

DRAFT

MEDIUM TERM FINANCIAL STRATEGY

CAPITAL 2015/16 ONWARDS

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1. INTRODUCTION

- 1.1 This financial strategy forms one of two financial strategies that aim to support the Council's corporate objectives as identified in the strategic plan 2015 – 2020. Whilst achieving this, major issues relating to resources and facing the Council in the medium term are considered where they relate to the capital programme. For issues relating to the Council's day to day activities see the strategy regarding revenue.
- 1.2 Set out in this document is an overview of the capital plans of the Council and the criteria by which such plans are developed and approved. The success of the programme is dependent upon the Council's ability to generate the resources required and ###
- 1.3 Although this document is developed for the medium term with an outlook of five years, the Council reviews the programme on an ongoing basis and consider its effectiveness formally each quarter. Changes are linked to the priorities of the strategic plan through the process of scheme approval as set out in this document.
- 1.4 This strategy is in compliance with the guidance set out in the Prudential Code. This code of practice is published by the Chartered Institute of Public Finance and Accountancy and covers the full range of capital planning. Compliance with the code is a statutory requirement and the Council's MTFS has been developed to ensure compliance. In summary the relevant objectives of the code are:
 - a) To ensure within a clear framework that capital expenditure plans are affordable, prudent and sustainable;
 - b) That treasury management decisions are taken in accordance with good professional practice;
 - c) That local strategic planning, asset management planning and proper option appraisal are supported; and
 - d) To provide a clear and transparent framework to ensure accountability.

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2. PROGRAMME

- 2.1 The strategy for the capital programme requires consideration at two levels, the overall programme and the scheme specifics.
- 2.2 The overall programme is considered in terms of the prudential borrowing principles of sustainability, affordability and prudence. At the overall programme level the relative priority of schemes, as they enhance the provision of corporate or service based objectives is also considered.
- 2.3 The inclusion of specific capital schemes within the overall programme requires an assessment, at the scheme specifics level, that is based on affordability in revenue and capital terms, including the whole life cost, project timeline and risk assessment.
- 2.4 Schemes will be assessed using three approaches:
 - a) Where schemes fit within a specific strategy and resources are available for that strategy within the capital programme the scheme would be subject to appraisal and prioritisation against the objectives of that strategy and approved by the relevant cabinet Member;
 - b) Where schemes can be demonstrated to be commercial in nature and require the use of prudential borrowing, a business case must be presented to the Property Investment Advisory Panel. These proposals will receive final approval from the Property Investment Cabinet Committee;
 - c) Where schemes do not fit within the criteria above but an appropriate option appraisal has been completed the budget working group of the Strategic Leadership & Corporate Services Overview and Scrutiny Committee considers schemes against the priorities below.
- 2.5 Prioritisation of schemes will occur in the following order:
 - a) For statutory reasons;
 - b) Fully or partly self-funded schemes with a focus on priority outcomes;
 - c) Other schemes with a focus on priority outcomes;
 - d) Maintenance / Improvement of property portfolio not linked to priority outcomes;
 - e) Other non-priority schemes with a significant funding gearing.

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- 2.6 The Council sees significant need for capital investment in the future. Not only those schemes currently in the capital programme but the infrastructure schemes required for the housing and business growth that is required to meet the needs of the growing population of the borough. In the main it is expected that those schemes will be funded directly from the benefits gained from development however viability assessments of expected development suggests that there will be a funding gap. The Council must prepare itself to support that infrastructure need in order to deliver its strategic priorities.
- 2.7 In addition the Council is constantly focused on the need for efficiency in the use of resources and the delivery of services. It is aware of the need to diversify the sources of income obtained outside of the reducing support from central Government. One aspect of this is to take a commercial approach to the provision of services that have displayed increased demand and higher cost over the last five years. As this may require capital investment the Council has agreed to allow borrowing to achieve this objective subject to:
- a) A business case and successful implementation of savings that cover the cost of borrowing; and
 - b) Ensuring the principles set out in 1.4 and 3.4 are met.
- 2.8 The programme for the period 2014/15 to 2018/19 currently focuses on a series of projects providing investment in the property assets and core funding for affordable housing and the commencement of the commercial approach to services. At this time Council is developing its response to infrastructure need as set out in 3.5 and this is included in the capital programme at the level of scheme type.
- 2.9 The capital programme is a five year programme and Table 1 below summarises the programme by portfolio:

