

Title of report: Capital Strategy 2021/22 to 2025/26

Report of: Darren Collins – Strategic Director, Resources and Digital

Purpose of the Report

1. Cabinet is asked to recommend that Council approve the attached Capital Strategy for 2021/22 to 2025/26 to support the framework used to set and monitor the Capital Programme.

Background

2. In December 2017 the Chartered Institute of Public Finance (CIPFA) revised the Prudential Code for Capital and the Code of Practice on Treasury Management to align these documents to the revised MHCLG Guidance on Local Government Investments.
3. The revised guidance emphasis the need to ensure capital expenditure is prudent, affordable and sustainable, with greater emphasis placed on the assessment and management of the long-term implications of capital expenditure on the revenue budget and the delivery of the Council's policy objectives.
4. All Councils are required to have a Capital Strategy in place which is approved by full Council. This supports decision making and ensures Councils have a robust approval, reporting and monitoring framework in place which clearly links capital expenditure to the wider Council objectives and impact on the revenue budget.

Proposals

5. Cabinet is asked to recommend that Council approve the Capital Strategy attached at Appendix 2,

Recommendation

6. Cabinet is asked to agree the Capital Strategy as attached at Appendix 2 and recommend the Strategy for approval to Council.

For the following reason:

To ensure that the Council fully complies with the requirements of good financial practice in capital accounting.

Policy Context

1. The proposals in this report are consistent with the Council's priority of Making Gateshead a Place Where Everyone Thrives and the Medium Term Financial Strategy, in particular they ensure that effective use is made of the Council's resources to achieve the Council's priorities whilst ensuring a sustainable financial position.

Background

2. Part 1 of the Local Government Act 2003 specifies the powers of a local authority to borrow for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. Borrowing is linked to the CIPFA Prudential Code for Capital which sets out a range of prudential and treasury indicators that must be calculated to ensure borrowing is affordable, prudent and sustainable.
3. In addition, the revised Prudential Code requires all Councils to have in place a Capital Strategy which has been approved by full Council. To ensure Councils have a robust approval, reporting and monitoring framework in place which clearly links capital expenditure to the wider Council objectives and impact on the revenue budget all Council are required to have a Capital Strategy in place which is approved by full Council.
4. The Prudential Code also refers to the need for a clear and integrated treasury strategy which, by the application of set prudential and treasury management financial indicators enables the Council to assess and monitor the prudence, affordability and sustainability of the capital programme.
5. CIPFA has produced the Prudential Code, which represents best practice, adopting the attached Capital Strategy will ensure the Council fully complies with the Code and this contributes towards achieving good practice.

Capital Strategy

6. The Capital Strategy for 2021/22 to 2025/26 is attached at Appendix 2. This covers the specific capital investment activities included with the Capital Programme and the framework in place for the annual review of the five-year rolling programme.
7. The Capital Strategy ensures all decisions on capital investment support the Council's priorities and the Council's Medium Term Financial Strategy (MTFS) and sets out the decision-making, monitoring and reporting framework for capital expenditure.
8. In compliance with the Prudential Code, the Capital Strategy also sets out the Council's approach to the following areas:
 - Use of the capitalisation flexibility
 - The impact of the ongoing costs of capital expenditure on the revenue budget and if any reliance is place on investment returns to balance the revenue budget
 - Assessment of risks associated with the Capital Programme
 - Any restriction around borrowing
 - Long term projections around borrowing and the repayment of debt
 - The Council's approach to commercial investments
 - Use of independent external advice to support decision-making
 - How other long-term liabilities, such as equity investments and financial guarantees are identified and monitored.

- The level of knowledge and skills available within the Council to support informed decision-making.

Consultation

9. The Leader of the Council has been consulted on this report.

Alternative Options

10. There are no alternative options, as the Capital Strategy reports recommended for approval are required in order to comply with CIPFA's Prudential Code for Capital.

Implications of recommended options

11. **Resources:**

a) Financial Implications - The Strategic Director, Resources and Digital confirms that there are no additional financial implications associated with this report.

b) Human Resources Implications - There are no human resources implications arising from this report.

c) Property Implications – There are no property implications arising from this report.

12. **Risk Management Implications**

There are no risk management implications arising from this report.

13. **Equality and Diversity Implications**

There are no equality and diversity implications arising from this report.

14. **Crime and Disorder Implications**

There are no crime and disorder implications arising from this report.

