



# Capital Investment Strategy

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# 1 INTRODUCTION

1.1 This strategy sets out the Council's approach to compiling the capital programme, its priorities, availability of funding and financial management and has been prepared in line with the requirements in the Prudential Code. In terms of capital expenditure, the capital strategy should include:

- An overview of the governance process for approval and monitoring of capital expenditure, including links to the Council's policies on capitalisation.
- A long-term view of capital expenditure plans, where long term is defined by the financing strategy and risks faced by the Council with reference to the life of projects / assets.
- An overview of asset management planning including the cost of past borrowing, maintenance requirements and planned disposals.
- Any restrictions around borrowing or funding of ongoing capital finance.

1.2 The strategy should additionally include:

- The Council's approach to commercial activities including processes ensuring effective due diligence and defining the authority's risk appetite in respect of these, including proportionality in respect of overall resources.
- Requirements for independent and expert advice and scrutiny arrangements.
- An overview of the governance process for approval and monitoring and ongoing risk management of any other financial guarantees and other long-term liabilities.
- A summary of the knowledge and skills available to the Council and confirmation that these are commensurate with the Council's risk appetite.

1.3 The overall approach to developing the capital strategy is based upon the following key principles:

Principle 1	Principle 2	Principle 3	Principle 4
<b>Delivery of council objectives and priorities</b>	<b>Maximise and promote best use of available funds</b>	<b>Ensure strong governance in decision-making</b>	<b>Ensure plans are affordable, prudent, and sustainable</b>
Clear on objectives and priorities	Bidding for external funds where possible	Ensuring that all projects have an officer and lead member sponsor	Capital investment decisions will not place additional pressure on Medium Term Financial Plan
Appraising all investments in the context of objectives / priorities	Taking advantage of increased freedom and flexibilities. Both in terms of terms and conditions of grants or borrowing powers.	Option appraisal for all projects requiring evidence of need, cost, risk, outcomes and methods of financing.	Promoting capital investment which allows either invest to save outcomes or generates a revenue and/or capital return
Ensuring decision-makers are clear on the positive contribution capital investment makes to objectives	Generate funding, where possible, from the rationalisation of existing assets.	Ensuring all decisions are approved in line with the Constitution and the Capital Strategy	Minimising borrowing requirements by putting the first call on grants / internal resources

## 2 CAPITAL EXPENDITURE AND INVESTMENT

- 2.1 Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £25,000 and are charged to revenue in year.
- 2.2 There are three key drivers of the Council's capital plans:
- Corporate Strategy - strategic aims and priorities (para 2.3)
  - Asset management requirements (para 2.4)
  - Invest to Save (para 2.5)
- 2.3 The Council is being requested to approve a Corporate Strategy alongside the Capital Strategy and is doing significant work in all the above areas that may have a significant impact on future versions of the Capital Strategy. The priorities are:

<b>Tackling the Climate Emergency</b>
Policies will support the County to tackle the climate crisis, helping to reduce carbon emissions and minimise the impact of climate change on the lives of residents and local businesses.
<b>A diverse and sustainable local economy.</b>
Building a strong rural economy with a productive, sustainable, and diverse business base that provides opportunity for all.
<b>Support the most vulnerable</b>
Working collaboratively to improve outcomes for residents, helping those that need additional support to live their best lives.
<b>Provide good public services</b>
Delivering modern and cost-effective services which are easy to access and provide good levels of customer care.

- 2.4 The Council has also approved a Property Asset Strategy and guiding principles for the future management of the Council's assets. It includes the following aims:
- Manage property to support the Council's objectives and priorities set out in the Corporate Plan;
  - Minimise the operation and long-term cost of the Council's estate;
  - Provide Value for Money by using Council resources wisely and having the required information to make robust and informed decisions – developing a planned maintenance approach;
  - Deliver and support services by providing assets fit for purpose and effective, modern ways of working;
  - Consider the impact of sustainability in all decisions, making buildings as sustainable as possible and considering the impact of our carbon footprint;
  - Take a dynamic approach to asset management including retention, repurposing and disposal; and
  - Work with Partners to maximise opportunities and consider the transfer of services/assets to Town and Parish Councils and others.

