

Capital Strategy Broadland District Council

Amended

- 1. December 2013**
- 2. October 2014**
- 3. October 2015**
- 4. October 2017**
- 5. October 2018**

Broadland District Council Capital Strategy 2018-2024

1. Purpose

The purpose of this strategy is to outline Broadland District Council's approach to capital investment and how the Council ensures that capital investment is directed to the Council's Corporate Priorities. It therefore provides the rationale for any capital spending plans.

The Capital Strategy is a partner document to the Medium Term Financial Plan (MTFP), the Broadland Business Plan, the Procurement Strategy, the ICT Strategy, the Council's Budget (Revenue and Capital), the Treasury Management Policy, the Annual Investment Strategy and the Asset Management Plan (AMP). The AMP is the corporate document detailing changes already put in place together with planned action to improve corporate asset use. It considers how the Council's own limited assets, together with those of partners where appropriate, can be used to deliver the Council's vision for the district, and to meet the Council's corporate ambitions as set out in the Broadland Business Plan.

2. Introduction and Overview

The Capital Strategy is a key element of Broadland District Council's medium term financial planning process. It is a summary of the Council's approach to capital investment, describing how our capital resources contribute to the Council's goals. It also sets out how our own capital resources and those we can influence contribute towards improving the quality of life for Broadland residents.

Capital expenditure is defined in Section 16 of SI 2003/3146 as:

- Expenditure that results in the acquisition, construction or enhancement of fixed assets (tangible and intangible)
- Expenditure fulfilling one of the definitions specified in regulations made under the Local Government Act 2003
- Expenditure which has been directed to be treated as capital by the Secretary of State (for example, grants made to third parties for the purpose of capital expenditure).

3. Scope and Key Principles

This strategy seeks to deliver the community's vision for the district as set out in the Broadland Business Plan (<https://www.broadland.gov.uk/businessplan>). Our ambitions are:-

- To deliver economic success in our area
- To achieve environmental excellence in everything we do
- To plan and provide well housed communities
- To increase levels of health and wellbeing
- To keep people safe and secure
- To continue to provide high quality, value for money services on our own or as a trusted partner

4. The Legal Position of Capital Strategies

The Local Government Act 2003 requires local authorities to adopt the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The Prudential Code “requires local authorities to have regard to wider management processes (option appraisal, asset management planning, strategic planning and achievability) in accordance with good professional practice”. As part of the Prudential Code, authorities are required to estimate their capital expenditure over the next three financial years, which will form a part of the budget setting process each year. From 2019/20 the MTFP is prepared on a five year basis and this is reflected in the Capital Programme

5. Priorities

The current capital expenditure priorities (as agreed per capital programme) are:

- Development projects (externally funded alongside existing Council resources)
- Street lighting (externally funded)
- Disabled Facilities Grants (mandatory; limited external funding)
- Other grants (historic buildings, minor improvements)
- Homes people can afford (limited usable receipts funding)
- Maintenance of the Council's assets (Thorpe Lodge, Frettenham Depot, IT renewal programme, bridge maintenance, Carrowbreck Training Development and restoration work)
- New infrastructure associated with growth strategy

The long term forecast for the capital programme is included as part of the Broadland MTFP and for those areas listed above will use information from budget managers based on past cost patterns and predicted demand. The programme is comprehensively reviewed annually as part of the budget setting process. The implications of any revenue funding required is reflected by the inclusion of this total within the councils revenue budget forecasts to identify the resultant effects on future Council Tax levels.

6. Partnerships

Partnership working is certain to continue and is likely to assume greater significance given the state of public finances so this strategy needs to ensure that any capital requirements identified through partnership work can be considered alongside other bids for capital funds. As Broadland enter into collaborative working with South Norfolk District Council opportunities may arise to work jointly on capital projects that will benefit both authorities. Managers of capital projects should encourage our partners to adopt or at least make reference to this Capital Strategy.

7. Equalities

Capital projects must give consideration to the Equalities Act 2010 and the Council's Single Equality Action Plan.

