

AGENDA NO: 7a



INDEPENDENT AUDIT COMMITTEE - 11 DECEMBER 2018

DRAFT CAPITAL STRATEGY FOR DEVON AND CORNWALL

REPORT BY NICOLA ALLEN

1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to provide the draft Capital Strategy to the Committee for comment prior to it being approved by the Police & Crime Commissioner (PCC), and to confirm the Committee's role in the oversight and governance for the Capital Strategy.

2. INTRODUCTION

- 2.1 The Prudential Code for Capital Finance in Local Authorities (*2017 Edition*) makes important changes that reflect developments since the Code was last updated in 2011. The Code requires Police & Crime Commissioners to produce a capital strategy in order to help demonstrate that capital expenditure and investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability.

3. CAPITAL PLANNING

- 3.1 The draft Capital Strategy is appended for review and comment by the Committee prior to it being approved by the PCC.
- 3.2 The Capital Strategy supports the Medium Term Financial Strategy in order to ensure that the future asset needs are met to support the delivery of the Police and Crime Plan.
- 3.3 Capital planning is becoming increasingly important; technological advances are creating additional demands on investment spending aimed at increasing efficiency for the longer term. This is set in a context of external financial pressures; real term reductions in funding; pay pressures, and increasingly more complex demands on policing. In short, funds are a real constraint, and there are competing demands for both capital and revenue. When planning for longer term investment the increased uncertainties make the need for integrated planning even more essential.

- 3.4 The draft capital strategy has been prepared in line with the CIPFA guidance “capital strategies and programming”, and it is intended to be developed over time. A conscious decision has been made not to duplicate information within the strategy that is included in other documents; in particular the capital budget and programme and the Minimum Revenue Provision policy. These are included in the Budget and Medium Term Plan documents and in the Treasury Management Strategy.

4. GOVERNANCE

- 4.1 The Prudential Code sets out a clear governance procedure for the setting and revising of a capital strategy and prudential indicators. It states that:

“this will be done by the same body that takes the decisions for the local authority’s budget – i.e. usually it will be the full council for the authority concerned. Where budget decisions are made by an elected mayor or a police and crime commissioner, it is expected that the capital strategy and prudential indicators will follow the same procedures as the budget.”

It goes on to say:

“Local authorities may determine the capital strategy, capital programme and prudential indicators ahead of the revenue budget. The requirements of the Prudential Code are met provided that explicit reference to the formal decision is made within the revenue budget report.”

- 4.2 The Budget and Precept report is considered by the Police and Crime Panel annually. The proposed governance process and timetable for the Capital Strategy is shown below:-

Independent Audit Committee (IAC)	Consideration of draft Capital Strategy for comment	11 December 2018
Joint Management Board (JEB)	Consider any comments arising from the IAC and determine any amendments to the Capital Strategy	23 January 2019
Police and Crime Panel	To consider the budget report which will refer to the Capital Strategy, Treasury Management Strategy and the Reserves Strategy)	8 th February 2019
Police and Crime Commissioner	Approval of the Capital Strategy	February 2019

5. RECOMMENDATIONS

5.1 Members are asked to:

- 5.1.1. Consider the draft at Appendix A and provide any comments they have.
- 5.1.2. Confirm their agreement to the proposed governance process for the Capital Strategy.

Nicola Allen
Treasurer

Devon and Cornwall OPCC