of measures to keep the revenue budget in balance in the face of reduced funding and increasing service pressures the capacity to do this has been reduced to a relatively low level in the future.

4.3 Required Return for Capital Investment

4.3.1 The current requirement is that a scheme that is not funded from external borrowing must deliver a minimum average annual net yield of greater than 4.25% (4%+Base Rate-0.5%) i.e. currently (4%+0.75%-0.50%)=4.25%, have a positive NPV using a discount rate of 4.25% and operate within an acceptable level of risk (see section 5).

4.3.2 The 4% threshold is based on using the pooled property fund as a benchmark which has delivered an average return of 4% over the last three years.

4.3.3 Prudential borrowing will be the last resort of funding, and will only be used in exceptional cases and where there is a strong business case offering a rate of return and/or payback period exceeding the requirements set out by Cabinet. If borrowing is required to fund a capital investment **the required annual gross return increases to 8.75%** to cover the 2% cost of the minimum revenue provision (assuming the investment is in property), and the 2.5% PWLB interest rate. These rates will be kept under review to match with prevailing interest and borrowing rates at the time of decision. **The NPV must be positive using a discount factor of 8.75%**. This rate will increase if there are additional costs such as voids, maintenance etc. which need to be allowed for.

4.3.4 Overall, our investments in property must deliver a net averaged return of over 4% which will include both rental yields and capital appreciation and take account of the cost of administration of the estate.

4.3.5 The above requirement relates to schemes where the proposed investment is purely for commercial return. Schemes which are not fully commercial in nature eg have wider economic and strategic benefits are required to clearly evidence those benefits but are not required to meet the commercial requirements set out above.

5 Attitude to risk

5.1 Risk appetite

This section considers the council's risk appetite with regard to its capital investments and commercial activities, i.e. the amount of risk that the council is prepared to accept, tolerate, or be exposed to at any point in time. It is important to note that an overly adverse attitude to risk can create an opportunity cost to the Council, as well as an overly aggressive attitude can lead to unplanned losses. Risk will always exist in some measure and cannot be removed in its entirety but needs a proportionate and pragmatic approach to managing it.

Subject to careful due diligence, the council may consider a moderately higher level of risk for strategic initiatives, where there is a direct gain to the council's revenues or the ability to deliver its statutory duties or strategic objectives more effectively and efficiently.

6 Investments

6.1 Introduction

6.1.1 Investments are classified into two main categories:

- **Investments** held for Treasury Management purposes; and
- Other Investments (**Capital Investments**).

6.1.2 The prudent investment policy will have two underlying objectives: Security and Liquidity. The generation of yield is distinct from these prudential objectives. However, this does not mean that local authorities are recommended to ignore potential revenues. Once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with these priorities

6.1.3 When entering into treasury management investments, local authorities should consider security, liquidity and yield in that order of importance.

6.1.4 When entering into other types of investments local authorities should consider the balance between security, liquidity and yield based on their risk appetite and the contribution(s) of that investment activity.

6.2 Treasury Investment Strategy

6.2.1 Introduction

6.2.1.1 The Council holds significant surplus funds, representing income received in advance of expenditure, plus balances and reserves. Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and in order of importance to have regard to the **security** and **liquidity** of its investments before seeking the highest rate of return, or **yield**.

6.2.1.2 Council will also consider long term investments to secure better yield. This will be subject to cash-flow requirements and will ensure that it is prudent and sustainable.

6.2.1.3 The Treasury Management Strategy at Appendix 3 provides details on how the Council will manage and control the risks which are inherent to Treasury activities. There are two main categories of Investments : Financial and Non-Financial investments within Treasury activities which are briefly described below;

6.2.2 **Financial Investments**

6.2.2.1 Financial Investments can fall into three categories, as defined by the Statutory Guidance issued under section 15(1)(a) of the Local Government Act 2003: Specified Investments; Non-specified Investments and Loans.

6.2.2.2 Specified and non-specified investments are only likely to be undertaken on either a short, or a long term basis as part of managing the council's cash flows and are therefore covered by the Treasury Management Strategy.