15. **Climate Emergency and Sustainability Implications**

There are no climate emergency or sustainability implications arising from this report.

16. **Human Rights Implications**

There are no human rights implications arising from this report.

17. **Ward Implications**

There are no direct area and ward implications arising from this report.

18. **Background Information:**

The following documents have been used in preparation of the report:

- Local Government Act 2003
- CLG Guidance on Local Government Investments
- CIPFA's Prudential Code for Capital
- CIPFA's Code of Practice on Treasury Management

Capital Strategy

2021/22 – 2025/26

1. Introduction

- 1.1 The Capital Strategy outlines the principles and framework that shape the Council's capital programme. The aim is to deliver an affordable, sustainable and prudent capital programme which contributes to the achievement of the Council's strategic approach to making Gateshead a Place Where Everyone Thrives.

2. Objectives of the Capital Strategy

- 2.1 The current capital programme represents significant investment of the Council's finance amounting to £465m over the five year period, in either new assets or the enhancement of existing assets to support the provision and development of Council services and the wider economic and housing regeneration within the borough.
- 2.2 The efficient and effective use of capital resources, including sound asset management supports the Council in the achievement of its medium and long-term objectives. The Capital Strategy together with the Medium Term Financial Strategy (MTFS), Corporate Asset Strategy and Management Plan, Housing Strategy and Treasury Management Strategy will ensure efficient and effective capital planning and management of capital resources to support the Council's priorities.
- 2.3 The Capital Strategy determines the Council's approach to capital investment, to:
- Ensure efficient use of limited resources and assets which are directed towards the Council's priority areas to support the achievement of the Council's strategic approach of Making Gateshead a Place Where Everyone Thrives; and
 - Provides a framework to support capital decision making and the management and monitoring of the capital programme to ensure the capital programme remains affordable, sustainable and prudent over the long term.

3. The Capital Planning Framework

3.1 Financial Planning

- 3.1.1 Investments within the capital programme are aligned to the Council's strategic approach of Making Gateshead a Place Where Everyone Thrives:
- Put people and families at the heart of everything we do
 - Tackle inequality so people have a fair chance
 - Support our communities to support themselves and each other
 - Invest in our economy to provide sustainable opportunities for employment, innovation and growth across the borough
 - Work together and fight for a better future for Gateshead
- 3.1.2 The development of the capital programme has clear links to the Council's MTFS and the revenue budget. To ensure the capital programme is affordable, sustainable and prudent over the long term, the whole life capital and revenue implications of each capital project is considered when the capital bid is assessed to ensure the impact is incorporated into the Council's financial plans, including the long term costs and savings associated with the assets.
- 3.1.5 To ensure the financial implications of the capital programme are considered as part of the wider financial context of the Council the capital programme is set for five years and the all costs, income and savings linked to the capital programme are incorporated within the five-year MTFS. The MTFS is reviewed and updated annually to ensure the estimates and assumptions remain up to date, relevant and reflect any changes that have occurred in the preceding year. All changes within the capital programme are factored into the annual review.

3.2 Supporting Plans

- 3.2.1 A number of statutory plans and other strategies are prepared to inform service delivery arrangements and identify the Council's priorities. These complement the Capital Strategy by reflecting the importance of capital investment within different policy contexts and provide a guide as to the areas where capital expenditure may be required. These include:
- The **Medium Term Financial Strategy (MTFS)** – which is a key part of the Council's Policy, service Planning and Performance Management framework and aims to ensure all revenue resources are directed towards the achievement of Vision 2030.
 - The **Corporate Asset Strategy and Management Plan** - which details existing asset management arrangements and outcomes and planned action to improve asset use.
 - The **Schools Asset Management Plan** - which contains key data to enable investment appraisals, and the approach to balancing initial capital investments against running costs, to enable the most appropriate decisions to be taken when evaluating identified problems and establishing long-term strategies.
 - The **Local Transport Plan** - which reflects a joint approach to transport needs in Tyne and Wear. It also addresses needs specific to Gateshead. Capital needs and the approach to investment are shaped by an indicative breakdown between maintenance and integrated transport themes.
 - The **Highways Asset Management Plan** – which aims to facilitate the development and improvement of the way in which highway maintenance and management functions are carried out. This will assist in the optimal allocation of resources.
 - The **Housing Strategy** – which sets out the long-term vision for housing. The aim of the strategy is to ensure Gateshead continues to provide good quality affordable homes and housing services that meet the needs and aspirations of the local people.
 - The **Housing Revenue Account (HRA)** – which includes a 30-year business plan as part of self-financing which considers the required capital investment to maintain decency in the Council's housing stock. With the lifting of the debt cap greater investment in Council Housing may be possible, providing the business models are financial viable and affordable within the HRA.
 - The **Local Plan** - which sets out the spatial planning framework to deliver economic prosperity and healthy, sustainable communities through economic and housing regeneration and new developments.

