

## **Extract from Financial Procedure Rules Regarding Capital Expenditure**

### **Regulation B Financial Planning**

#### **Preparation of the Capital Programme**

B.12 The Section 151 Officer is responsible for ensuring that a rolling 5 year Capital Programme is prepared on an annual basis for consideration by the Cabinet before submission to Full Council. Full Council may amend the Capital Programme or ask the Cabinet to reconsider it before approving it.

### **6. Capital Programmes**

#### **6.1. General**

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

The Government places strict controls on the financing capacity of a local authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

#### **6.2. Responsibilities of the Section 151 Officer:**

To prepare 5-year rolling capital estimates jointly with Second Tier Service Managers and to report them to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to Full Council.

To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.

To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Section 151 Officer, having regard to government regulations and accounting requirements.

To obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision by more than a specified amount.

To calculate prudential indicators to be used in connection with the Capital Programme.

#### **6.3 Responsibilities of Second Tier Service Managers:**

To comply with all guidance concerning capital schemes and controls issued by the Section 151 Officer.

To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Section 151 Officer.

To prepare regular updates for Senior Management Team's Performance Board reviewing the capital programme provisions for their services and to meet quarterly with Financial Services to monitor progress against their capital projects.

To ensure that adequate records are maintained for all capital contracts.

To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Section 151 Officer, where required.

To prepare and submit reports, jointly with the Section 151 Officer, to the Cabinet, of any variation in contract costs greater than the approved limits.

To prepare and submit reports, jointly with the Section 151 Officer, to the Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.

To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Section 151 Officer and, if applicable, approval of the scheme through the capital programme.

To consult with the Section 151 Officer where there is a proposal to borrow to fund a capital scheme so that the Section 151 Officer can check that this is prudent, sustainable and affordable.