CAPITAL PROGRAMMES

Why is this important?

2.50 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, 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.

2.51 The capacity of an authority to finance capital is constrained. This means that capital expenditure and financing plans should form part of an overall investment strategy, and should be carefully prioritised in order to maximise the benefit of scarce resources.

Key controls

2.52 The key controls for capital programmes generally are:

a) Capital schemes and their funding should be in line with the Council's Capital Investment Strategy, which forms part of the policy framework and so requires full Council approval.

b) Each year Cabinet will review the Strategy and make recommendations to full Council, taking account of the requirements of and guidance on CIPFA's Prudential Code for Capital Finance in Local Authorities.

c) Capital schemes should also be in line with the Council's Asset Management Plan (also known as the Corporate Property Strategy).

d) Proposals for capital improvements and alterations to buildings must be supported by the appropriate Corporate Director/s or Service Head/s.

e) Estimated revenue implications should be calculated for all scheme proposals, including whole life costs, where the size or nature of the project requires it.

f) All new projects will be managed using LAMP, as appropriate to their size, level of risk and/or complexity. Through this, accountability for each project will be accepted by a named manager, i.e. the project executive.

g) Commencement of any capital scheme is subject to:

- the approval of a project mandate and/or project initiation document in line with Lancaster City Council's Approach to Managing Projects – known an 'LAMP'
- the approval of the Section 151 Officer (to confirm availability of funding)

h) Financial monitoring of progress is undertaken in accordance with the Council's corporate arrangements, including comparison of actual and forecast expendiure and income, against approved budgets.

i) As part of the annual budget process, full Council approves the full programme of capital expenditure and financing for future years, including revenue implications.

j) Schedules of projects for specific programmes within the overall capital budget approved by full Council (for example, minor works and grants, or externally funded programmes such as SRB) must be submitted to the Cabinet for approval, or under other delegated arrangements approved by Cabinet.

k) Any in-year changes to schemes, or new scheme proposals, will be considered in line with the arrangements below.

2.53 The key tolerances for in-year changes to existing schemes within the capital programme are:

a) Full Council approval is required for any scheme proposal which falls outside of the approved Capital Investment Strategy or budget framework. Only full Council may delete schemes from the approved Programme.

b) The Head of Financial Services may update the Capital Programme for transferring amounts between schemes contained within the approved programme, subject to:
   - there being no additional call on the Council's finances, in capital or revenue terms;
   - the transfer being no greater than £10,000 or 10% of a scheme's total budget, whichever is the greater; and
   - the transfer being supported by the Asset Management Working Group, relevant Director/s and Cabinet Member/s, and it being in accordance with the approved Capital Investment Strategy.

c) Likewise the Head of Financial Services may also update the Capital Programme and/or Revenue budget in respect of any accounting changes or requirements, which have no impact on the Council's budgetary position. (e.g. in respect or lease v buy appraisals).

d) Cabinet approval is required for all other transfers above £10,000 or 10% of a scheme's total budget, whichever is the greater, subject to no scheme being deleted (entirely or effectively) and it being within the overall budget framework.

e) Project Executives / Boards have no authority to incur expenditure above the budget as included in the approved Programme. Where the budget reflects a separate programme in itself (e.g. EDZ, SRB), then the relevant Programme Board has no authority to incur expenditure above the budget line, but it may make budget transfers between individual projects within its programme, subject to delegated authority being granted by Cabinet.

2.54 The key controls for considering any new scheme proposals that arise in-year are as follows:

a) The Head of Financial Services may update the Capital Programme to include new schemes, subject to:

   - there being no additional call on the Council's finances, in capital or revenue terms;
   - there being no prudential borrowing requirement or expectation;
   - the gross capital cost of the scheme not exceeding £250,000;
   - the proposal being supported by the Asset Management Working Group, relevant Director/s and Cabinet Member/s, and it being in accordance with the approved Capital Investment Strategy;

- the project being similar in nature and scope to schemes already contained within the approved Programme;
- the Council already has, or has had within the last two years, an established full formal relationship as an Accountable Body (if applicable); and
- the timing of proposal is such that it cannot reasonably be considered as part of the annual budget and planning process.

b) Cabinet approval is required for any new scheme proposal which does not meet the above conditions.

c) Furthermore, full Council approval is required for any new scheme proposal which:

- falls outside of the approved Capital Investment Strategy; or
- falls outside of the Prudential Indicators, as calculated under the Prudential Code; or
- cannot otherwise be met from within the approved revenue / capital budget, allowing for any discretion or budget flexibility that Cabinet may have (e.g. through the Meduim Term Financial Strategy.).

2.55 Any delegations in line with the above would be subject to the key decision criteria (i.e. inclusion in the forward plan and call-in), as appropriate.

Responsibilities of the Section 151 Officer

2.56 To report retrospectively through the Council's corporate financial monitoring and performance management arrangements, on any such updates he/she has effected under the above delegations. *(From an officer perspective, they would also be included in the reports to Performance Management Group).*

2.57 To prepare capital estimates jointly with Corporate Directors or Service Heads and the Chief Executive and to report them as appropriate for consideration.

2.58 To prepare and submit reports to the Cabinet on the overall projected income, expenditure and resources compared with the approved estimates, as part of reviewing the Council's Capital Investment Strategy.

2.59 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques and capital finance legislation. The definition of 'capital' will be determined by the Section 151 Officer, having regard to government regulations and accounting requirements. A copy of the current definition is attached to these procedures.

2.60 To advise Cabinet, Corporate Directors and Service Heads on the availability of funding with regard to the commencement of capital schemes.

2.61 To provide appropriate advice and guidance to Members and Officers, and to establish appropriate performance monitoring and reporting procedures, as required under the Prudential Code for Capital Finance in Local Authorities.

Responsibilities of Corporate Directors and Service Heads

2.62 To ensure that all capital proposals have undergone a project appraisal in accordance with LAMP guidance, and other financial appraisal guidance as may be issued by the Section 151 Officer.

2.63 To manage capital projects using ‘LAMP’, and to comply with other guidance concerning capital schemes and controls issued by the Section 151 Officer or other relevant officers.

2.64 To prepare regular reports reviewing the capital programme provisions for their services and highlighting actual or expected variances. This includes monthly returns for submission to the Section 151 Officer, and reporting as required under the Council’s Performance Management Framework. It also includes reporting on an exceptions basis, as and when appropriate.

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

2.66 To proceed with projects only when all relevant approvals have been obtained.

2.67 To ensure that credit arrangements, including for these purposes, all 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.

2.68 To consult with the Section 151 Officer and seek other relevant officer advice, when considering whether to pursue external or other funding opportunities for capital investment, or in developing capital scheme proposals. Such advice should be sought as early as possible in the process.

NOTE THAT SUBSTANTIVE CHANGES HAVE BEEN HIGHLIGHTED.