APPENDIX D

FINANCE PROCEDURE RULES – CAPITAL PROGRAMME

1. Definitions

In this section of Finance Procedure Rules:

Service Resources are such capital resources as the Council may determine when it approves the capital programme.

Corporate Resources are all capital resources other than service resources, and include unsupported borrowing.

Spend to Save Schemes are those schemes where up - front capital investment will lead to on - going revenue savings or a significant receipt in later years. The schemes must be self - financing in accordance with the statement of rules relating to such schemes.

The **Capital Programme** is the Council's planned level of spending on all capital schemes.

Programme Areas are groups of capital schemes within which the Council permits corporate directors to reallocate resources, as determined by the Council when it approves the capital programme.

2. Capital Programme

2.1 The Chief Finance Officer is responsible for recommending a capital programme to Cabinet each year. The Chief Finance Officer may recommend the programme as a whole, or authorise individual Corporate Directors to recommend parts of programme on the basis of a joint report. Capital programmes should be recommended to Cabinet before the start of the financial year to which the programme relates. The Chief Finance Officer (or Corporate Director as the case may be) shall seek the views of the appropriate Scrutiny Committee(s) prior to reporting to Cabinet.

2.2 Prior to inclusion in the capital programme Corporate Directors are required to carry out detailed cost estimates of schemes to the satisfaction of the Chief Finance Officer.

2.3 Cabinet shall recommend a capital programme to Council each year on the basis of one or more reports referred to in paragraph 2.1. The programme may be for one or more years. The Cabinet report to Council must take into account any Scrutiny Committee views.

2.4 When (or prior to) submitting a capital programme to Cabinet, the Chief Finance Officer shall identify the following:

- the revenue consequences of any unsupported borrowing
- the revenue consequences of any schemes apart from the cost of borrowing

- the extent to which borrowing is affordable, sustainable and prudent with reference to such indicators as the Chief Finance Officer believes appropriate
- the extent of any pre-commitment of capital resources in years beyond the plan
- the corporate director responsible for the management of each scheme
- the gross cost of each scheme, and the net cost after deducting any specific funding
- schemes which are significant, being those for which it is expected that outcomes will be reported
- the expected outcomes for significant schemes
- the extent to which any schemes are grouped into programme areas.
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3. Additions and Amendments to Capital Programme

3.1 Corporate Directors can add schemes to the capital programme provided the total cost of a new scheme is below an amount agreed by Cabinet (the “lower decision limit”) and totally funded from service resources. Such additions can only be made after consultation with the relevant Cabinet Member and will be reported to Cabinet as part of the next capital monitoring report (see paragraph 6).

3.2 Corporate Directors can amend the approved programme by:

a. transferring resources within programme areas; such amendments will be reported to Cabinet as part of the next capital monitoring report; or
b. viring resources between schemes in their approved capital programme, or by using additional service resources, provided any increased costs or virement are below the “lower decision limit”. Such amendments can only be made after consultation with the relevant Cabinet Member and will be reported to Cabinet as part of the next capital monitoring report.

3.3 Cabinet may add any scheme to, or amend any scheme in, the capital programme on the basis of a joint report of the Corporate Director and Chief Finance Officer up to a limit determined by Council (the “higher decision limit”). Such a report shall identify the same issues as identified in paragraph 2.4.

3.4 Additions or amendments above the higher decision limit need approval of Council, other than transfers within programme areas discussed above.

3.5 Spend to save schemes may be added to the capital programme in accordance with the following:

- bids to be funded by additional borrowing to be approved by the Chief Finance Officer, in consultation with the Cabinet Member for Finance, for schemes up to the “lower decision limit” referred to in paragraph 3.1, provided such schemes comply with rules determined by the Chief Finance Officer
- bids for schemes above the lower limit but below the higher decision limit must be approved by Cabinet
- bids over the higher decision limit must be approved by Council.

The Chief Finance Officer shall maintain a statement of rules for spend to save schemes which shall identify the basis on which they may be approved and arrangements by which departments are expected to pay for the borrowing costs. All spend to save schemes must comply in full with the statement of rules.

3.6 The Chief Finance Officer shall determine how departments revenue accounts are charged for any projects that are funded by non - supported capital borrowing in respect of capital consumption and interest.

