



REPORT TO: MORAY COUNCIL ON 19 JANUARY 2022

SUBJECT: CAPITAL STRATEGY

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

1. REASON FOR REPORT

- 1.1 To ask Council to approve the Capital Strategy presented in draft (with tracked changes from the current Capital Strategy) 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 18 February 2021 (paragraph 5 of the Minute refers).
- 3.2 The Prudential Code governs the Council's capital expenditure. The latest version of the Prudential Code was promulgated in December 2017 with a revision expected in early 2022. This Code included the requirement for Councils to adopt a Capital Strategy and sets broad parameters for what the strategy should contain. The Code is clear that the 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. The revised 2021 CIPFA guidance on Capital Strategy emphasises a whole organisation approach to capital planning.
- 3.3 As a document it 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 decision about capital expenditure are made.

The Strategy should include capital expenditure, investments, liabilities and treasury management, along with sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and how they will meet legislative reporting requirements.

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 notes that a local performance indicator for assessing affordability of capital expenditure has been developed – the proportion of the Council's net General Services budget which is committed to financing charges.

3.6 The Capital Strategy approved in February 2021 complied with the guidance on capital strategies issued by CIPFA in 2015 and with the Prudential Code 2017. The 2021 Capital Strategy emphasised the links between other areas of Council activity, particularly development planning, and the Capital Strategy. The Capital Strategy 2022 continues this approach and also reflects updated guidance published by CIPFA in 2021.

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

The strategy supports the aims of the Council's Corporate Plan 2019-24 to protect and enhance our environment by creating a more resilient and sustainable future with the aim of Moray Council becoming carbon neutral by 2030.

i) 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 as part of the financial planning process.

5.2 The Strategy underpins the Council's 10 year Capital Plan, which will be reported to Council on 22 February 2022 as part of the budget setting process.

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Background Papers:
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