3.3 Qualifying Capital Expenditure

3.3.1 The definition of capital expenditure under the Local Government Act 2003 is

'expenditure that results in the acquisition of, or construction of, or the addition of subsequent costs to assets (tangible or intangible) in accordance with proper practices'

3.3.2 To meet the definition of capital, expenditure will only be classified as capital expenditure if the expenditure is directly attributable to an asset and:

- Results in the acquisition, construction or improvement of an asset;
- Is separately identified and measurable; and
- Results in a measurable benefit to the Council for a period in excess of 12 months.

3.3.3 In addition, the Local Government Act 2003 allows the following type of expenditure to be classified as capital expenditure:

'the giving of a loan, grant or other financial assistance to any person, whether for us by that person or by a third party, towards expenditure which would, if incurred by the authority be capital expenditure'

- 3.4.4 Therefore a loan to a third party for a specific scheme which would result in capital expenditure if incurred by the Council will be classified as capital expenditure and assessed alongside other capital bids for inclusion within the capital programme.
- 3.4.5 The Council's Capitalisation Policy is audited annual as part of the Final Accounts process and the most recent audited Capitalisation Policy is attached as Appendix 1.
- 3.4.6 Any loans, grants or other financial assistance to third parties will not be classified as capital expenditure if the investment is entered into primarily to generate a yield for the Council and fails to meet the criteria detailed above. Transactions entered into solely for financial benefit will be treated as a financial investment and will be assessed using the investment framework included in the Treasury Management Strategy and will be funded from the Council cash balances rather than through capital financing arrangements.

3.5 Investment for Commercial Return

- 3.5.1 To date the Council have not entered any non-treasury financial investments which are purely to generate a commercial return. The Council owns a portfolio of tenanted non-residential properties (TNRP), which generate a revenue return to the Council however, these properties have been held for a significant number of years and support wider corporate priorities.
- 3.5.2 In 2019/20 the Council entered into a Limited Liability Partnership (LLP) with Public Sector plc (PSP) to operate the TNRP portfolio for 7 years. This will generate a guaranteed rental income through minimising the risk of market fluctuations in rental income to the Council. Any Council investment in the partnership will be assessed on a case by case basis in line with all other proposed capital investment. The performance of the partnership will be monitored using Key Performance Indicators set by the Council and reported to Cabinet annually.
- 3.5.3 There are currently no plans to consider entering into a non-treasury financial investment solely or primarily to obtain a revenue return, however if an opportunity to do so arose the long term financial impact and the risks inherent to the scheme would be assessed as part of the due diligence process. Where the size of the investment or the risk of the investment required external advice, this will be obtained. Any potential investment entered into for a commercial return will require prior Cabinet approval.

3.6 Other Long-Term Liabilities

- 3.6.1 The Council has entered a number of other long-term liabilities, including the investment in Newcastle Airport. A register of investments is maintained by the Treasury Management Team and was reported to Cabinet with the Treasury Policy report in February 2019. An annual review of the value of these long-term liabilities is undertaken and any changes in value will be incorporated into future financial planning.

3.7 Risk Management

- 3.7.1 Risk management is a key feature in the management of the Council's capital programme from the initial planning stage through to project delivery. The opportunities and the risks which could impact on the Council's plans and performance are considered when each capital bid is considered for inclusion in the Capital Programme.
- 3.7.2 The overall impact of the capital programme is assessed, monitored and restricted by both the long-term affordability and sustainability of revenue implications arising from the capital programme and the prudent provision of borrowing to fund the capital programme as

assessed and monitored using the prudential indicators as approved by Council as part of the revenue budget process.

3.7.3 In addition, the key risks of the capital programme are identified and included within the Revenue Budget and MTFs alongside other financial risks to the Council.