3.7 The approval process for additions and amendments to the capital programme is summarised in the table below:

	Below lower decision Limit	Between lower and higher decision limits	Above higher decision limit
Changes to programme:-			
- within programme areas	Directors	Directors	Directors
- between programme areas	Directors	Cabinet	Council
Increases in programme:-			
- funded by service resources	Directors	Cabinet	Council
- funded by corporate resources	Cabinet	Cabinet	Council
New spend to save schemes	Chief Finance Officer	Cabinet	Council

3.8 When approving the higher decision limit, the Council may specify other conditions or restrictions on Cabinet's ability to change the capital programme.

3.9 For the avoidance of doubt, Directors are not authorised to undertake any changes which are outside of authority delegated to the Cabinet by the Council.

4. Incurring expenditure

4.1 Inclusion in the capital programme conveys permission to spend on programme fees. It also conveys permission to spend on all other costs provided:

- the total cost of the scheme is below the key decision threshold (otherwise Cabinet approval is required)
- a decision on the details of the scheme is not reserved to Cabinet
- the total cost is within the scheme approval (which may have been amended under paragraph 3 above).

Incurring of all such expenditure is subject to Contract Procedure Rules.

4.2 No expenditure may be incurred on a scheme funded by grant, additional supported borrowing or third party contributions without specific written confirmation of these resources.

5. Cost Increases

5.1 Corporate Directors are responsible for ensuring that each scheme is completed on time, in accordance with its objectives, and within the approved capital programme provision.

5.2 Once a scheme has been properly approved but looks likely to overspend or has overspent, the following courses of action are available:

i. reduce expenditure on the scheme

ii. amend the capital programme, subject to such approvals as may be required under paragraph 3.

6. Capital Monitoring

6.1 Corporate Directors are responsible for ensuring that there are proper arrangements within their departments for monitoring physical and financial progress of capital schemes.

6.2 The Chief Finance Officer shall specify a timetable for reporting progress of programmes to Cabinet and Scrutiny Committees. Each Corporate Director shall report jointly with the Chief Finance Officer to the relevant Scrutiny Committee and report on the following in relation to their programmes:

- progress on schemes and expenditure to date
- total forecast expenditure in the current year and the reasons for any variations from the previous forecast
- the level of slippage into future years
- any proposed amendments to the programme
- any schemes that are forecast to, or have, overspent.

6.3 The Chief Finance Officer shall report the full corporate capital programme position to Resources and Equal Opportunities Scrutiny Committee and Cabinet in accordance with the agreed timetable.

6.4 The Chief Finance Officer will include monitoring information in relation to the approved Prudential Indicators in the corporate capital monitoring report.

6.5 The Resources and Equal Opportunities Scrutiny Committee may seek further information on the performance of individual schemes from Corporate Directors or refer matters to another relevant Scrutiny Committee for further consideration as they see fit.

7. Reporting Outturn

7.1 Each Corporate Director, jointly with the Chief Finance Officer, will report their department's outturn position in accordance with the prescribed timetable. The report shall include the following information at a minimum:

- total in - year capital expenditure on each scheme
- actual performance compared with the agreed target
- rephasing and slippage into future years

- details of project outcomes for significant schemes, including schemes completed in earlier years for which outcomes were not anticipated until after completion.

7.2 Corporate Directors shall be responsible for actual performance in implementing their departments' capital programmes and shall report the outturn position to the relevant scrutiny committee.

7.3 The Chief Finance Officer shall report the outturn for the whole capital programme to Cabinet and Resources and Equal Opportunities Scrutiny Committee. The Scrutiny Committee may seek further explanation from any Corporate Director as it sees fit, or refer any matter to another Scrutiny Committee for its consideration.

8. Carry Forward of Resources

8.1 Any corporate resources unspent at the end of the financial year will be carried forward to future years unless Cabinet determines otherwise, after consideration of the outturn position.

8.2 Any service resources unspent at the end of the financial year may be carried forward provided it is possible to do so.

9. Capital Receipts

9.1 The Corporate Director of Resources and the Corporate Director of Housing are responsible for achieving capital receipts required to finance the capital programme.

9.2 The Chief Finance Officer shall report the capital receipts received in the year to Cabinet and Resources and Equal Opportunities Scrutiny Committee as part of the capital expenditure outturn report.