ANNEX 4: THANET DISTRICT COUNCIL - CAPITAL STRATEGY 2021-22

1. Background

A revision to the CIPFA Prudential Code for Capital Finance in Local Authorities was issued in December 2017 (with guidance notes issued in September 2018), with a new requirement being that local authorities produce a Capital Strategy for consideration and approval by Members.

The Capital Strategy forms part of this council's integrated revenue, capital and balance sheet planning. Capital expenditure and associated investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. Due consideration is given to both risk and reward, and impact on the achievement of priority outcomes.

2. Priorities and Objectives

Like most councils, this council has capital expenditure needs that far exceed its potential capital resources, particularly given public sector funding cuts and resource pressures.

Accordingly, this council's Capital Protocol is that financial resources and assets are used to their maximum effect, and that Financial Procedure Rules and Contract Standing Orders are adhered to, with the following objectives:

a) Corporate Plan/council priorities, including any environmental impact, are considered when prioritising limited resources (see section 3 below).
b) All financial implications arising from the project are identified e.g. match funding requirements and ongoing unsupported revenue costs etc.
c) The correct authorisation is obtained to enter into an agreement for capital expenditure.
d) The project progresses as approved.
e) Monitoring takes place in a timely manner.
f) All expenditure is properly incurred and recorded.
g) All project outcomes, outputs and results are achieved.
h) There is an audit trail for all expenditure and income relating to the project.
i) Issues that may arise for project delivery are identified and considered appropriately e.g. legal, VAT and capacity issues.
j) Any significant changes to the project are considered in the overall prioritisation of the capital programme and the correct authorisation is obtained.

3. Corporate Priorities and Values

The council will use its corporate priorities to help prioritise its investment in, and disposal of, assets. The current corporate priorities are:

> **Growth**: We will continue to ensure we work to consider new ways to generate income and invest our current resources. Delivering a Council that is financially strong to discharge its services and invest in the growth of the District.
>
> **Environment**: Having a clean and well-maintained environment remains important to us. We will be clear with our residents on what we will do and what our asks of residents are - cultivating a shared responsibility approach. Delivering a clean and

accessible living environment, maintaining an emphasis on prevention but where necessary we will use an enforcement approach.

Communities: Through effective partnership working with both the public sector agencies and the community, we will provide leadership and direction across the district and the region to ensure everyone is working to the same goal. Delivering high-quality housing, safer communities and enhancing the health and wellbeing of our residents.

4. Revenue Implications

As per section 2b, council rules require that all financial implications arising from a capital project are identified, including revenue implications which can include:

a) The cost of borrowing (Minimum Revenue Provision and interest charges).
b) Loss of investment income from capital receipts.
c) Running costs associated with the project.
d) The positive impact of investment and economic growth on the council's tax base and business rates income.

Accordingly, a key consideration is that council capital schemes generate revenue savings and/or are externally funded.

5. Focussing the capital programme on delivering the council's priorities

The capital programme demands significant resources which, if not managed effectively, can actually impede what the council is looking to deliver. The Capital Strategy is to pay particular attention to better aligning the capital programme to the council's corporate values and priorities.

In particular:

Slippage will not be the acceptable norm - capital schemes will be at risk of having their council funding re-directed should there be delays that cannot be substantiated (schemes that are externally funded may require more flexibility however).

Assumptions that a council owned asset should be invested in or disposed of will be challenged - consideration of whether that asset could be better utilised will need to be evaluated and demonstrated.

Opportunities for non-treasury investment should be explored. Subject to (a) being able to stabilise its financial position, and (b) risk considerations, the council should consider investing in a wider choice of assets that can generate better economic returns. More information is given in the council's Non-Treasury Investments Report.

The Corporate Management Team (CMT) will be taking the lead on achieving the focus the capital programme requires and may, at its discretion, delegate some or all of this work to a sub-team whose membership includes at least one CMT member (the Capital Team).

6. Assessing and Monitoring Schemes

Officer arrangements for assessing and monitoring capital schemes is overseen by CMT (which includes the council's Section 151 Officer). The role of CMT in this regard is:

a) To coordinate all aspects of the council's Capital Programme including the assessment of bids, preparation of the programme, monitoring and post audit reviews.
b) To review annually the capital assessment and prioritisation methodology.
c) To evaluate and prioritise all projects submitted according to the council's prioritisation methodology.
d) To produce a capital programme based upon the prioritised scoring methodology .
e) To monitor capital schemes and to summarise all variation reports received by client officers.
f) To consider requests for capital bids during the year and, where the request is considered urgent, to score and prioritise within the whole programme, together with making funding arrangements.
g) To review the scheme evaluation reviews and ensure lessons learnt and where necessary, to amend the Capital Protocol.
h) To review all capital slippage and underspends at financial year end and re-evaluate with regards to the council's priorities and resources.

As per section 5, CMT may, at its discretion, delegate some or all of this work to a sub-team whose membership includes at least one CMT member (the Capital Team).

The criteria for capital bids include:

a) Meeting Corporate Priorities or requiring Health and Safety action.
b) Not having a revenue impact that cannot be funded.
c) Being clear as to the benefits the project provides.
d) Identifying how the project will be managed.
e) Having robust estimates for future costs and revenues.
f) The sensitivity of costs and revenues to both external and internal risks.

On the basis of recommendations drawn up by CMT and/or the Capital Team, Cabinet considers and approves the proposed draft capital programme for inclusion within the budget. This budget is then recommended to full council for approval of the final capital budgets for the year ahead. Cabinet is to receive quarterly capital budget monitoring reports and a final outturn report at year end showing scheme performance - specifically underspends, overspends and slippage supported by explanations.

7. Additional Resources and Links with External Bodies

Project appraisals consider additional and alternative funding sources, match funding requirements, bidding time frames and the likely success in being awarded grants.

Grants are allocated in relation to specific programmes or projects and this council aims to maximise such funding; developing appropriate partnership, joint working and cross agency initiatives to address council priority needs. Partners include central and local government, government agencies, representative bodies of the local community, voluntary groups, housing associations, health bodies, the police, and the private sector business community.

8. Asset Management

An Asset Management Plan is the report on the systematic preparation of information to optimise the deployment and utilisation of land, buildings and other assets. Accordingly the council's Asset Management Plan informs the links to both the council's capital strategy and capital programme.

9. The council's capital spending

Details of the Council's capital programme, capitalisation policies, capital financing, borrowing/funding restrictions, commercial activity, knowledge and skills, long-term liabilities and treasury management are shown in the following documents (which are all available on the Council's website www.thanet.gov.uk):

a) Medium Term Financial Strategy
b) Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy
c) Flexible Use of Capital Receipts Strategy
d) Statement of Accounts
e) Non-Treasury Investments Report
f) Budget monitoring reports

The council's Section 151 Officer is satisfied with the affordability and risk associated with this Capital Strategy and, where appropriate, has access to specialised advice to enable him to reach this conclusion.