



# **Capital Strategy**

October 2015

# **FYLDE BOROUGH COUNCIL**

## **CAPITAL STRATEGY**

### **1. OVERVIEW**

This strategy sets out the Council's approach to capital investment and disposals and the approach that will be followed in making decisions in respect of the Council's Capital assets.

Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that the Council makes best use of these resources. Consequently this strategy seeks to:

- Ensure that spending decisions meet the Council's vision and key priorities;
- Ensure that the Council retains only the level of assets appropriate to the services it provides;
- Maximise the use and contribution of the Council's capital assets in achieving the Council's vision;
- Encourage innovation and value for money in the use of capital assets;
- Ensure that whole life costs and benefits both capital and revenue are fully considered along with an assessment of any future cost considerations involved;
- Maximise the availability of capital resources for investment;
- Influence and develop partnership working both locally and nationally; and
- Ensure through its links with the Asset Management Plan and Medium Term Financial Strategy good management and stewardship of assets in the Council's ownership.

The Capital Strategy sets out:

- How capital schemes are identified and developed in response to these plans and priorities;
- How decisions will be made on any bids for additional capital resources;
- How capital schemes will be assessed and evaluated;
- How choices are made between schemes competing for available resources;
- How the resultant Capital Programme will be monitored and evaluated; and
- How corporate reviews of existing capital assets will be undertaken.

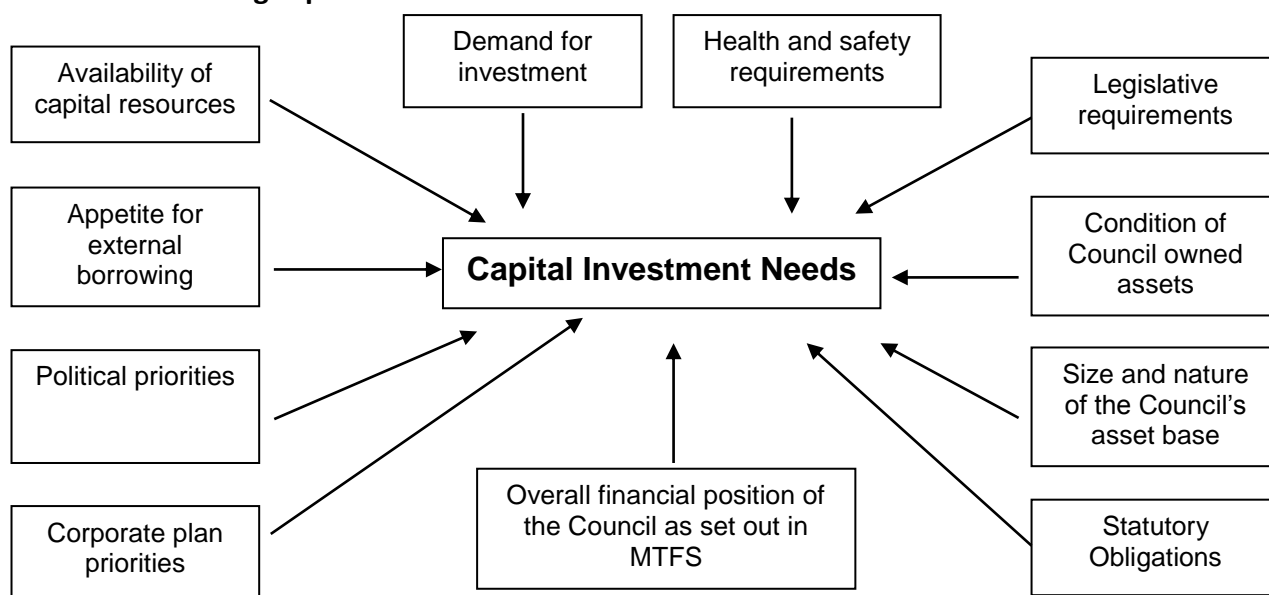
### **2. FYLDE'S VISION, PRIORITIES & TARGETS**

The Council's Corporate Plan is a key strategy document which sets out the vision, long-term outcomes, medium-term targets and short-term priority actions which will enable the Council to achieve its corporate objectives.

### 3. HOW CAPITAL SCHEMES ARE IDENTIFIED AND CONSIDERED

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

#### Factors influencing capital investment:



1. It is important that capital investment decisions are not made in isolation and instead are considered in the round through the annual budget setting process.
2. Programme committees will, during the annual cycle of meetings, consider issues which may give rise to the potential need for capital investment. These will be captured to inform the basis of potential capital bids that the committee will need to consider as part of the budget setting process.
3. Management Team and Service Heads will also identify the potential need for capital investment. This will take account of issues including the condition of council owned assets (including reference to the council's Asset Management Plan), health and safety requirements, statutory obligations of the council, operational considerations and emerging opportunities for investment including possible sources of external financing.
4. The Budget Working Group will review capital bids prior to consideration by Programme Committees.
5. Programme committees will then consider and prioritise capital bids relevant to their terms of reference.
6. Once capital bids have been prioritised by programme committees, the Budget Working Group will review the outcome of the deliberations of programme committees and will make recommendations to the Finance and Democracy Committee via an updated Medium Term Financial Strategy (MTFS) report on a proposed budget package which will include capital budget proposals.
7. The MTFS report (including capital budget proposals) will ultimately be considered by Budget Council each year.

