Luton 2020 - 2040
A place to thrive

Luton Council

Capital Strategy 2021-2040

Executive Summary

Luton Council's Capital Strategy 2021-2040 is a key corporate strategy which will shape the transformation of our town through major investments and capital expenditure to achieve our town-wide vision for Luton 2020-2040.

The strategy is closely aligned to the vision and the council's Corporate Plan and will be critical to delivering a range of ambitious projects over the next twenty years to make Luton a healthy, fair and sustainable town where everyone can thrive and no-one has to live in poverty.

This will include investment in major projects that transform the face of Luton and the lives of our residents. The strategy will prioritise investments to reshape our town centre and build a strong recovery from COVID-19; improve our transport network to support access to jobs and increase sustainable travel; reduce carbon emissions and improve energy efficiency to meet our commitment to be a carbon neutral town by 2040; improve the quality of housing, schools and other buildings to support wellbeing; modernise council buildings and services; improve our local environment; and maximise the value of key assets.

The council's approach to investment will be ambitious, innovative and forward-thinking. This strategy sets out a strong and robust governance process which will enable members and officers to embrace major investments that have the potential to transform Luton with enthusiasm and confidence in their viability.

To achieve this the governance process is based on a set of sound investment principles that will ensure all projects in the Capital Programme are financially viable – in line with the council's Medium Term Financial Plan – as well as ensuring the affordability of the overall Capital Programme and the careful management of risks.

This strategy has been developed in line with the CIPFA (Chartered Institute of Public Finance and Accountacy) Prudential Code and with the advice and suppot of CIPFA representatives.

Contents

Executive Summary **2**

Chapter 1 – Introduction **4**
1.1 Purpose of the Strategy 4
1.2 Aims of the Strategy 4
1.3 Policy Context 5
1.4 Strategy Review 5

Chapter 2 – Strategy Objectives and Investment Principles **6**
2.1 Strategy Objectives and Investment Principles 6
2.2 Strategic Objectives – Luton 2020-2040 Vision and Corporate Plan 6
2.3 Priorities for Investment 8
2.4 Financial Plans and Strategies 8
2.5 Service Specific Plans and Strategies 9
2.6 Statutory Responsibilities 10
2.7 Asset Management 10
2.8 The Climate Emergency and Net-Zero Commitment 11
2.9 Investment Principles 12

Chapter 3 – Governance, Approval and Monitoring **13**
3.1 Ownership and Management of the Capital Strategy 13
3.2 Governance Structure 13
3.3 Capital Approval Process 14
3.4 Capital Programme Monitoring 17

Chapter 4 – Capital Programme Financing **19**
4.1 Capital Programme Financing 19
4.2 Government Grants 19
4.3 Third Party Contributions 19
4.4 Revenue Contributions 20
4.5 Capital Receipts 20
4.6 London Luton Airport Ltd Dividend 20
4.7 Borrowing 21
4.8 Treasury Management Strategy 21
4.9 Affordability of the Capital Programme 22

Chapter 5 – Risk Management **24**
5.1 Risk Management 24
5.2 Potential Risks 24
5.3 Risk Appetite 25
5.4 Identifying and Mitigating Risks 26

Chapter 6 – Skills, Training and Support **28**
6.1 Skills, Training and Support 28
6.2 Skills and Training 28
6.3 Specialist Support 29

Glossary of Terms **30**

Appendices:

Appendix B – Capital Process Guidance Note
Appendix C – Capital Approval – Application Form for New Projects
Appendix D – Quarterly Monitoring Report Template
Appendix E – Capital Investment and Projects Board – Terms of Reference
Appendix F – Capital Bids Panel – Terms of Reference

Chapter 1 – Introduction

1.1 Purpose of the Strategy

The Prudential Code for Capital Finance in Local Authorities 2018, produced by the Chartered Institute of Public Finance and Accountancy (CIPFA), requires all local authorities to produce a Capital Strategy.

According to the Prudential Code, the Capital Strategy should demonstrate how a local authority takes decisions on capital expenditure, investment and borrowing to achieve long-term strategic objectives. In doing so, the strategy should take into account stewardship, value for money, prudence, sustainability and affordability.

The Capital Strategy was developed by a cross-departmental working group within the council, with the involvement of key services that are essential to delivering the Capital Programme. The development of the strategy was also supported by CIPFA, who produced the initial independent report on the council's strategy and were represented within the working group.

The strategy is a key corporate document, which will underpin the formation of the council's Capital Programme (the council's plan for spending of capital resources), aligning to the Corporate Plan and sitting as part of a wider framework of financial planning alongside the Medium Term Financial Plan (MTFP) and Treasury Management Strategy (TMS).