### **Invest to Save**

- 2.5 The Councils Integrated Budget Plan 2024/25 and Medium-Term Financial Strategy 2024/25 to 2027/28 requires the Council to transform the way it works and its service offer. As part of this, the Council understand that it will need to support one off investment with the aim of making current Council funding work harder ie efficiency gains.
- 2.6 Invest to save capital projects will follow a similar criterion to the Process Improvement Fund (revenue reserve, see Appendix I), with the key criteria for investment being:
- Delivers against the Council's corporate strategy and priorities,
  - Provides on-going revenue savings, or
  - Provides on-going revenue income, and
  - Must repay costs back to the fund within an agreed period (three-year payback) OR delivers a benefit to a related service that contributes to sustainability.
- 2.7 The capital programme will deliver £45.177m of capital investment to support the achievement of Council objectives. Key projects contributing to these objectives are summarised below with additional detail provided on the following page, and Appendix K.

<b>Estimated Capital Expenditure*</b>	<b>Prior Yr £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Supporting the most vulnerable	1,251	4,884	2,935	270	270
A diverse & sustainable local economy	1,710	9,315	9,704	2,684	2,684
Tackling the climate emergency	0	349	0	0	0
Provide good public services	1,067	5,395	1,567	547	547
<b>Total Investment</b>	<b>4,027</b>	<b>19,943</b>	<b>14,206</b>	<b>3,501</b>	<b>3,501</b>
Grant & Contributions	3,967	19,306	14,126	3,421	3,421
Direct Revenue Financing	37	-	-	-	-
Capital Receipts	23	637	80	80	80
Net Financing Requirement	-	-	-	-	-
<b>Total Financing</b>	<b>4,027</b>	<b>19,943</b>	<b>14,206</b>	<b>3,501</b>	<b>3,501</b>

**Table 1: Estimates of Capital Expenditure over the MTFS period**

Programme Area	Programme Description	Corporate Priority	Capital Expenditure £000	Funding		Uncommitted Funding £000
				Grant £000	Revenue / Capital Receipt/ Dev Contributions £000	
Rolling	Disabled Facilities Grants	Vulnerable	1,080	1,080	-	-
	Devolved Formula Capital	Public Services	20	20	-	-
	Highways	Economy	10,736	10,736	-	636
	Local Transport Plan	Public Services	1,848	1,848	-	1,435
	IT Refresh	Public Services	320	-	320	-
Approved (See Note below)	Estimated Carry Forward from PY	77% Economy	1,264	1,249	15	-
	Asset Investment (H&S works)	Public Services	565	-	565	-
	Affordable Housing - Brooke Road, Oakham	Economy	650	-	650	-
	LUF P1 Medi Tech Innovation Centre	Vulnerable	6,992	5,792	1,200	-
	LUF P1 Digital Visitor Experience	Economy	2,000	2,000	-	-
	LUF P2 Integrated Transport	Public Service	3,000	3,000	-	-
	LUF P3 Melton Town Centre Regeneration	Economy	12,159	12,159	-	-
	UKSPF	Economy	204	204	0	-
Requesting Approval	Waste and Street Cleansing Vehicles	Public Services	2,106	-	2,106	-
	Affordable Housing South Street	Economy	347	0	347	-
	Communities Infrastructure Developments	Vulnerable	500	437	63	-
	SEND	Vulnerable	1,038	1,038	-	-
	Electric Vehicle Infrastructure Fund	Climate	257	257	-	-
Pipeline	Active Travel	Climate	92	92	-	-
	Waste Transfer Station	Climate	-	-	-	-
	Waste Vehicles - impact of Waste Bill	Climate	-	-	-	-
	Food Waste	Climate	-	-	-	534
	Highways Vehicles	Economy	-	-	-	-
	Asset Review - HQ & et al	Public Services	-	-	-	2,249
	Records Office	Public Services	-	-	-	-
	Rural England Prosperity Funding	Economy	-	-	-	400
Schools Capacity	Vulnerable	-	-	-	2,501	
Pipeline Developer Contributions	Highways	Economy	-	-	-	507
	Heritage & Culture	Public Services	-	-	-	821
	Towns Villages & Public Spaces	Public Services	-	-	-	289