6.2.2.3 The 2019/20 Treasury Management Strategy sets a limit of £7.5m in a pooled property fund.

6.2.2.4 Loans may also be used for treasury management purposes, but loans that are made to third parties and interests acquired in companies, joint ventures or other enterprises must, as per section 6.9.6 of the Finance Regulations, have the approval of the full Council, following consultation with the Head of Finance and Commercial.

6.2.2.5 In making loans the Council is exposing itself to the risk that the borrower defaults on repayments. The Council must therefore ensure they are prudent and has fully considered the risk implications with regard to the individual loan and that the cumulative exposure of the Council is proportionate and prudent.

6.2.3 **Non-Financial Investments**

6.2.3.1 For purposes of this strategy a non-financial investment is a non-financial asset held by the authority primarily, or partially to generate a return. This might be through an anticipated appreciation in the capital value of the asset, or by way of delivering a regular income stream, or a combination of both. Treasury Management Strategy sets a limit of £7.5m in direct property investments which falls under this category.

6.3 **Capital Investments**

6.3.1 **Commercial Activity and Investment Property**

6.3.1.1 Chosen carefully, investment in property offers the opportunity for a higher yield and less volatility than financial investments. The financial return may be generated through a variety of routes – e.g. acquisition, development and disposal, investment for long term rentals, and capital appreciation and each investment proposal needs to be assessed on its merits, alongside all possible options, and all potential risks considered. Property is an illiquid asset and carries with it the inherent risk of being unable to respond quickly enough to changes in market conditions.

6.3.1.2 As stated in section 13 of the Council's Audited 2017/18 Annual Accounts the Council already has a significant property portfolio, holding property valued at £130.5m as at 31 March 2018, based largely around Wycombe and delivering an annual gross return of £6.1m. Factoring in the increase in fair value of investment properties of £4.5m and operating expenses of £1.3m, the portfolio delivered a net return of 7% for 2017/18. The property mix is predominately geared towards retail (49%), with industrial property being the next largest sector (17%). Many of these properties were purchased for combined reasons of economic regeneration and commercial return. A detailed analysis of the Council's property portfolio is currently being developed to provide increased visibility by investment type, sector, and type of return.

6.3.1.3 Going forward, the council should aim to have an investment portfolio that is proportionate to the size of the Council's ability to manage and absorb the associated financial risks. The risk can be spread by ensuring the portfolio is spread over a suitably balanced portfolio of asset classes, locations, etc.

6.3.1.4 It is recognised that property investment may not be undertaken for purely commercial reasons and may involve strategic regeneration factors. If the required returns are unlikely to be met, but the strategic reasons are still considered valid and give merit to the scheme, these will need to be clearly set out in a business case and presented to Cabinet.

6.3.1.5 It should also be noted that although high on CIPFA's agenda to provide clearer guidance relating to Capital and Commercial Investment, the Code and Guidelines are still a work in progress and Councils therefore need to adopt sensible, proportionate and prudent investment strategies in line with their financial capacity and management capabilities.

6.3.1.6 In addition to the financial return criteria set out in para 4.2 above, when selecting suitable properties in which to invest the Council will have regard to the following criteria:

- Lease length, or the average of lease lengths if multiple occupation, to be generally 5 years left to run or greater.
- A preference for purchases to be in locations within but not limited to the District, or with an economic footprint falling within the District.

- Only opportunities let to strong covenant tenants on full repairing leases will be considered based on Dun & Bradstreet ratings, or similar.
- Properties in strategic locations with good transport links
- Properties that offer a marriage value with the existing portfolio
- Properties and/or tenants consistent with the ethical values and aims of the public sector.
- Weight will be given to properties that offer the option of alternative uses through gaining planning permission for a change of use, or through redevelopment in order to enhance the capital value.
- A preference will be given to premises that offer the opportunity to increase income streams by infilling additional services e.g. coffee shop.