The scope of the strategy will include all capital expenditure and investment decisions, including those agreed with partner organisations.

1.2 Aims of the Strategy

The Capital Strategy sets out the strategic objectives and principles that will govern the council's investment decisions to achieve our ambitions for Luton in 20 years time, as set out in the Luton 2020-2040 vision and the council's Corporate Plan.

To achieve the vision and transform Luton as a town, this strategy sets a clear direction for key investment priorities over the next two decades, including major projects to transform the town centre, transport infrastructure, housing, schools and the environment. The council's approach to investment will include a willingness to make ambitious, long-term decisions and take calculated risks, where there is clear potential to transform Luton and the lives of residents.

The strategy also sets out the investment principles that will underpin decision-making to deliver highly ambitious, innovative and sensible investments that meet our long-term objectives and deliver value-for-money. (Strategic objectives investment priorities and principles are outlined in Chapter 2).

The strategy also establishes a strong governance process, led by our Capital Investment and Projects Board, to ensure that new capital expenditure approvals are subject to robust scrutiny and prioritised according to our strategic objectives and investment principles. This will include a transparent and efficient process for the approval of bids, including a clear methodology for shortlisting and prioritisation. The governance process will also ensure that existing projects and expenditure within the Capital Programme are monitored regularly to make sure that they

are achieving desired outcomes and value for money. (Governance, approval and monitoring are covered within chapter 3).

The strategy will also aim to achieve corporate buy-in from across all council services. To achieve this, the strategy will clearly set out the roles and responsibilities of senior officers, their teams, and elected members to deliver the strategy and the Capital Programme. In addition, the strategy will set out the skills, training and support required to achieve this.

The strategy will also aim to provide a prudent and transparent approach to ensuring the most effective and appropriate use of funds for capital expenditure. This will include maximising the use of various funding sources and borrowing, which will require effective treasury management. (Capital Strategy Financing is outlined within Chapter 4).

The strategy will also aim to eliminate, reduce and mitigate various types of risk associated with the council's capital expenditure. This will be integrated into the overall governance process as part of the methodology for the approval of capital projects and the monitoring of ongoing projects. (Risk Management is outlined within Chapter 5).

1.3 Policy Context

The Capital Strategy is central to achieving the overarching policy goals of the council and Luton as a whole, as set out within the Luton 2020-2040 Vision and Corporate Plan to ensure that Luton is a healthy, fair and sustainable town where everyone can thrive, and no-one has to live in poverty.

The vision for Luton 2020-2040 was built in partnership with residents and organisations across Luton. Alignment of capital and investment decisions to the vision will ensure that they meet the priorities that have been agreed by everyone in the town.

The vision and priorities were also developed during the COVID-19 pandemic. As a result, these priorities are strongly focussed on the need for recovery and the shared desire to build back better. This includes the importance of creating a more inclusive economy, reduced inequalities and a healthier, greener society.

This strategy is also written in a time of increased financial constraint for local authorities. Luton Council has already achieved more than £160 million of savings since 2010. Despite this, the impact of the pandemic on local authorities, as well as the aviation sector, will require additional savings and smart investment decisions over the medium to long term.

The COVID-19 pandemic has also fundamentally changed the way we deliver many services and meet the needs of our residents. With many of these likely to be lasting changes, this strategy must also reflect the need to make decisions around capital expenditure that is essential to modernising our assets, including our buildings, workspaces, and technology.

1.4 Strategy Review

This strategy is a living document which will be reviewed and refreshed alongside each update to the council’s Corporate Plan, to reflect the evolving priorities to delivering on the Luton 2020-2040 vision. The review will also take into account any necessary changes to further strengthen the governance processes relating to the Capital Strategy and Capital Programme.

Chapter 2 – Strategy Objectives and Investment Principles

2.1 The Capital Strategy has a number of important objectives, including delivering positive outcomes that help to achieve the council's strategic priorities, meeting commercial and financial objectives and strengthening the organisation's assets and service delivery.

These objectives are set out below and have been used to inform the council's investment principles at the conclusion of this chapter.

2.2 Strategic Priorities – Luton 2020-2040 Vision and Corporate Plan

The primary objective of the Capital Strategy is to utilise capital expenditure and investment to deliver outcomes that meet the council's strategic priorities. These strategic priorities are set out within the council's Corporate Plan and are aligned to the agreed priorities within our town-wide vision for Luton 2020-2040.

The overarching mission at the heart of our Corporate Plan is:

"To work with everybody in our town to lay the foundations to deliver on our shared vision. Luton will be a healthy, fair and sustainable town where everyone can thrive, and no one has to live in poverty."

The first five priorities set out within the corporate plan are aligned to the Luton 2020-2040 vision, each of which has specific target outcomes which we are seeking to deliver.

