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**REPORT TO: MORAY COUNCIL ON 2 FEBRUARY 2023**

**SUBJECT: CAPITAL STRATEGY**

**BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)**

**1. REASON FOR REPORT**

- 1.1 To ask Council to approve the amended 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 amended Capital Strategy as set out in APPENDIX 1.**

**3. BACKGROUND**

- 3.1 The Council's current Capital Strategy was approved by Special Meeting of the Council on 19 January 2022 (paragraph 8 of the Minute refers).
- 3.2 The Prudential Code governs the Council's capital expenditure. The latest version of the Prudential Code, although expected in 2022, was published in December 2021 after the Capital Strategy approved in January 2022 had been drafted. This updated version includes revised guidance as to the contents of the capital strategy. However, the revisions largely relate to local authorities undertaking commercial activity and so there is little impact on the Council's Capital Strategy and accordingly few amendments are proposed, these being largely to update the strategy in regard to climate change and other strategic activities. The Code confirms previous guidance that the capital strategy should be tailored to local circumstances ensuring that each local authority will be able to determine its own prerequisites for their capital strategy, while taking into account any statutory requirements.
- 3.3 As a document, the Capital Strategy complements other documents such as the Council's Treasury Management Strategy. The Capital Strategy is not intended to be a technical document, but instead viewed as an accessible document, which sets out the context in which decisions about capital

expenditure are to be made. It is therefore timeous to consider the Council's Capital Strategy in advance of approving the Capital Plan for 2023/24.

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

- what constitutes capital expenditure;
- 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;
- 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;
- shows diagrammatically the links between different bodies, plans and processes and the Council's capital plans.

3.5 The Capital Strategy looks at long-term financial planning. Under the Prudential Code, the Council's capital plan must be affordable and sustainable. The Strategy includes a local performance indicator for assessing affordability of capital expenditure– the proportion of the Council's net General Services budget which is committed to loans financing charges – with a target ceiling of 10% and current budget of 8.16%. That budget will be amended in 2023/24 to reflect the rise in interest rates.

3.6 The Capital Strategy approved in January 2022 complied with the Prudential Code 2017 and with the guidance on capital strategies issued by CIPFA in 2021 and, emphasising the link between other areas of the Council activity, particularly development planning, and the Capital Strategy. The Capital Strategy 2023 complies with the Prudential Code 2021 and continues to follow the 2021 CIPFA guidance on Capital Strategy and its emphasis on a whole organisation approach to capital planning.

3.7 An amendment to the previously approved Capital Strategy has been made by the inclusion at paragraph 8.10 of the Strategy of reference to recent increases in interest rates, along with updates on on-going work which impacts on capital planning such as the Smarter Working project, Climate Change and the Learning Estate and Sports and Leisure facilities strategies.

3.8 Reference is also made at paragraph 7.4 to work being undertaken to prioritise and rank proposed capital projects as part of the capital planning process, along with a note of the level of investment for Treasury Management purposes held by the Council.

3.9 These are the only substantive amendments to the Strategy.

#### **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) Climate Change and Biodiversity Impacts**

There are no climate change or biodiversity issues arising directly from this report.

**(i) Consultations**

Members of the Council's Asset Management Working Group, CMT and Tracey Sutherland, Committee Services Officer have been consulted in the preparation of this report.

#### **5. CONCLUSION**

**5.1 The Council's Capital Strategy has been revised as part of the financial planning process**

**5.2 The Strategy underpins the Council's 10 year indicative Capital Plan.**

Author of Report: Laurie Milne, Senior Accountant  
Background Papers:  
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