6.3.1.7 The following risks associated with the purchase of commercial property are recognised:

- The relative illiquidity of property as an asset class compared with holding cash reserves or a share portfolio.
- As lease lengths erode the value of the asset will tend to diminish in most cases.
- The risk of a tenant failing financially, which will present the Landlord with a temporary loss of income coupled with the cost of re-letting the accommodation.
- Void rates and service charge liability whilst the property remains vacant.
- Obsolescence of the building and the cost of returning it to a tenantable condition at the end of a lease.
- Over time certain segments of the property market can weaken leading to a loss of both a revenue income stream and capital value.

6.3.1.8 In order to mitigate the risks it will be essential to carry out full due diligence. To this end investments in property will only be made following advice from suitably qualified and experienced specialist advisors. Adherence to the selection criteria set out above will also be important to ensure that properties are well located and have tenants with a strong covenant. It will also be important that a diverse portfolio is established to reduce vulnerability to market fluctuations.

6.3.1.9 A suitable balance needs to be found between yield rates and lease length and security. Active asset management will be essential to ensure that tenant obligations under the lease are fulfilled and regular rent reviews are carried out, as well as looking for opportunities to maximise income streams and reduce the likelihood of voids. Despite these measures it is inevitable in any portfolio of scale that there will be some level of voids from time to time. The rental income budget line is reviewed annually and an allowance for void periods is factored into the final budget.

6.3.2 Operational and Strategic Investments

6.3.2.1 On occasions the Council may choose to purchase land, property or other assets for strategic reasons rather than for any short term return. This might be to protect existing service provision, but will most likely linked to its community leadership role in accommodating and facilitating economic and housing growth. This will require a well-documented formal decision.

6.3.2.2 Although there is a need to generate positive investment returns to mitigate the ongoing financial pressures, it must not be forgotten that the Council is an organisation heavily governed by statute and that it is not a commercial organisation with the purpose of making a financial return for shareholders. Nonetheless like any organisation it does need to fund its activities and with more traditional funding sources, such as government grants, substantially decreasing and local taxation being heavily constrained by central government rules, there is a need to look to more innovative ways of generating income, the financial return on investments being one such approach in addition to other intangible social and regeneration benefits these investments can yield.

6.3.2.3 Recognising the Council's core objectives to support its local community there may be a range of further objectives beyond a simple financial return that the Council seeks when making investments and in so doing may accept a lower rate of financial return in order to achieve, or facilitate these other objectives. Examples of this might be to promote local economic development, or to support partner organisations. The remainder of this section seeks to set out the nature of investments the Council will engage in and the circumstances in which it will do so.

6.4 Delegated powers to acquire property

The delegated powers to acquire property are set out in the Council's Constitution Doc Part 2 Responsibilities for Functions.

6.5 Disposal of assets

As a public authority the Council should, in the respect of its landholding and other assets, always seek to realise the best price reasonably obtainable, in terms of money or monies worth, unless it is absolved of this duty by statute or other lawful authority. If in the particular case of any disposal these rules cannot be followed in such a way as to ensure both propriety and optimum value, the matter must be reported to the Cabinet by the Corporate Director for authority to proceed in a different way. Any report requesting a disposal below market value must be fully compliant with the directions set out in Circular 06/03: Local Government Act 1972 general disposal consent (England) 2003 disposal of land for less than the best consideration that can reasonably be obtained.

7. Minimum Revenue Provision (MRP)

7.1 Minimum Revenue Provision (MRP) is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme. MRP, which is largely defined by regulation is aimed at ensuring that the council does not have time expired/fully depreciated assets, but still has associated outstanding debt. The Councils treatment of MRP is set out in detail in the MRP Statement (Appendix 1A) and approved annually.

8. Governance Processes

8.1 Management of the Capital Programme

8.1.1 This Capital Strategy sets out the framework for the governance of capital assets for the organisation. Primary responsibility for the development of the Strategy rests with the s151 Officer and Cabinet Member for Finance and Resources, although ultimate accountability for its approval rests with Full Council in line with the Prudential Code.