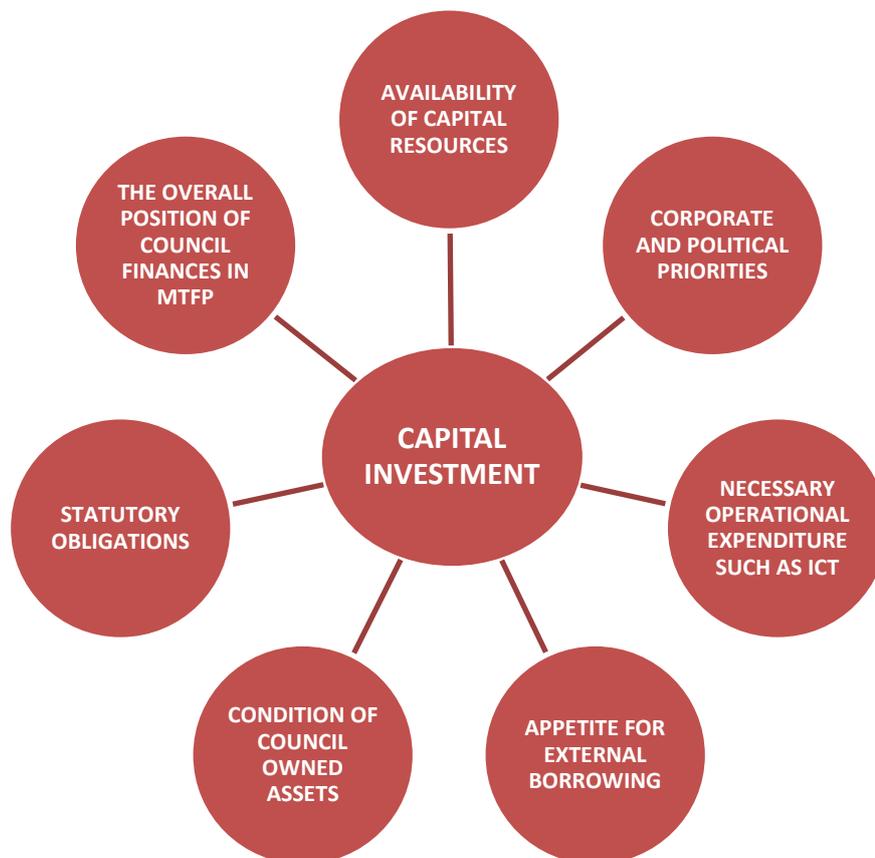
Promoting equality and diversity is vital for tackling discrimination and social exclusion. Broadland District Council can use its influence to help foster greater respect, understanding and a sense of fairness between people by promoting equality and diversity.

8. Future Investment in the Area

The Council is a member of the Greater Norwich Growth Board (GNGB). The GNGB area was awarded City Deal status. Expenditure, both capital and revenue, is directed by the Business Plan, reviewed and updated annually by the Board and supports the delivery of growth over the GNGB area which comprises Broadland, Norwich and South Norfolk Councils, Norfolk County Council and the Local Enterprise Partnership.

9. Development and Investment

The need for capital investment is driven by a number of factors both internal and external to the council. The diagram below illustrates a number of these.



It is also clear that there will be a requirement for some element of future growth, in particular to address shortages in affordable housing and infrastructure, supporting one of the councils' key principles above. Broadland has established a joint venture with Norfolk Property Services (NPS), Broadland Growth Ltd. This limited company vehicle enables the Council to progress its own major development and infrastructure projects.

Broadland Growth Ltd has already delivered one successful housing development project and will continue to investigate further suitable opportunities. There are likely to be a number of capital spending projects and we will need to consider whether our current spending plans can be amended to allow us to contribute to these major infrastructure initiatives. There are a number of ways in which capital funding can be utilised to support this. However, any growth needs to be sustainable in terms of the economy and the environment. In particular, any borrowing must have a clear repayment strategy (e.g. via Council Tax) and a budget to support debt management costs.

10. Governance and Project Management

Proposed capital projects must present a clear business case. Cabinet and Council will be the key governance decision-making bodies for the capital projects. Currently, the bodies illustrated below are presented with bids for funding, in the form of business plans, and subject to an option appraisal process to ensure that available funding is directed to the most effective projects. In some exceptional cases with regard to housing grants agreement by portfolio holder decision may be required; this may also be a more appropriate route for some other projects, This is relevant for cases with ring-fenced external funding and a purpose already within a departmental remit, such as grants received by a particular service tied to a commitment to spend on a specific project. Otherwise, business plans are subject to review by the relevant Council panel. All decisions will still be subject to procurement regulations in the Constitution.