#### 4. DEVELOPING CAPITAL SCHEMES

All proposed schemes requiring capital investment should have as a minimum the following information:

- 1) A description of the scheme;
- 2) The estimated financial implications, both capital and revenue;
- 3) The expected outputs, outcomes and contribution to corporate objectives;
- 4) The nature and outcome of consultation with stakeholders and customers (as applicable);
- 5) Any impacts on efficiency and value for money;
- 6) Risk assessment implications and potential mitigations; and
- 7) Any urgency considerations (e.g. statutory requirements or health and safety issues)

All capital bids should be prepared in light of the following list of criteria, and the proposed investment should address at least one of these issues:

- |      |                      |   |
|------|----------------------|---|
| i)   | Service criteria     | <ul style="list-style-type: none"><li>- the investment contributes towards the Council's priorities</li><li>- the investment contributes towards the Asset Management Plan</li><li>- the investment maintains or improves Fylde Council owned assets</li><li>- the investment allows continued delivery of services</li></ul> |
| ii)  | Statutory criteria   | <ul style="list-style-type: none"><li>- the investment addresses health and safety compliance issues</li><li>- the investment contributes towards a statutory obligation</li><li>- the investment contributes towards a government initiative</li></ul>   |
| iii) | Financial criteria   | <ul style="list-style-type: none"><li>- the investment produces a revenue saving or improves VFM</li><li>- the investment is funded/part funded from external resources</li></ul>   |
| iv)  | Needs criteria       | <ul style="list-style-type: none"><li>- the investment satisfies an assessment of community priority</li><li>- the investment satisfies an assessment of political priority</li><li>- the investment satisfies an assessment of environmental priority</li></ul>  |
| v)   | Partnership criteria | <ul style="list-style-type: none"><li>- the investment is supported by appropriate partners/stakeholders</li><li>- partners have been involved in drawing up the proposed scheme</li></ul>  |

Providing that bids for capital investment address one or more of the above criteria, consideration will be given in the following priority order:

1. Investment which is required to meet health and safety or other regulatory/statutory obligations e.g. DDA compliance;
2. Investment in Council owned assets which support the delivery of Council services or priorities;
3. Investment which protects existing income streams or generates additional income for the Council;
4. Investment which attracts external match funding for the scheme; and
5. Investment which enhances the Borough and brings wider community benefits

The table shown at Appendix 1 summarises the capital bids process.

## **5. MONITORING OF APPROVED CAPITAL SCHEMES**

In accordance with the Council's constitution, all schemes which are approved for inclusion in the Capital Programme must be the subject of a detailed report to the appropriate Programme Committee prior to any expenditure being incurred on the scheme.

The monitoring of progress on individual schemes will be the responsibility of the Director for those schemes which fall within their areas of responsibility. The Director is responsible for preparing any reports required during the life of the scheme in accordance with the Council's constitution. This may include periodic reports to Programme Committees for schemes which fall within their areas of responsibility.

Programme committees will receive periodic in-year Capital Programme monitoring reports which will provide details of progress on the delivery of approved capital expenditure on a scheme by scheme basis.

The Capital Programme in its entirety will be updated to reflect any approved virements, additional scheme approvals or other approved changes as part of the regular review of the Council's Medium Term Financial Strategy.

## **6. REVIEW OF ASSET HOLDINGS AND ASSET MANAGEMENT PLAN**

The Council's Asset Management Plan will be reviewed on an ongoing basis by the Council's Asset Management Group. This will identify any assets held by the Council that are no longer either required or fit for purpose and appropriate recommendations made regarding retention for alternative use or disposal.

**CAPITAL BIDS PROCESS**

The following table shows consideration of capital programme bids within the Council's Medium Term Financial Strategy framework:

<b>Dates</b>	<b>Detail</b>
To end August	Formulation of capital bids – Members / Officers
October	Budget Working Group to review capital bids prior to consideration by Programme Committees
October/November	Programme Committees consider and prioritise capital bids
November	Report to Finance & Democracy Committee - updated Medium Term Financial Strategy including updated financial forecast
December/January	Consideration by Budget Working Group of prioritised lists of capital bids from Programme Committees
February	Finance & Democracy Committee receive updated Medium Term Financial Strategy including recommendations from Budget Working Group on capital expenditure proposals
March	Council Budget setting meeting including approval of updated capital programme
March	Statutory date to set Council Tax

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