4. Setting the Capital Programme

4.1 Annual Review

4.1.1 The capital programme is set for five years and reviewed annually alongside the revenue budget to ensure existing schemes are still required and continue to meet the agreed Council priorities and to allow for new priority schemes to be incorporated into the programme. Additional schemes are added to the programme in the event that additional resources are confirmed, such as capital receipts or additional external funding, and when it can be demonstrated that the scheme is a high priority for the Council.

4.1.2 Depending on the type of scheme being proposed, it may also be appropriate to consider alternative methods of delivering the project and achieving the desired outcomes rather than using the resources outlined above. This may include exploring the opportunities to work in partnership with other stakeholders to deliver capital schemes.

4.1.3 The process the Council would usually operate is a two-stage bidding process for new capital schemes. The first outline bid includes a summary of the scheme, indicative costs, timing and outcomes and which of the Council priorities it meets.

4.1.4 During the second stage of the process project managers are required to complete a more detailed business case which includes a full business model, working with their Business Partners, including total projected costs and income over the life of the scheme.

4.1.5 Once the second stage bids are received they are assessed for inclusion within the capital programme. This assessment will review:

- whole life costs of the scheme;
- project timescales and estimated cashflows;
- projected outcomes, both financial and non-financial; and
- achievement of corporate priorities.

4.1.6 The potential costs associated with the new schemes and any changes to existing schemes are factored into the revised Capital Financing Requirement to assess the impact on the revenue budget and to inform decision making.

4.1.7 This year considering ongoing uncertain economic conditions we will be carrying out a fundamental review of existing schemes, reviewing affordability and risk to help achieve a sustainable financial position. Any potential additional investment required will be reviewed and prioritised alongside current investment plans.

4.2 Timetable and approvals

4.2.1 The capital programme is reviewed and approved annually and follows the timetable set out below:

October	First stage Capital Programme project proposals invited to be submitted for any potential capital scheme for the next five year period.
October	Questionnaires circulated to Project Managers to help identify outputs and risks associated with the current projects within the programme..
October	First stage of the Capital review presented to Officers
November	Completed stage two of the Capital review, detailed review of existing schemes reconsidering commitment alongside potential new schemes
December - January	Consultation with Officers and Councillors on the draft capital programme
February	Five-year capital programme taken to Council for approval.

4.2.1 During the year additional capital schemes may be brought to Cabinet for approval, either as a separate Cabinet report or as part of the quarterly capital report depending on the value of the scheme, in line with approved delegations. For all additional schemes, the same assessment will be undertaken as for capital schemes incorporated into the Capital Programme as part of the annual review.

5. Capital Financing

5.1 Funding Sources

5.1.1 Capital expenditure can be funded from a number of different sources, but the sources of capital funding primarily available to the Council are:

- Prudential borrowing;
- External grants or contributions;
- Capital receipts arising from the sale of assets; and
- Contribution from revenue resources.

5.2 Prudential Borrowing

5.2.1 The Prudential System of Local Government Capital Finance has operated since April 2004, which allows local authorities to invest as long as their capital spending plans are affordable, prudent and sustainable. The Code of Practice was refreshed in 2017 and places greater emphasis on assessment of the long-term impact of the capital programme on the wider financial context and the approach to the risk management of the capital programme.

5.2.2 The level of prudential borrowing which can be supported is dependent on the availability of revenue resources required to fund the associated costs of borrowing. The affordability issue is addressed in the principles underpinning the Council's MTFs and is controlled through Prudential Indicators agreed annually by Council as part of the revenue budget process. These indicators are monitored and reported monthly to Treasury Management Strategy Group and quarterly to Cabinet and Council to ensure the capital programme remains affordable and within the levels agreed. Any breaches of the indicators must be reported to Cabinet at the first opportunity and the report must include reasons for the breach and the actions that have been taken to correct the breach.

- 5.2.3 In order for borrowing to be considered prudent, affordable and sustainable there must be an identifiable, long-term source of revenue funding to meet the costs of borrowing. Ideally this will come from revenue savings or from additional income generated directly from the capital project.
- 5.2.4 Where capital expenditure relates to a loan to a third party the loan repayments are linked to the Council's underlying borrowing requirement. Loan repayments are monitored to ensure payments remain in line with the loan agreement.
- 5.2.5 The Council is required to make provision each year for the principal repayment of borrowing, known as Minimum Revenue Provision (MRP). The annual MRP charge to revenue is calculated by aligning the repayment of debt to the useful life of the asset to which it relates. The MRP Policy forms part of the revenue budget report approved by Cabinet and Council annually in February 2019.