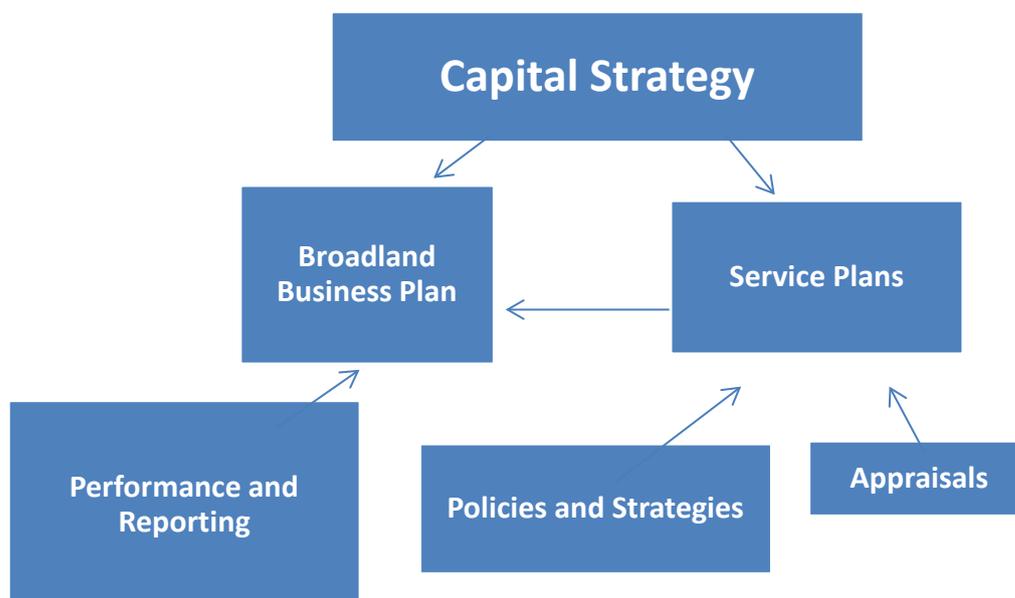
11. Risk Management

The Council's Risk Framework has been reviewed as part of an update to the Risk Strategy. As part of the project business case, large capital projects should be risk assessed. Any mitigation actions should be included in the project business case. With diversity of partnership working, including joint venture working as described above, local authorities' assessment of risk management becomes increasingly important. Risk is managed by use of Prudential Indicators that are calculated annually as part of the budget setting process and revisited at each year's actual outturn. Risk mainly centres on the decision around how much the council can afford to borrow; as this currently not applicable to Broadland, risks are mainly associated with actual performance against expected. Excessive costs incurred due to unforeseen circumstances and project slippage can lead to increased pressure on future year's budgets.

Smaller capital projects should be risk assessed and managed as part of managing service risks.

12. Performance Management

The Capital Strategy is one element of the Broadland Performance Management Framework (see illustration below). All capital projects should have performance management arrangements – such as reporting to Cabinet or Corporate Leadership Team on progress, monitoring, evaluation and identifying any problems incurred. They should also be included in service plans and where necessary the Broadland Business Plan.



13. Public Sector Finances

The continuing reductions in all sources of public sector funding will have a significant impact on our ability to finance capital projects in the short term. Any comprehensive spending review will set out any changes in local government funding that could set out strict limits on our ability to deliver new capital projects, especially via Council Tax funding.

14. Local Authority Borrowing

The authority's MTFP does not currently include a possible need to borrow in order to fund its capital programme; there is a small provision within the budget for debt costs; however, the most efficient way to borrow will be to fund expenditure from internal resources initially (i.e. with cash backed reserves such as the capital receipts reserve) and borrow if and when necessary. Broadland has a Capital Financing Requirement (CFR) determined by the theoretical amount of debt associated with finance leases. Any additional future debt costs if the need to borrow arose would have to consider the CFR when determining an appropriate liability benchmark.