8.1.2 The development or purchase of new assets, maintenance of existing assets and disposal of surplus assets are matters of operational and financial significance and therefore require robust governance arrangements. For this reason the Strategic Management Board (SMB) will play a pivotal role in these governance arrangements, providing co-ordination and consistency across the organisation.

8.1.3 Whilst this Strategy sets out the overarching framework for identifying, approving, implementing and reviewing capital projects, the detailed procedures and processes are set out in the Council's Procedures Rules Standing Orders together with the guidance issued by Finance as part of the Council's annual budget setting process.

8.1.4 In line with the new legal requirement, full Council are required to review and approve the Capital Strategy and Programme annually and in the event of a significant change in circumstances. As part of the annual budget setting process the s151 Officer will consider the compliance of proposed schemes in the programme with the medium term financial strategy, the capital resources available to the council, the revenue implications of the proposed capital expenditure, and any other relevant information.

8.1.5 Democratic decision-making and scrutiny processes provide overall political direction and ensure accountability for investment in the capital programme. These processes include:

- A scheme proposal and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each project as part of the detailed Business Case.
- The development and implementation of Asset Management Plans.
- Accountability for each proposal is accepted by a named manager.
- The Improvement and Review Commission (IRC) scrutinises the Capital Plan and any new capital proposals prior to submission to Cabinet
- The IRC can call in Cabinet reports, receive and scrutinise reports
- Full Council approves the Council Plan which sets out the strategic priorities
- Full Council is ultimately responsible for approving the Capital Strategy, Treasury Management Strategy and Capital Programme
- The Cabinet receives regular capital monitoring reports, approves variations to the programme and considers new bids for inclusion in the capital programme
- Portfolio holders are assigned projects in line with their responsibilities
- Leader's Strategic Briefings as appropriate
- Monthly Joint portfolio meetings between two or more Cabinet members and the relevant senior officers
- Regular Portfolio update meetings between a Cabinet member and the relevant head of service

- A monthly Major Projects portfolio status report issued by the Programme Manager to Cabinet members and senior officers
- The Major Projects Group incorporating Cabinet members and senior officers to receive monthly project status reports
- Regular Programme Boards, covering the following different strategic themes (People and Place, Prosperity, and Progress) take place to monitor progress of all Major Projects and initiatives
- All projects progressing to the capital programme follow the constitution, and financial regulations
- The capital programme is subject to internal and external audit.

8.2 Development of the Capital Programme

8.2.1 The Council conducts a Capital Planning and annual Budget setting process which covers a 5-year horizon. The key activities are set out below:

Capital Programme - Overview of Process	
August	Services review need and submit new bid proposals supported by Outline Business Case and signed off by portfolio holder
September	New bids for capital schemes received (incl. CIL – currently co-ordinated by Planning)
October	Review and Prioritisation of existing Programme and New Bids, Affordability Envelope reviewed and set
November	Scrutiny by SMB, IRC through Budget Task and Finish Group
December	Draft 5 year Programme submitted to cabinet
February	Final Capital Plan Programme submitted to Cabinet for consideration and recommended to Council for approval

8.2.2 Key features of the process are:

In considering schemes for inclusion in the capital programme, regard will be had to the following principles:

- Schemes to be included in the Capital Programme should follow an appropriate level of due diligence and assurance regarding deliverability/practicable
- Every major project requires a full business case using the standard template to be prepared and submitted and approved by Cabinet before any authorisation to spend can be given
- Prior to mobilisation, all projects should be supported by an affordable and sustainable plan, including carefully consideration of value for money and options appraisal
- Capital appraisal should promote schemes which provide a direct gain to the council’s revenues within agreed risk appetite, e.g. council tax and business rate growth, commercial investment return, “invest to save” outcomes
- Environmental and social sustainability issues should be built into project appraisal