5.3 External Funding

- 5.3.1 The reduction of Government grants to support the capital programme has resulted in the increased reliance on borrowing to fund the capital programme in recent years. To reduce the level of prudential borrowing it is essential that external funding possibilities are explored when developing capital project proposals. It is important that financial implications are considered throughout the bidding process in order to ensure that the potential benefits and risks to the Council are fully understood prior to accepting any external funding.
- 5.3.2 The Council will take an increasingly proactive approach to applying for capital grants. The optimisation of funding from external sources will be essential if the Council is to deliver in its objectives.

5.4 Capital Receipts

- 5.4.1 In general, capital receipts from the sale of Council assets are treated corporately, although there may be circumstances where a capital receipt must be used to fund a specific scheme, for example capital receipts from the sale of HRA assets.
- 5.4.2 The level of capital receipts included over the MTFs period equates to £6m, this estimate has been made on a prudent basis.
- 5.4.3 Capital receipts can be used to:
- Finance in-year capital expenditure;
 - Repay borrowing entered into to fund capital expenditure; and
 - Until 31 March 2022 fund the up-front revenue costs of service reform and transformation which generates ongoing revenue savings through budget flexibility.
- 5.4.4 Any proposed use of capital receipts to support budget flexibility will be reported as part of the revenue and capital budget reports with any in-year amendments reported to full Council during the year. Where capital receipts are used to fund budget flexibility the Capital Financing Requirements and associated prudential indicators will be updated to reflect the impact of this decision on the revenue budget and the MTFs.

5.5 Contribution from Revenue Resources

- 5.5.1 The use of revenue contributions towards the funding of the capital programme is an alternative source of funding, however due to the pressure on the Council's revenue budget the availability of revenue funding for capital expenditure purposes is limited. Capital expenditure relating to the HRA is currently supported by a revenue contribution; this is

assessed annually to ensure it remains affordable and is unlikely to be available over the longer term.

6. Monitoring the Capital Programme

6.1 The 5-year capital rolling programme is approved in February of each year and progress is monitored and reported throughout the year with amendments to schemes and new schemes added through the formal approval process.

6.2 Project Management and Monitoring

6.2.1 Project managers are responsible for the proper and effective control and monitoring of their projects, including financial monitoring. Project managers must ensure that:

- Only capital expenditure is charged to the capital project;
- Capital expenditure must be properly attributed to the specific project;
- Capital expenditure is within the agreed budget, and approval is sought regarding any unavoidable variations;
- Realistic expenditure profiles are determined and regularly reviewed to identify potential slippage;
- Project monitoring returns are completed each quarter and submitted to the Capital Team within Corporate Finance.
- The projected outcomes of the scheme have been achieved.

6.2.2 For higher risk capital projects, a project group will be established to manage the delivery of the project. This will be a multi-disciplinary team and will usually include the project manager and, as a minimum, representatives from the Capital Team, Property Services and Design Services. In these cases, external advice may also be used to ensure all risks have been identified, assessed and are at a level that is acceptable to the Council. Monitoring of the scheme will continue throughout the project to ensure risk continues to be effectively managed.

6.3 Capital Programme Reporting

6.3.1 Each quarterly report will confirm the latest programme, expenditure to date, forecast outturn and the projected financing position. The report also outlines any proposed amendments for Cabinet to consider and approve, providing reasons for any forecast underspends, overspends, potential slippage or new schemes requested for inclusion in the capital programme

6.3.2 The Capital Programme position is formally reported to Cabinet and Council each quarter throughout the year. In advance of reporting to Cabinet, the Capital Programme is discussed by SMG Projects, Corporate Management Team and scheme variances are presented to Group Management Teams.

6.3.3 Cabinet may approve changes to the Capital Programme each quarter including the addition of new schemes during the year, or amendments to existing schemes. Additional schemes may be added when:

- additional external funding is received;
- where there is an urgent health and safety issue has been identified;
- where it can be demonstrated that additional capital investment will support one of the Council's financial position through long term savings or additional income; or

- where the scheme support the Council's priorities and it has been assessed as requiring immediate action.

