



REPORT TO: SPECIAL MORAY COUNCIL ON 12 DECEMBER 2018

SUBJECT: CAPITAL STRATEGY

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To ask Council to approve the Capital Strategy presented in draft as **APPENDIX 1** to this report.
- 1.2 This report is submitted to Committee in terms of Section III (B) (1) of the Council's Scheme of Administration relating to consideration of the financial and budgetary policy of the Council.

2. RECOMMENDATION

- 2.1 **It is recommended that Council approve the Capital Strategy as set out in APPENDIX 1.**

3. BACKGROUND

- 3.1 The Council's current Capital Strategy was approved by Council on 30 March 2016 (paragraph 10 of the Minute refers).
- 3.2 The Council's capital expenditure is governed by the Prudential Code. A revised Prudential Code was promulgated in December 2017. This included the requirement for Councils to adopt a Capital Strategy and set broad parameters for what the strategy should contain. The Code is clear that the Strategy should be tailored to local circumstances. As a document it will complement other documents such as the Council's Treasury Management Strategy. It is not intended to be a technical document, but rather an accessible document which sets out the context in which decision about capital expenditure are made.
- 3.3 The Strategy should cover capital expenditure; debt, borrowing and treasury management; the authority's approach to commercial activity; risk and risk management; governance, knowledge and skills.

3.4 The draft Capital Strategy as set out in **APPENDIX 1** sets out:

- what constitutes capital expenditure (new);
- why the Council undertakes capital expenditure;
- how the capital programmes of the Council relate to Council priorities and other Council policies;
- the link between asset management and capital planning;
- how the Council finances capital expenditure;
- the main aims of Treasury Management (new);
- the Council's governance arrangement for approving and monitoring capital expenditure;
- the risks the Council is exposed to from its capital programmes;
- how the Council accesses appropriate knowledge and skills (new);
- shows diagrammatically the links between different bodies, plans and processes and the Council's capital plans (new).

3.5 The Strategy also indicates that a local performance indicator for assessing affordability of capital expenditure is being developed – the proportion of the Council's net General Services budget which is committed to loans financing charges.

3.6 The Capital Strategy approved in March 2016 complied with the guidance on capital strategies issued by CIPFA in 2015. Where the revised Prudential Code requires additional content, this is indicated above as (new). The 2016 Capital Strategy was heavily focused on asset management planning whereas the revised draft Capital Strategy strengthens the links between other areas of Council activity, particularly development planning, and the Capital Strategy.

3.7 The Capital Strategy looks at long-term financial planning. Under the Prudential Code, the Council's capital plan must be affordable and sustainable. The draft strategy notes that the Council recognised that it could not afford to maintain its current asset base at the standards adopted by the Council and adopted the Make Do and Mend policy as a short-term means of avoiding potentially abortive capital spend on assets which might be disposed of. This policy has had a significant impact on the capital plan over the past two years. The Property Asset Management Appraisal, which is the subject of a separate report to Council, recommends that this is reviewed.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The Capital Strategy indicates the links between the LOIP and the Council's Corporate Plan and the Council's planned capital expenditure

(b) Policy and Legal

Part 7 of the Local Government in Scotland Act 2003 requires local authorities to have regard to the Prudential Code.

(c) Financial implications

There are no financial implications arising directly from this report. The Capital Strategy is one of a number of documents which assist in the Council's financial planning process.

(d) Risk Implications

There are no risk implications arising directly from this report. The Capital Strategy indicates risks associated with capital expenditure plans.

(e) Staffing Implications

There are no staffing implications arising directly from this report.

(f) Property

There are no property implications arising directly from this report.

(g) Equalities/Socio Economic Impact

There are no implications for equalities or the socio-economic duty arising directly from this report.

(h) Consultations

Members of the Council's Asset Management Working Group, CMT and the Democratic Services Manager have been consulted in the preparation of this report.

5. CONCLUSION

5.1 The Council's Capital Strategy has been revised in order to comply with the 2017 revision of the Prudential Code.

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Background Papers:
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