- The financial implications of capital investment decisions will be properly appraised as part of the determination process.
- Available resources will be identified for investment over the capital planning period
- Available capital funding will be optimised e.g. through surplus asset disposal strategy, maximising use of planning gain, by corporately pooling capital receipts and by exploring external financing sources
- That capital funding decisions minimise or mitigate the ongoing revenue implications of capital investment decisions
- The financial implications of capital investment decisions should be fully integrated into revenue budget and longer term financial plans
- Robust governance arrangements are in place for all programmes and projects, clearly defining responsibility for the delivery of individual schemes within the capital programme
- All capital schemes follow appropriate project management arrangements
- There are effective working relationships with partners
- That projects are reviewed on completion to ensure key learning opportunities are maximised

8.3 Risk Review

A risk review is an important aspect of the consideration of any proposed capital or investment proposal in order to determine the likely cost and income associated over the lifetime of a proposal. The risks will be considered in line with the risk management strategies we have in place and commensurate with the council's low risk appetite. Sensitivity analyses need to be undertaken looking at a wide range of scenarios in order to build up a picture of the likely range of return can be determined. Schemes showing an undue proportion of loss making scenarios will not be taken forward.

8.4 Prioritisation

8.4.1 Once a scheme is ready for submission as an addition to the Capital Programme, it is reviewed and prioritised alongside all new bids and uncommitted spend within the existing programme. Each scheme is initially scored, ranked and prioritised using a score based on the benefits it brings in terms delivery of corporate priorities, and the relative complexity of delivery. Portfolio holders and relevant senior officers review each portfolio holders' schemes.

8.4.2 Bids to the capital programme are reviewed and prioritised by both Portfolio groups and the Programme governance boards taking guidance from this Capital Strategy and any relevant service priorities. The following criteria will be used to prioritise bids in order to close any gap to the available resources:

a. Strong financial business case, i.e. the savings arising from the investment will pay back the cost of the investment within 7 years (or less); or the capital receipt generated exceeds the cost of the investment.
b. Review of uncommitted spend on existing Capital Programme to confirm projects still meet Corporate priorities, or if not, adjust accordingly
c. Ring-fenced funding, e.g. S106 (i.e. no call on Council resources)
d. Statutory requirement (including Health & Safety)
e. Corporate Plan priority
f. Business Unit / Service Plan priority

8.5 Capital Pipeline

Schemes may also be submitted to be added to the 'Capital Pipeline'. These will be of a large scale and likely to require feasibility work before a full business case can be prepared and the cost of the scheme calculated with any degree of certainty. Feasibility cost are largely revenue by nature and to that end revenue budget is set aside within the MTFS to cover these costs.

8.6 Submission of Capital Plan

8.6.1 The overall affordability of the Capital Programme (the Capital envelope) is determined looking at available reserves, future capital receipts, CIL and s106 income, grants, and use of revenue reserves (see section 5 below).

8.6.2 The Council has adopted a default position of zero borrowing and so the draft capital programme must be affordable within the envelope.

8.6.3 If the draft programme exceeds the envelope, schemes with a lower prioritisation score need to be revisited and potentially removed from the programme.

8.6.4 Once a balanced position is reached, the draft Programme is submitted to Cabinet with final approval needed from full Council.

8.6.5 Approval to spend on individual capital schemes is in accordance with the Constitution, Financial Regulations and Contract Standing Orders.

9 Knowledge and Skills

The council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

The council establishes project teams from all the professional disciplines from across the council as and when required. External professional advice is taken where required and will always be sought in consideration of any major commercial property investment decision.

Internal and external training is offered to members to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions.

10 Links and reference documents

The following links provide further detail and guidance to support the Capital Strategy:

- Corporate Plan
- Economic Development Strategy.
- The Medium Term Financial Strategy
- The Treasury Management Strategy
- Procedures Rules Standing Orders
- MRP Statement – see Appendix 1A
- Valuation Policy (All Investments Types) - Statutory Accounts
- Treasury Management Strategy and other Indicators (Appendix 3)
- Prudential Indicators (Appendix 3)
- Capital Programme and Funding (5/10 years) (February 2018 Cabinet Report)
- Asset Management Plan