Strategic Priority	Target Outcomes
Securing a strong economic recovery from COVID-19, which protects jobs, incomes and businesses and enables us to build a more inclusive economy.	- A skilled workforce that meets the needs of local employers - More of our residents in high-value, well-paid jobs within Luton - Diversifying our economy by supporting and growing key sectors, including the green economy, digital, creative industries, manufacturing and aviation - A thriving town centre with the right mix of office, retail, residential and leisure space - More money spent locally, with increased social value from the public sector and anchor institutions
Protecting the most disadvantaged in our town by prioritising services and interventions that alleviate the impact of poverty and reduce health inequalities.	- Better and more equal healthy life expectancy for residents across Luton - More of our residents will live in good quality and secure housing - More of our families will be financially sustainable, and fewer will experience being in crisis - Greater support for mental wellbeing and reduced social isolation for people of all ages - A safer community with fewer cases of domestic abuse, serious violence and drug and alcohol related harm
Making Luton a child-friendly town, where our children grow up feeling happy, healthy and secure, with a voice that matters and the opportunities they need to thrive.	- All of our children and young people will be able to access services that keep them safe and secure - Reduced health inequalities for all our children and young people - Children and young people with SEND will have the same opportunities as non-disabled children and young people

Strategic Priority	Target Outcomes
	- Excellent educational outcomes and increased aspiration and achievement for our children and young people - Our young people will have a voice that is heard and that matters
Becoming a greener and more sustainable town, to meet our long-term ambition to be carbon neutral and climate resilient by 2040.	- Net-zero carbon emissions from organisations and households - Better air quality enjoyed by people across Luton - A greener transport network that supports employment and increased use of sustainable travel across Luton - Increased walking and cycling by residents, workers and visitors in the town - The most sustainable airport in the UK
A strong and empowered community supporting fairness, equality and local pride and speaking with a powerful voice.	- A town built on fairness with equitable outcomes for all our residents - A continually cohesive community where our residents get along well with each other - A meaningful voice for all our residents to shape the vision and direction of the town - Increased social responsibility and civic pride throughout our community - A thriving voluntary and community sector that enables our residents to support themselves and each other

The sixth strategic priority within the Corporate Plan is to be:

A future-ready council, delivering modern and efficient services that help to deliver our vision for Luton 2020-2040

This strategic priority is central to ensuring that we can deliver against the other priorities set out within the vision and Corporate Plan and includes the following aims:

- workforce development – recruiting, retaining and enabling our workforce to deliver on our strategic priorities and target outcomes;
- a financially sustainable council – maintaining a balanced budget through savings, revenue and investment to ensure the long-term resilience of our organisation;
- transformation – investing in digital resources and technology to support modern and efficient services that meet the needs of our residents.

The town-wide vision for Luton 2040 is being delivered through two strategic partnership boards, the Inclusive Economy Board and the Health and Wellbeing Board. These boards bring together key stakeholders from across Luton and the wider region to deliver on the key priorities within the vision through their respective strategies:

- Inclusive Economy Strategy – sets out the key work streams for Inclusive Economy Board partners, including the COVID-19 Economic Recovery Plan.
- Population Wellbeing Strategy – sets out the key work streams for the Health and Wellbeing Board, including reducing health inequalities, and improving education, housing and community safety.

The priorities of the Corporate Plan and their respective outcomes are aligned to achieving the aims of both strategic partnership boards. In doing so, the Capital Programme will seek to deliver on the shared aims of the council and key partners as set out in these strategies.

All capital investment decisions are also made with reference to the Luton Local Plan 2011 - 2031. The Local Plan sets out a proposed set of policies, development allocations and actions to meet the environmental, social and economic challenges facing the area.

2.3 Priorities for Investment

In line with the strategic priorities set out within the Luton 2020-2040 vision and the Council's Corporate Plan, the Capital Strategy will focus on delivering on a number of key investments and major projects over the next twenty years. These projects will be developed as part of a more detailed forward plan for major investment projects, agreed with members and officers to meet short, medium and long-term objectives within the vision.

