

West Dunbartonshire Council
Report by the Strategic Lead - Resources
Council: 4 March 2020

Subject: Capital Strategy 2020/21 to 2029/30

1. Purpose

- 1.1** The purpose of this report is to provide Members with the capital strategy for the period 2020/21 to 2029/30.

2. Recommendations

- 2.1** Members are requested to approve the capital strategy as appended to this report.

3. Background

- 3.1** In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities are required to prepare a Capital Strategy which is intended to provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

- 3.2** The first Capital Strategy was presented to Council in March 2019 and this is the first annual update of the strategy.

4. Main Issues

Capital Strategy

- 4.1** The capital strategy is reviewed and updated annually and this updated version covers the period 2020/21 to 2029/30 which is the time period covered by the capital plan update which will be reported to Council as part of the separate budget report to this Council meeting.
- 4.2** The previous Capital Strategy included an action plan with five actions, most of which are ongoing or due at a future point. There was one action which was a one-off action due in the summer of 2019

relating to the development of guidance for the development of business cases for capital projects. This was completed and agreed for use by the Strategic Asset Management Group in August 2019.

- 4.3** The updated Strategy reflects new accounting rules which come into effect from financial year 2020/21 which means that from 1/4/20, all leases (with a few exceptions) will require to be accounted for on the Council Balance Sheet as assets. Accounting for these leases on the Balance Sheet will result in increases to assets and long term liabilities. This will also result in Prudential and Treasury Management indicators being adjusted – increasing: the ‘level of debt’ identified by the Council; the Capital Financing Requirement; Operational Boundary; and Authorised Limit, by the value of the leases. Forecast and estimates of the ratio of financing costs to Net Revenue Stream may also be affected. This change affects all Councils, though this Council has a low number of leased assets.

5. Option Appraisal

- 5.1** No option appraisal was required for this report.

6. People Implications

- 6.1** There are no personnel issues.

7. Financial and Procurement Implications

- 7.1** There are no direct financial or procurement implications arising from this report.

8. Risk Analysis

- 8.1** While the appended report provides the capital strategy of the Council there are 3 main risks associated with long term capital planning. These risks are noted below; however the Council has robust capital appraisal and monitoring processes in place and provides regular reports to Council:

- Capital plans are not fully aligned to Council strategic objectives and the Council has robust controls included within the prioritisation and approval process to mitigate this risk;
- The risk of non-deliverability of capital investment plans must also be taken into account; however the Council has robust management and monitoring controls included within its capital investment governance process that will assist in mitigating this risk; and
- Capital inflation may increase capital expenditure levels, which in turn may affect the capital financing and borrowing requirement leading to

an increase in borrowing, assuming no additional capital receipts are available. The Council has a robust capital governance process in place to mitigate and manage this risk.

9. Equalities Impact Assessment

9.1 An equalities impact screening has been carried out and has determined that a detailed assessment was not required in relation to this report.

10. Environmental Sustainability

10.1 No assessment of environmental sustainability was required in relation to this report.

11. Consultation

11.1 The views of Legal Services have been requested on this report and have advised there are neither any issues nor concerns.

12. Strategic Assessment

12.1 Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan.

12.2 The capital strategy contributes to the Financial Strategy via the interdependency that exists between pro-active long term capital planning and the formulation of long term financial plans.

Stephen West
Strategic Lead – Resources
20 February 2020

Person to Contact:	Strategic Lead - Resources Council Offices, Church Street, Dumbarton Telephone (01389) 737191 Email: stephen.west@west-dunbarton.gov.uk
Appendix:	Capital Strategy 2020/21 to 2029/30
Background Papers:	Prudential Indicators 2018/19 to 2028/29 and Treasury Management Strategy 2019/20 to 2028/29 (Council 27 March 2019)
Wards Affected:	No wards directly affected.