Programme Area	Programme Description	Corporate Priority	Capital Expenditure £000	Funding			Uncommitted Funding £000
				Grant £000	Revenue / Capital Receipt/ Dev Contributions £000		
	Public Transport	Climate	-	-	-	1,000	
	Health & Wellbeing Infrastructure	Vulnerable	-	-	-	311	
	Childrens & Young People	Vulnerable	-	-	-	302	
	Affordable Housing	Economy	-	-	-	0	
	Fire & Rescue	Public Services	-	-	-	12	
	Police & Crime	Public Service	-	-	-	106	
	Community Infrastructure Levy (CIL)	Public Services	-	-	-	914	
<b>Total</b>			<b>45,177</b>	<b>39,911</b>	<b>5,266</b>	<b>12,035</b>	

Note: Includes prior years spend

## Rolling Programmes

- 2.8 The rolling programmes will potentially have sub projects, these projects will be prioritised based on the following:
- 2.8.1 **Disabled Facility Grants** – will be allocated in line with the Disabled Facility Grant criteria or the Health and Prevention Grant criteria found on the Councils website <https://www.rutland.gov.uk/adultsocialcare/grants-home-adaptations-equipment>
- 2.8.2 **Devolved Formula Capital** – passported on to schools inline with the grant terms and conditions.
- 2.8.3 **Highways** – The Highways Capital Programme supports the Council's statutory duties as a highway authority, under Section 41 of the Highways Act 1980. The Council has a duty to maintain the Highway in such a state as to be safe and fit for the ordinary traffic that may reasonably be expected to use it.
- The capital programme delivers on the targets as set out in the 2020 - 2026 Corporate Plan.
- The programme of maintenance schemes is driven by the asset management and lifecycle planning based approach, contained within the Highways Asset Management Plan (HAMP) and Council's Street Lighting Policy.
- 2.8.4 The programme is then prioritised from highways asset condition surveys and inspections using a risk-based approach, further details on how the schemes are identified can be found in the Highways Asset Management Plan (HAMP).
- Any material highways schemes that are delivered in year will be reported separately as part of the Council's Quarterly Financial Performance monitoring report to Cabinet.
- 2.8.5 **Local Transport Plan** - The Local Transport Act 2008 sets out a duty for all local transport authorities to produce and keep under review a local transport plan and associated policies. Moving Rutland Forward (MRF) is the name of the Council's fourth local transport plan (LTP4), this covers the period from 2019 to 2036.
- The government grant for these schemes is provided by the Department of Transport to support small-scale transport improvement schemes, such as road safety, bus priority, walking, cycling and transport information schemes.
- Future capital projects will be driven by the themes within the Council's Local Transport Plan, and associated policies. The approval of these schemes will be in line with the Council's Budget Virement policy, contained within section 9 of the Cabinet Integrated Plan and Medium Term Financial Strategy, of which this strategy forms Appendix M.
- 2.8.6 **IT Refresh** - The IT Refresh Capital programme will be used to modernise the Council by ensuring the end user hardware is appropriate and up to date. IT will establish projects to ensure that both the oldest IT equipment in the Council, as well as service areas needing IT investment and supporting new starters. The scope of this IT investment will be end user hardware including laptops, tablet, mobile phones, monitors and any other hardware to support modernisation.
- The IT Refresh Capital programme will also make investment in centralised hardware such as wireless, network switches, video-conferencing facilities, firewalls and other security hardware and IT server-room infrastructure to ensure that the Council is operating a modern, efficient IT service that is helping staff to be productive and operate in a safe, secure environment.
- 2.9 Full details of the Capital Programme can be found in **Appendix K** of the **Integrated Budget Plan 2024/25 and Medium-Term Financial Strategy 2024/25 - 2027/28**.