This will include the following major projects:

- Town-centre redevelopment schemes designed to deliver the new Town Centre Masterplan
- Investment in the transport network to increase sustainable travel and support access to employment and skills
- Improvements to the central railway station
- Development of London Luton Airport to maximise passenger numbers, improve passenger experience and accelerate modal shift towards more sustainable travel to and from the airport
- Investment in the expansion of business parks, the Airport Enterprise Zone and other key buildings that will support the growth of key sectors of the local economy
- Opening up the River Lea
- Expansion of affordable housing and temporary accomodation
- Improvements to quality and energy efficiency of existing housing stock
- Modernisation of community, leisure and cultural facilities
- Expansion of school places and schools improvement
- Upgrading buildings to reduce emissions and improve energy efficiency
- Accelerating the shift towards electric vehicles across council services and the transport network
- Rewilding and greening the local environment
- Modernisation of council office accomodation
- Investment in technology to support remote-working and expansion of digital services

2.4 Financial Plans and Strategies

The Capital Strategy is also fully integrated with the council's short and medium-term financial planning, to ensure that capital investments meet our aims in relation to savings and income generation. This includes integration with the following plans and strategies:

Medium Term Financial Plan (MTFP) – The MTFP is designed to ensure that the council is in a stable and sustainable financial position. It encompasses all aspects of the council's capital expenditure including planning, prioritisation, management and funding – to support the maintenance of the current asset base, its transformation and borough wide growth aspirations. The current medium-term plan is based on the need to find additional efficiency savings and income every year.

Financial Strategy 2021/22 – The Financial Strategy demonstrates how the council intends to structure and manage its finances over the medium term to support the delivery of the Luton 2040 vision and corporate priorities. The current financial strategy includes a focus on achieving a balanced budget through measures such as increased income from commercial activities and improving outcomes through efficiency and effectiveness of services.

Investment Strategy – This strategy meets the requirements of statutory guidance issued by the government in 2018, setting out the council's investment purposes. These include investing in improving services, commercial investments aimed at generating income and treasury management investments. The London Luton Airport Ltd stabilisation and recovery plan has been factored in as part of this strategy.

Investment Property Strategy – The Investment Property Strategy sets out the strategy for capital expenditure on the acquisition of an investment properties portfolio, for restructuring and rebalancing the portfolio through disposals, reinvestment and active management. Its principal aim is to generate commercial returns for the council, which must be achieved within strict investment criteria to minimise risk and financial exposure.

Commercial Strategy – The Commercial Strategy sets out how the council invests in local, regional and UK property with the intention of making a profit that will be spent on local public services. The council considers a property investment to be secure if its accounting valuation is at or higher than its purchase costs including taxes and transaction costs.

Treasury Management Strategy (TMS) – The TMS is designed to manage the council's cash flows to help achieve a balanced budget and minimise the level of risk in investments. (The TMS is covered in more detail in 4.8).

Green Book – The council's Green Book is updated each year and agreed alongside the annual budget. It sets out the council's estimated revenues for the next financial year as well as the agreed Capital Programme over the medium term.

2.5 Service Specific Plans and Strategies

The Capital Strategy is also aligned to the delivery of all service plans, which are designed to deliver on the priorities and outcomes set out in the Corporate Plan. In addition to service plans, there are also many service-specific plans and strategies that capital investments are expected to support. Some of the key plans and strategies are outlined below.

Luton Local Transport Plan 2011-2026 – This plan has been produced as required under the Transport Act 2000 and the Transport Act 2008. It mainly covers Luton, although it does refer to strategic transport infrastructure and other cross-boundary matters for the whole conurbation, particularly in relation to the planned growth of the area. The Plan has been prepared with extensive liaison with Central Bedfordshire Council.

Work Programme for Integrated Transport, Highway Maintenance and Street Lighting – This is an annual report to Executive to approve the proposed Integrated Transport, Highway Maintenance and Street Lighting Capital Work Programme which details the five year programme of capital works, subject to full council approval for LBC funding and confirmation of Department for Transport (DfT) funding.

Highway Asset Management Policy and Strategy – This strategy ensures that the council adheres to the 36 recommendations prescribed in the Department of Transport's Code of Practice "Well Managed Highway Infrastructure". It adopts "a risk based approach" to managing the highway assets and will enable planned maintenance to be organised rather than reacting to defects with temporary repairs.

Housing Strategy – The Housing Strategy sets out the level of projected housing need in Luton and our plan to deliver quality and affordable homes, as well as effective housing services to meet the needs of residents.

Homelessness Prevention Strategy 2016-2021 – The Homelessness Prevention Strategy 2016-2021 is the first shared homelessness strategy for Luton Council and Luton Clinical Commissioning Group and is aligned to the local Sustainability and Transformation Partnerships (STPs).

Schools Capital Strategy – A capital strategy specifically for schools is contained within the documentation generated from the Basic Need Strategy Group and LBC's Education Asset Plan. The schools capital programme is primarily funded from 3 funding pots received from the Department for Education: Basic Need (BN), Schools Condition Allocation (SCA) and Devolved Formula Capital (DFC). Educational Capital bids for government targeted funding is also a key source of funding.