TABLE 1: SUMMARY CAPITAL PROGRAMME.

| Estimate 2014/15 £ | CAPITAL PROGRAMME SUMMARY | Estimate 2015/16 £ | Estimate 2016/17 £ | Estimate 2017/18 £ | Estimate 2018/19 £ | Estimate 2019/20 £ |
|--------------------------|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | PORTFOLIO | | | | | |
| 3,363,510 | COMMUNITY & LEISURE | 2,093,000 | 1,930,000 | 1,940,000 | 1,940,000 | 1,350,000 |
| 450,880 | CORPORATE SERVICES | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 |
| 3,376,210 | ECONOMIC & COMMERCIAL DEVELOPMENT | 4,335,370 | 3,120,370 | 0 | 0 | 0 |
| 47,490 | ENVIRONMENT | 0 | 0 | 0 | 0 | 0 |
| 223,200 | PLANNING, TRANSPORT & DEVELOPMENT | 50,000 | 6,323,720 | 1,930,360 | 1,930,360 | 3,041,130 |
| 7,461,290 | GRAND TOTAL - ALL PORTFOLIOS | 6,828,370 | 11,724,090 | 4,220,360 | 4,220,360 | 4,741,130 |

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3. FUNDING

- 3.1 The medium term financial strategy takes a flexible approach to funding the capital programme, as resources from capital receipts have become uncertain the Council has provided support to maintain core asset management programmes. In addition priority schemes commence only when funding is available.
- 3.2 The Council's main source of funding for the capital programme over recent years has been from new homes bonus. The funding stream is identifiable in value over a period of six years but has an uncertain future. As a prudent use of this money the Council has supported its capital programme and not the deferral of financial savings required in the revenue budget.
- 3.3 In the past the programme benefited from major receipts from the sale of assets. The Council no longer holds many surplus assets of significant value that are surplus to operational need. As a result, the funding from capital receipts has reduced to the sale of small assets that can be identified as surplus.
- 3.4 In 2012/13 the Council approved the use of prudential borrowing for the following activities:
 - a) acquisition of commercial property;
 - b) acquisition of property to alleviate homelessness; and
 - c) action to enable stalled development to progress
- 3.5 Use of prudential borrowing is subject to an approved business case that evidences a benefit above that required to repay any debt over the life of the commercial activity. The additional benefit may be financial or non-financial but must directly or indirectly supports the objectives of the strategic plan.
- 3.6 The programme now includes an assessment of likely receipts from developer contributions. These may arise in future from the community infrastructure levy or at present from section 106 agreements with developers.
- 3.7 Due to the uncertainty of future funding it is essential that the Council maintains the principle of prior funding of schemes. Although commitment to a scheme is given by its inclusion in the programme, this strategy requires that funding is identified in advance of formal commencement of work. The quarterly monitoring of the capital

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programme enables Cabinet to take effective decisions based on current levels of funding before major projects commence.

3.8 Table 2 below identifies the current funding assumptions:

TABLE 2: CAPITAL PROGRAMME FUNDING

| Estimate 2014/15 £ | CAPITAL PROGRAMME SUMMARY | Estimate 2015/16 £ | Estimate 2016/17 £ | Estimate 2017/18 £ | Estimate 2018/19 £ | Estimate 2019/20 £ |
|--------------------------|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | RESOURCES | | | | | |
| 10,256,210 | REVENUE CONTRIBUTION | 3,826,280 | 3,117,000 | 2,899,800 | 2,899,800 | 1,926,000 |
| 450,000 | CAPITAL GRANTS | 450,000 | 450,000 | 450,000 | 450,000 | 450,000 |
| 702,720 | CAPITAL RECEIPTS | 0 | 0 | 0 | 0 | 0 |
| 0 | PRUDENTIAL BORROWING | 2,451,490 | 3,548,510 | 0 | 0 | 0 |
| 0 | DEVELOPER CONTRIBUTIONS | 0 | 761,540 | 870,560 | 870,560 | 2,365,130 |
| 11,408,930 | GRAND TOTAL - ALL RESOURCES | 6,727,770 | 7,877,050 | 4,220,360 | 4,220,360 | 4,741,130 |