### 3 RESOURCING STRATEGY

3.1 The aims and priorities of the Council will shape decisions around capital expenditure, there is recognition that the financial resources available to meet priorities are constrained in the current economic and political climate. The context for capital expenditure decisions is as follows:

- The Council does have capital resources and expects to receive more resources in the future (Capital Receipts, Grants, s106 agreements and CIL);
- The Council has limited capital assets which it could sell and use receipts to reinvest;
- The Council expects housing growth and this growth will yield CIL which can be used to invest in infrastructure;
- The Council is currently servicing debt of c£22m, the current cost of servicing this debt is £1.6m per annum; so
- Any investment decision that requires borrowing must take into account any impact to the Councils Medium-Term Financial Strategy.

3.2 There are a range of potential funding sources which can be generated locally either by the Council itself or in partnership with others. The Council continues to seek new levels of external investment to match against its capital programme, this may be additional capital receipts from asset sales or contributions from other external bodies.

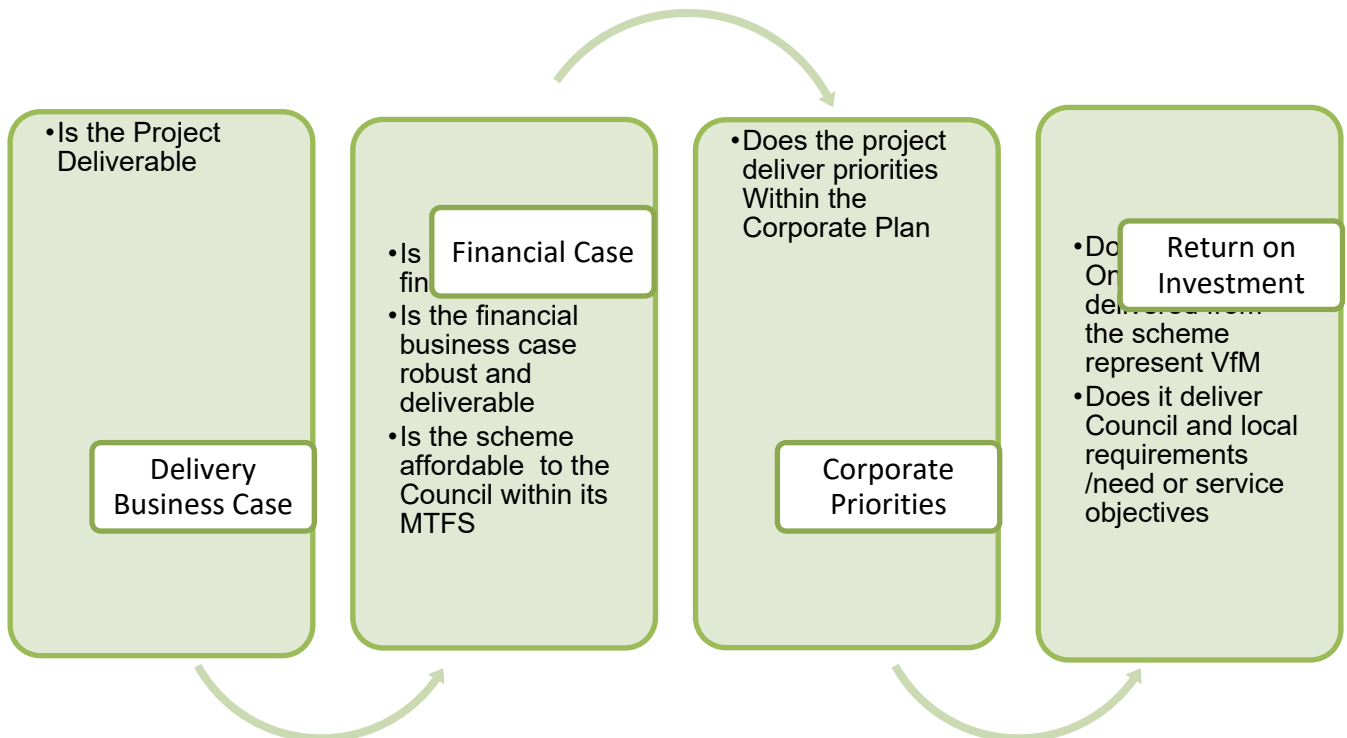
3.3 The Council has a number of options currently available for funding capital projects, including;