Luton Council IT and Digital Strategy – The council's strategy for ICT investment is set out in Luton Digital which aims to deliver improved efficiency and effectiveness in customer and business contact, as well as an enhanced employee and member experience and efficiency. It also reflects on industry best practice from the private and other public sector organisations that have excelled in their digital delivery. The current strategy is being updated to reflect the council's strategic priority to be 'future ready', by transforming service delivery to increase productivity and deliver efficiency savings.

One Public Estate – The council works in partnership with other organisations locally, taking a strategic approach to asset management by maximising the use of collective assets to save on running costs or generate income.

Climate Change Action Plan – The council's Climate Change Action Plan sets out how the council will achieve net-zero carbon as an organisation, to contribute towards the overall goal of Luton becoming a carbon neutral town by 2040. The plan sets out the actions the council will take to reduce emissions in its buildings, housing stock and transport, as well as reducing waste and improving the efficiency of power and land use.

Energy Strategy – The council's Energy Strategy explains the council's approach to energy suppy and use to achieve social, environmental and economic benefits for the people of Luton. The strategy aims to alleviate fuel poverty, improve energy efficiency, increase income and create local wealth.

Prosperity through Procurement: A five-year strategy 2019-2024 – This five-year strategy sets out how the procurement activities for the council will contribute to driving inclusive growth in Luton, through a community wealth building approach and enhanced social value. This is the council's first procurement strategy that focuses on achieving significantly improved outcomes in the community through its purchasing and commissioning activities and is central to council decision-making in relation to expenditure.

People Plan 2019-22 – The People Plan outlines the council's aims in relation to organisational development. This plan is essential for delivering the skills, knowledge and training within our workforce to deliver on the Capital Strategy.

2.6 Statutory Responsibilities

As well as the aims set out in the Luton 2020-2040 Vision and Corporate Plan, the council has a number of statutory responsibilities and legal requirements to meet across its services. These include obligations to provide statutory services to residents such as education, children's safeguarding and social care, adult social care, waste collection, highways management, planning and housing services.

Investments designed to maintain and improve service delivery in each of these areas is also a priority within this strategy.

2.7 Asset Management

Another key objective of this strategy is to maintain and improve the council's existing assets. This includes extending the life, increasing the value or enhancing the performance of existing assets, thereby contributing to improved service delivery and/or efficiency savings.

The council's approach to asset management is carried out in two ways.

Servcice-level assets – Most assets owned by the council are managed at service level, with all service directors required to produce an Asset Management Plan (AMP), which is reviewed annually alongside their service plans. AMPs should include the asset management priorities identified for each service area so that these can be included as part of the Capital Programme.

Corporate assets – In the case of corporate assets, such as property owned by the council, the overall responsibility for asset management sits with the Service Director for Property and Infrastructure, who is also the council's designated Corporate Property Officer (CPO). The CPO is responsible for coordinating all aspects of asset management planning, strategy and policy direction in relation to the council's corporate assets. The council's Corporate Property Forum (CPF) is the key strategic level officer group responsible for promoting the corporate management of property assets.

The council's current property portfolio comprises approximately 10,000 assets of various size and usage, ranging from individual dwellings and commercial premises to larger buildings such as schools and leisure centres. The CPO is responsible for overseeing the AMP for operational, community and commercial estates, while separate plans exist for the airport, housing, schools and investment estates.

The AMP for the council's operational, community and commercial estates includes the following objectives:

- to ensure the safety and wellbeing of occupants;
- to collect a commercial rent based on valid market comparisons;
- to ensure the most effective, efficient use of buildings and land to avoid underutilisation;
- to reduce carbon emissions and energy consumption to meet net-zero ambitions;
- to facilitate agile working in operational buildings;
- to reduce underlying expenditure on maintenance and repairs by focussing on planned, as opposed to reactive, maintenance;
- to have a complete, comprehensive and up to date picture of the condition and compliance of all buildings;
- to rationalise the estate where possible to reduce overall maintenance, repair and operating costs and liberate sites for redevelopment;
- to foster and support small business start-ups where appropriate;
- to provide premises for third sector organisations at an affordable rent;
- to support the release or disposal of sites for the development of quality and affordable housing where possible;
- to obtain the best value for open market disposals.

2.8 The Climate Emergency and Net-Zero Commitment

In 2020, the council declared a climate emergency, pledging to make Luton a carbon-neutral town by 2040. This commitment is at the heart of the vision for Luton 2040 and the strategic priorities within the Corporate Plan.

The commitment to achieve net-zero emissions is an enduring one, which is central to all decision-making within this strategy, encompassing major projects that reduce emissions from buildings and increase the use of sustainable transport to the decisions around how best to maintain and upgrade our assets. All capital investment projects will therefore need to demonstrate how they will impact on emissions and the environment as a whole.