6.3.4 Revisions to existing schemes may become necessary if a scheme becomes materially different from the original project proposal. This may be as a result of the need to incur additional expenditure to meet unavoidable issues, changes in project delivery timescales, the receipt of additional funding or the need to withdraw a scheme.

6.3.5 All variations to the Capital Programme must be approved by Cabinet prior to incurring any additional expenditure as it may be necessary to re-prioritise existing schemes within the Capital Programme to accommodate variations.

7. Treasury Management, borrowing and debt

7.1 As defined by CIPFA in the Treasury Management Code of Practice, Treasury Management is:

'the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associates with the activities; and the pursuit of optimum performance consistent with those risk.'

7.2 The Treasury Management Strategy specifies how the Council manages its treasury management activities and includes the Council's Borrowing and Investments Strategies as well as specifying the Council's risk appetite in relation to borrowing and investments.

7.3 The Borrowing Strategy outlines the different borrowing options available to fund the capital financing requirement and how the risks around borrowing will be managed. The prudential framework and indicators, which are set annually, ensure the capital programme remains affordable, sustainable and prudent include by setting maximum levels of overall borrowing, interest rates exposure and the total borrowing maturity exposure per period. To ensure the revenue implications of the capital programme are fully integrated within the Council's revenue budget the Prudential and Treasury Management Indicators are approved as part of the revenue budget by Cabinet and Council February each year. The 2020/21 – 2024/25 prudential and Treasury Management Indicators were approved by Council in February 2020.

7.4 The Treasury Management Investment Strategy specifies the Council's approach to specified and non-specified treasury management investments and non-treasury financial investments. Non-treasury financial investments are investments entered into either directly or through investment in a third party primarily to generate a financial yield and are not capital expenditure.

8 Knowledge and Skills

8.1 Officers and Councillors involved in the decision-making process are required to have an appropriate level of skill and knowledge or access to these to make informed decisions.

8.2 The officers from Corporate Finance, involved in the day to day management of the Capital and Treasury Management Teams are Consultative Committee of Accountancy Bodies (CCAB) qualified accountants. Link Asset Services provide external advice and support on treasury management issues and are also available to provide advice on capital accounting issues.

8.3 For individual capital schemes which are more complex and potentially higher risk, external advice will be sought to assist with the due diligence process. Where external advice is taken,

the outcome of the advice will be included within reports to Senior Officers and Councillors as part of the decision-making process.

- 8.4 Treasury management and capital training is available to Officers and Councillors and can include both formal training delivered by external advisor and in-house presentation around specific issues.

APPENDIX 1

GATESHEAD COUNCIL - CAPITALISATION POLICY

All capital expenditure on the acquisition, creation or enhancement of a non current asset is capitalised on an accruals basis.

Expenditure on the acquisition of a non current asset, or expenditure that adds to, and not merely maintains, the value of a non current asset is capitalised and classed as a non current asset. However, this is provided that the non current asset yields benefits to the Council and the services it provides for a period of more than one year.

Expenditure that should be capitalised will include expenditure on the:

- Acquisition, reclamation, enhancement or laying out of land;
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- Acquisition, installation or replacement of plant, machinery and vehicles;
- Replacement of a component of a non current asset that has been treated separately for depreciation purposes and depreciated over its individual useful life.

In this context, enhancement means the carrying out of works that are intended to:

- Lengthen substantially the useful life of the asset; or
- Increase substantially the open market value of the asset;
- Increase substantially the extent to which the asset can or will be used for the purposes of the Council.

The Council capitalises expenditure on developing and implementing computer software and licenses as an intangible asset, provided that the expected life exceeds one year.

The Council also capitalises Project Management costs where this is directly linked to the delivery of a major project included within the Capital Programme.

All capital expenditure creating or enhancing a non current asset (see definitions above) will be recorded in the Council's Asset Register where the asset can be identified. Some expenditure may also relate to assets owned by a third party rather than the Council and this is capitalised as Revenue Funded from Capital under Statute (REFCUS) in accordance with accounting regulations.

The Council's de-minimis level for valuation purposes is £40,000 and £10,000 for individual items of capital expenditure, with the exception of certain external funding regimes where different levels of capitalisation are specified.

All expenditure is capitalised through the capital accounts and financed at the year-end, as long as the scheme has been approved through the Council's capital programme. This includes programmes of spending such as purchase of fleet vehicles, ICT equipment, strategic maintenance or health and safety schemes, where individual project spend could be less than the current de-minimis level.