15. Borrowing Powers

Local authorities have the power to borrow without restriction under the Prudential System – provided that they can prove that they can afford both the revenue implications of the capital projects undertaken and the costs of servicing and repaying the debt itself. Each authority must set Prudential Indicators each year, approved by Council, two of which state the maximum limits of operational and authorised external debt. Broadland District Councils have been set at £4m and £6m respectively (revised as per Treasury Management Strategy 2018), reflecting the agreed limits that the council would be prepared to fund individual or groups of projects to. If the authority decides to borrow to fund its capital programme, it will ensure that its debt indicators are not breached at any time.

In practical terms, the most cost effective way to borrow is from the Debt Management Office (the DMO). This is a central Government agency which offers loans at rates lower than those offered in the money markets through the Public Works Loan Board (the PWLB). Broadland District Council has registered to take advantage of the DMO's certainty rate discount, and will therefore be able to borrow at the lowest debt rates on offer. The authority will continue to identify reputable lenders who can offer the lowest rates.

The Council reviewed the new Municipal Bond Agency set up by local authorities and the LGA but are waiting to see if investing in the agency and/or applying for funding from the agency is appropriate for the Council's needs.

16. Treasury Management

Full details of the Treasury Strategy and Investment Strategy of the Council can be found in the full strategy documents. In brief, with regard to the decision making process, approximately half of the Council's short term surplus cash is managed by two Pooled Fund managers. The remainder of the available surplus cash is managed in-house as short-term investments, to accommodate operational cash

flow requirements. Broadland does not make commercial investments for income and the Prudential Code sets out clearly that the prime policy objective of a local authority's treasury management investment activities is the security of funds, and that a local authority should avoid exposing funds to unnecessary or unquantified risk, should be wary of taking out too much debt relative to net service expenditure and taking on debt to finance commercial investments.

Cabinet are responsible for the scrutiny of treasury management activity and practices; activity against the treasury strategy is reviewed midway through, and at the end of, each year. An outturn report on treasury activity is prepared for Cabinet after the financial year end.

The CIPFA Treasury Management Code requires the Head of Finance and Revenue Services to ensure that all members tasked with treasury management duties receive training to enable them to understand their roles and responsibilities. Officers conducting treasury duties are encouraged to attend workshops run by the Council's treasury management advisors (Link Asset Services).

17. Option Appraisal

The capital programme must be financed each year, drawing resources from capital receipts, earmarked reserves, external funding and direct revenue funding – i.e., drawn from the General Fund. As the levels of external funding and the reserves of capital receipts diminish, the proportion of expenditure that must be drawn from the General Fund will increase, and will need to be carefully managed.

To ensure the best use of resources, requests for schemes to be included on the capital programme will be subject to an option appraisal process. Each scheme will be judged against two primary criteria:

1. Does the scheme fulfil one or more of the aims of the Broadland Business Plan?
2. Would the scheme substantially reduce Broadland's revenue expenditure or bring in an income stream?

Proposed schemes will be considered to be bids for limited resources, and will be ranked in accordance with their score against the criteria. Schemes which are wholly or partly funded by external sources will be considered in the same way, with the reduced need for internal funding taken into account.

The major projects will be reviewed with the main criteria being set as "Funding a project using investment funding from the Council to generate revenue and enable the Council to keep control of its capital funding."

18. Conclusion

The themes running through the Capital strategy are caution, corporate focus and efficiency. Although Broadland remains in a good financial position, there are uncertainties in all sources of future funding. Careful allocation of resources will be needed to maintain the present financial health, and to ensure that the focus is on achieving the Council's corporate objectives.

Proposal: Treat official notification of a Universal Credit claim as an application for Council Tax Reduction	
Survey Results:	Consultation is not required as is beneficial to Council Tax Reduction customers.
What would be the main justification for the change?	
The proposed amendment would allow the formal notification received from the DWP to be treated as a valid claim for Council Tax Reduction. This reduces the paperwork required from a claimant to apply for Council Tax Reduction and mitigates the potential drop off of claimants who are entitled to help but do not return the relevant application form.	
Officers' Recommendation to Council	
Insert the following in Schedule 1, paragraph 1: "2) c) by means of receipt of the following Universal Credit notification from the Department for Works and Pensions: i. Universal Credit Data Share (UCDS) New Claim record, ii. Local Authority Input Document, or" and remove "or" from the end of paragraph 2(b)	