2.9 Investment Principles

The council's principles for capital investment are based on the various objectives set out within this chapter. These principles will be central to the governance process for approving and monitoring the success of capital expenditure in delivering outcomes and value for money.

The council's principles for capital investment are:

- Delivering on our strategic priorities to achieve the Luton 2020-2040 vision
- Achieving the council’s net-zero emissions target
- Achieving increased income or generating savings
- Maintaining and improving service delivery
- Maintaining and improving council assets
- Meeting statutory responsibilities and legal duties
- Meeting our existing contractual commitments
- Making best use of ring-fenced funding
- Avoiding and mitigating against risk

Chapter 3 – Governance, Approval and Monitoring

3.1 Ownership and Management of the Capital Strategy

The Capital Strategy is a key corporate strategy which sits within the Inclusive Economy department, with overall responsibility for the strategy resting with the Service Director for Property and Infrastructure.

Delivery of the strategy and subsequent Capital Programme is overseen by the Capital Investment and Projects Board (CIP), which brings together all services across the council. This board will have collective responsibility for driving the delivery of the strategy and Capital Programme and monitoring the success of projects.

Investment decisions will be member-led through the development of a forward plan of investment priorities, developed by members from the priorities set out in section 2.3. The approval of new capital expenditure will be carried out alongside the annual budget setting process, based on this forward plan and the immediate priorities set out within service plans agreed by portfolio holders and senior officers.

3.2 Governance Structure

The governance process for the approval and monitoring of capital expenditure will be led by officers, who will shortlist and prioritise capital spending on projects, and evaluate their success against the council's agreed priorities and investment principles. Officers will then make recommendations to elected members who will have the final say over the approval of the council's capital programme.

The role of officers will include the following bodies:

- **Corporate Leadership and Management Team (CLMT) –** CLMT will be responsible for signing-off the final recommendations on the Capital programme to go to elected members alongside the annual budget.
- **Capital Investment and Projects Board (CIP) –** The CIP Board will oversee the approval of the final list of projects to be included in the Capital Programme on an annual basis, as well as being responsible for overseeing the monitoring of the success of existing projects on a quarterly basis. The CIP Board will be made up of officers representing services across the council to ensure maximum buy-in (see terms of reference in Appendix E).
- **Capital Bids Panel (CB) –** The CB Panel will essentially be a working group of the CIP, which will be responsible for the initial sifting and shortlisting of applications for new capital projects. The CB Panel will be led by a Capital Programme Manager (CPM), and will also include representatives from Finance, Property and Infrastructure and the Luton 2040 team (see terms of reference in Appendix F).
- **Department Management Teams (DMTs) –** Each Corporate Director's DMT will be responsible for managing which bids to put forward for new capital projects and will be responsible for ensuring that existing projects are on course.
- **Project Managers (PMs) –** Project managers will have ultimate responsibility for submitting applications for a new capital project and day-to-day management of their existing project, with support from corporate directors and DMTs as required.

The role of members will include the following committees:

- **Policy Group –** The Policy Group, comprising of the elected members from the majority party will set the investment priorities for the council and carry out the initial prioritisation of projects, following the shortlisting stage each year.
- **Scrutiny Finance Review Group –** This group will have responsibility for providing scrutiny of the Capital Programme before being considered by the Executive.
- **Executive Committee and Full Council –** The council's Executive Committee, followed by Full Council will have ultimate responsibility for approving the council's Capital Programme alongside the annual budget.

