

AGENDA NO: 7b



INDEPENDENT AUDIT COMMITTEE - 11 DECEMBER 2018

DRAFT CAPITAL STRATEGY FOR DORSET

REPORT BY ALEXIS GARLICK

PURPOSE OF THE REPORT

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.

1. INTRODUCTION

- 1.1 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.

2. CAPITAL PLANNING

- 2.1 The draft Capital Strategy is appended for review and comment by the Committee prior to it being approved by the PCC.
- 2.2 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.
- 2.3 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.
- 2.4 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.

3. GOVERNANCE

3.1 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.”

3.2 The annual Budget and Precept report is considered by the Police and Crime Panel annually. In June this year the Panel received a report on the changes to the Prudential Code and Treasury Management Code and confirmed that the appropriate Committee to consider the Capital Strategy should be the Independent Audit Committee. The role of the Police and Crime Panel in relation to the Capital Strategy is considered to be covered in point six of its Terms of Reference: *‘To review or scrutinise decisions made, or actions taken, by the PCC in connection with the discharge of the Commissioner’s functions.’*

The proposed governance process and timetable for the Capital Strategy is therefore as follows:

Resource Control Board (RCB)	Draft Capital Strategy considered and subsequent changes made	October 2018
Independent Audit Committee (IAC)	Consideration of draft Capital Strategy for comment	11 December 2018
Joint Executive Board (JEB)	Consider any comments arising from the IAC and determine any amendments to the Capital Strategy	21 January 2019
Police and Crime Panel	To consider the Budget report <i>(which will make reference to the Capital Strategy and the Treasury Management Strategy, incorporating the prudential indicators).</i>	1 February 2019
Police & Crime Commissioner (PCC)	Approval of the Capital Strategy	February 2019

4. RECOMMENDATIONS

Members are asked to:

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

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