- **Government Grants** -capital resources from Central Government can be split into two categories:
  - a) Non-ring fenced – resources which are delivered through grant that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose).
  - b) Ring-fenced – resources which are ring-fenced to particular areas and therefore have restricted uses.
- **Non-Government Contributions** - where there is a requirement to make an application to an external agency to receive external funding, which could also commit Council resources as matched funding to any bid for external resources.
- **Prudential Borrowing** - councils can borrow money to pay for capital assets. This can take the form of the Council running down its own cash balances or undertaking a loan from another organisation such as Public Works Loan Board (PWLB).
- **Capital Receipts** – capital receipts come from the sale of the Council's assets. Capital receipts will be available to support the capital programme as a corporate resource.
- **Revenue Contributions** - councils are free to make a contribution from their revenue budget to fund capital schemes. There are no limits on this.
- **Section 106 / Community Infrastructure Levy (CIL)** – use of section 106 / CIL funds from planning developments can be used for capital or revenue. As the purpose of these receipts is to invest in infrastructure to support development then they tend to be used for capital purposes.



## Capital funding prioritisation

- 3.4 To ensure the Council makes appropriate capital investment decisions it will establish a prioritisation framework that is designed to support the decision making process for which capital investment projects and programmes are brought forward.
- 3.5 This supports scheme development and appropriate decision making through the Council's Capital Governance processes.
- 3.6 The Council continues to operate a rolling Capital Investment Portfolio, ensuring that decision making can be made at times when it's within the best interests of the Council.
- 3.7 Potential proposals for new council investment will inevitably exceed the resources available, therefore choice and priority setting should form an important part of the Council's capital appraisal process, ensuring that best choices in line with the Council priorities are made and value for money is achieved.
- 3.8 To assist the prioritisation of resources the Council will introduce a business case approach for new bids that are not funded from Specific Grants. The business case approach will adopt the principles in the CIPFA capital strategy guide on intended benefits, outputs and outcomes to develop a weighted score for each project for instance:
- **Benefits** – these can be financial and non-financial: a programme or individual project could result in net savings, an increase in your funding stream, an increase in your income stream, a reduction in CO<sub>2</sub> emissions or other such benefits.
  - **Outputs** – a programme or individual project could result in an increase in new business start-ups, new houses, an additional rail network, and additional personal equipment for frontline staff, digital technology or other such outputs.
  - **Outcomes** – a programme or individual project could result in jobs created or safeguarded for the area, a contribution to your housing target, improved connectivity, a refurbished asset for community use or other such outcomes.



## **4 GOVERNANCE AND DECISION-MAKING**

4.1 The Prudential Code sets out a clear governance procedure for the setting and revising of a capital strategy and prudential indicators i.e. this should be done by the same body that takes the decisions for the local authority's budget – i.e. Full Council.

4.2 The Chief Finance Officer is responsible for ensuring that all matters required to be taken into account are reported to Full Council for consideration.

4.3 Progress against delivery of the Capital Strategy / Programme will be reported periodically in Finance Reports to Cabinet.

### **Capital expenditure / investment decisions**

4.4 The Prudential Code states that decisions around capital expenditure, investment and borrowing should align with the processes established for the setting and revising of the budget.

4.5 The Financial Procedure Rules (FPR) set out clear procedures for the approval of capital expenditure, including:

- approval of the capital programme – Full Council (FPRs para 5.5)
- additions/changes to the capital programme – Cabinet/Council (FPRs para 5.7)
- borrowing – Full Council (FPRs 5.5 – 5.7) with borrowing sourced by Chief Finance Officer.