3.3 Capital Approval Process

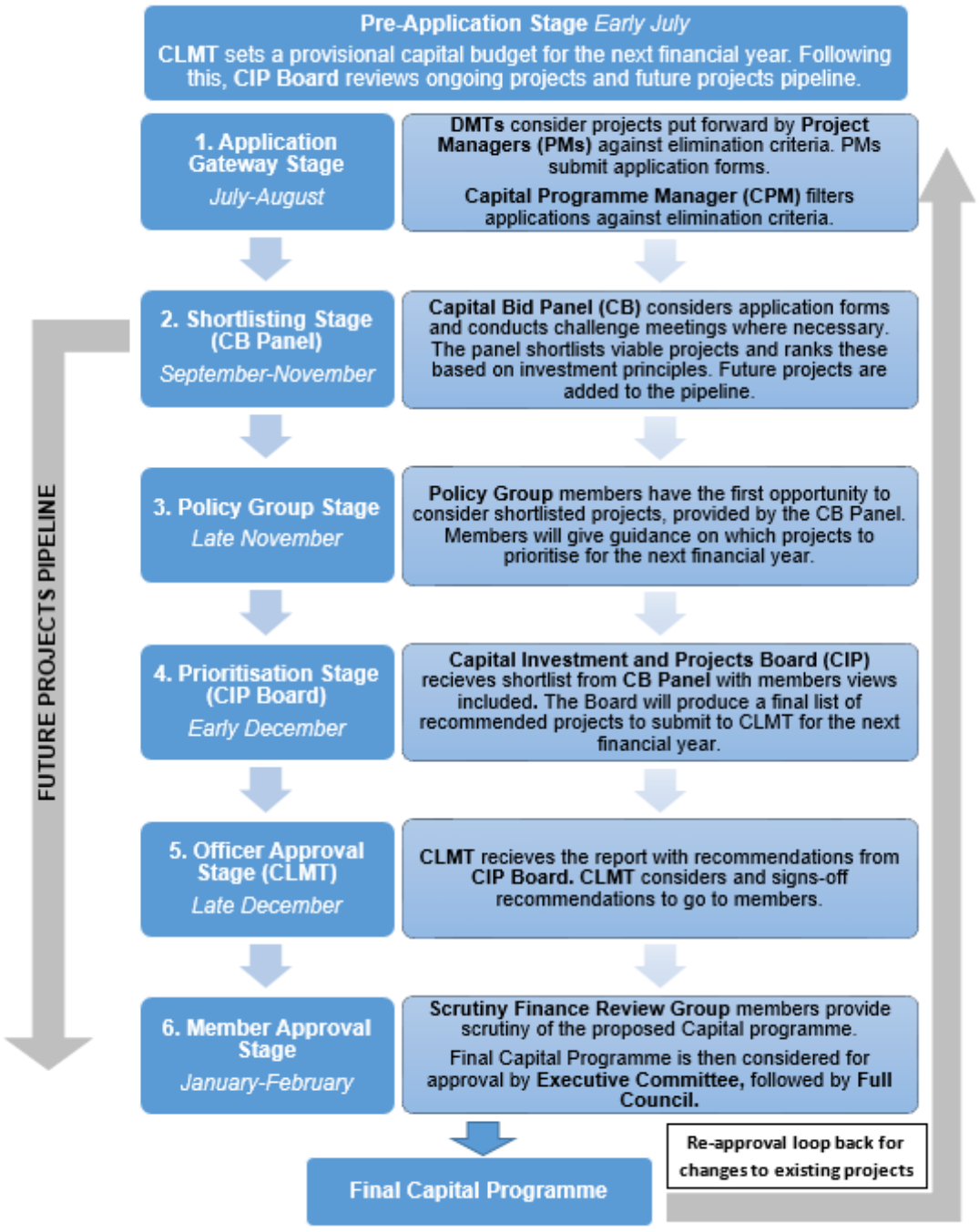


Figure 1 - Capital Approval Process (New Projects)

Pre-Application Stage: CLMT will set a provisional budget for the Capital Programme by the end of June each year, working with members as part of the usual budget cycle and based on medium term budget assumptions and affordability projections.

The Capital Investment and Projects Board will then meet in early July to:

- monitor the progress of existing projects in the ongoing Capital Programme;
- take into account the existing cost of the Capital Programme alongside the provisional budget agreed by CLMT;
- review the Future Projects Pipeline, against investment priorities forward plan to determine which bids in development can be advanced to stage 3 for consideration in the upcoming Capital Programme.

Stage 1 – Application Gateway Stage: The initial application stage is designed to eliminate any projects which do not meet at least one of the following essential criteria for a capital project:

- the project is necessary to achieve the council's corporate priorities in relation to Luton 2040;
- the project is fully financed through external grant funding, which is specifically linked to the project;
- the project is required to fulfil a statutory obligation or a legal duty;
- the project is critical to ensuring that a council service can function;
- the project is required as part of an existing contractual agreement with an external organisation.

All service plans should include a list of priority projects for the next financial year to meet the Luton 2040 objectives of the service, as well as other service needs and legal duties. Prior to the application stage, Project Managers (PMs) are expected to submit their relevant projects to their relevant DMT. DMT meetings should consider which of their potential projects meet at least one of the essential criteria before deciding whether to submit an application form. At this stage, PMs are also expected to carry out any necessary work to estimate costs and to understand the feasibility of the project, making use of evidence from past projects where possible.

Once approved by their DMT, project managers are able to submit an online application for their project – the application form must be signed off by the relevant Service Director and Portfolio Holder for the project. Applications for projects above a cost threshold of £10 million will be required to submit a full HM Treasury compliant business case. Further detailed guidance is included within the application form.

Application forms for each annual round of capital funding will open in July and close on 31 August.

The Capital Programme Manager (CPM) will carry out an initial sift of the submitted applications to eliminate any that do not meet the essential criteria at this stage.