4.6 The Council have the following delegations in place for approving capital investment:

- Report 191/2016 - Cabinet agreed that authority be delegated to the Chief Executive and relevant Portfolio Holder to add small schemes (less than £50k) to the capital programme on the condition that all decisions are reported in the Quarterly Finance Report (Report No. 191/2016, Appendix A, para 2.4.4).
- Report 95/2020 - Cabinet agreed that the Strategic Director of Places in consultation with the Section 151 Officer and Director Legal and Governance, and the relevant Portfolio Holders be able to make decisions relating to the expenditure of Section 106 monies up to a value of £500,000 to deliver infrastructure and community facilities in accordance with the provisions of each individual obligation (Approved by Cabinet 31st July 2020, Report No 95/2020)
- Report 25/2021 - Delegate authority to the Strategic Director for Places in consultation with the Portfolio Holder to Approve the design, construction/ implementation and spend of/ on ITCP schemes with a value between £10,001 and £200,000.
- Report 111/2017 – Cabinet authorised the Director for Resources to allocate the IT capital allocation of £150k.

4.7 Part 8 of the Constitution - Financial Procedure Rules - Council/Cabinet determine how capital projects will be funded on advice from the Chief Finance Officer. There may be exceptional circumstances whereby it is financially beneficial to the Medium-Term Financial Plan and thereby the Revenue Account to change how projects are funded (e.g. to avoid borrowing costs) if the financial context has altered when preparing the outturn. The Chief Finance Officer in preparing the outturn will seek approval of any changes from Cabinet or Council if changes involve using new funds are not listed in the original programme.

4.8 In approving projects, Cabinet/Council may establish a vehicle (working group, panel, or board etc) to oversee the allocation of funds or completion of projects (e.g. an amount set aside for Sports grants could be allocated by a working group with delegated authority). In taking this decision, Members can consider risks and any other relevant factors.

- 4.9 The programme of meeting sets out the dates of Cabinet and Council meetings. Should the Council require decisions to be made quickly to respond to opportunities then the Constitution includes provision for emergency meetings.

## **5 PERFORMANCE MONITORING AND INDICATORS**

### **CIPFA Prudential Code requirements**

- 5.1 The Prudential Code requires Councils to think about six things when it agrees its capital programme:
- Service objectives – are spending plans consistent with our aims and plans?
  - Stewardship of assets – is capital investment being made on new assets at the cost of maintaining existing assets?
  - Value for money – do benefits outweigh the cost?
  - Prudence and sustainability – can the Council afford the borrowing now and in the future?
  - Affordability – what are the implications for council tax?
  - Practicality – can the Council deliver the programme?
- 5.2 Councils need to prove that they are complying with the Code and this is done through a series of prudential indicators that are set locally and approved at the same time the Council sets its budget for the following year.
- 5.3 These indicators are included in the Treasury Management Strategy but are based on the capital plans derived in accordance with this Strategy.

## **6 SKILLS AND KNOWLEDGE**

### **In-house resources**

- 6.1 The successful implementation of the Capital Investment Strategy necessitates the availability of people with the necessary experience of:
- developing capital projects;
  - acquiring and selling properties;
  - commissioning partners to deliver the capital programme;
  - managing properties as a landlord; and
  - sourcing suitable opportunities that match the criteria set under the adopted strategy.
- 6.2 The Council currently has in place a team in the Resources directorate which manages the current operational and non-operational asset portfolio.

### **Externally available resources**

- 6.3 The Council makes use of external advice in developing projects or undertaking due diligence including external valuers, property condition experts, market appraisers etc. Other advice will be commissioned as and when required.

### **Members**

- 6.4 Members are familiar with the budget process and approve the Treasury Management Strategy and Budget. Any additional training requirements will be discussed with the Scrutiny Committee.

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on request**



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