Stage 2 – Shortlisting Stage: The Capital Bid Panel (CB) will evaluate all applications that have passed through stage one, between September and November, producing an initial shortlist of projects to be considered by the CIP Board.

The CB panel will evaluate each project using the following:

- application forms – a single electronic application form, submitted via an online portal, which includes HMT compliant business cases for large projects costing £10 million and above.
- challenge meetings – the panel will arrange challenge meetings with the relevant project manager (and service director if required) when necessary to scrutinise projects and ask questions arising from the application form;
- feasibility studies – project managers are expected to carry out initial feasibility assessments before submitting their full application; however, the panel can commission more in-depth feasibility studies at this stage if required. The panel can then shortlist projects subject to approval or add them to the Future Projects Pipeline.

The panel will then score each project against the criteria set out in this document below. This criteria will include a weighting based on investment principles, such as value for money, impact on service delivery and delivering against strategic priorities. Projects will then be ranked in order of how they score against each of these principles.

Within the weighting, there will be a number of trigger points for automatic progression. An example of this will be where a project is required to fulfil a statutory duty; in these cases, the project will be automatically progressed regardless of the overall score it receives.

The scoring will also include a separate RAG rating based on the level of risk associated with the project. Projects deemed as high risk (red rating) will be eliminated at this stage. The criteria for the risk rating is also set out in this document below.

The CB Panel will then submit a spreadsheet to Policy Group and the CIP Board, to include the shortlisted projects. These projects will be presented in two lists:

- List A - Projects that have met trigger points and should be automatically progressed to the approval stage.
- List B - All other shortlisted projects, ranked by their overall scores from the previous round.

Stage 3 – Policy Group Stage: Before progressing to the CIP Board, the report and recommendations from the CB Panel will be considered by the majority party's Policy Group. Policy Group members will consider the shortlisted projects on list B and take a view on which projects they would like to prioritise for the next financial year, taking into account the forward plan of investment priorities already agreed by members.

Stage 4 – Prioritisation Stage: The Capital investment and Projects Board (CIP) will oversee the final prioritisation of projects, based on the shortlisting carried out by the CB Panel, the prioritisation direction given by members and the up-to-date budget assumptions.

The CIP Board will then produce the final recommendations to CLMT, to include the projects listed for inclusion in the Capital Programme from both lists. The report will

include the scoring of projects, any identified risks and a brief summary of how each project will achieve strategic priorities.

At this stage the Board can also recommend for some projects to be parked and entered into the Future Projects Pipeline for consideration in future years (further details below).

Stage 5 – Officer Approval Stage: Following stage 3, CLMT will receive the report from the CIP Board with recommendations to approve new projects for the forthcoming Capital Programme. CLMT will have the opportunity to discuss, challenge and approve recommendations at this stage before providing the final officer sign-off for the Capital Programme to go to members.

Stage 6 – Member Approval Stage: The Scrutiny Finance Review Group will provide scrutiny of the proposed Capital Programme before it goes to the council's Executive Committee and Full Council for consideration and final approval. This will take place alongside the process for approving the council's annual budget, to establish an updated Capital Programme for the next financial year.

There will be some flexibility in the Capital Programme in-year to enable adjustments in spending and additional allocation of funding for projects where necessary and viable.

Future Projects Pipeline: The Future Projects Pipeline (FPP) will be an agreed list of priority projects to be developed for possible funding before 2040. The FPP will initially be developed based on the forward plan of investment priorities agreed through Policy Group with members and senior officers. Projects that are not approved in each year's application process can also be added to the FPP if they are likely to be prioritised in future funding rounds.

Projects within the FPP will usually be major projects that are not required to commence within the next financial year, giving project managers more time to develop these applications for future funding rounds. During this time project managers will be able to seek guidance and in some cases funding for feasibility studies. The CIP Board will review the list of projects in the pipeline at the beginning of each funding round and will invite project managers to submit a full application when their project is likely to be prioritised according to the forward plan.

3.4 Capital Programme Monitoring

The Capital investment and Projects Board will also oversee the monitoring of existing projects within the approved Capital Programme. The Board will meet quarterly to review the success of projects against the council's investment principles, including whether projects are delivering on agreed outcomes in line with the council's strategic priorities and whether they are delivering value for money. The Board will also regularly review risks associated with each project and actions being taken to mitigate against these risks.

Project Managers will have overall responsibility for delivery of their project on a day-to-day basis, and will be responsible for managing risks associated with the project. Project Managers will be required to submit a quarterly monitoring report to the CIP Board, using the monitoring report template (Appendix D). The report will include

updates on the progress of the project, any newly identified risks and any changes to the project, including additional spend requirements.

The Finance directorate will receive quarterly monitoring reports ahead of the CIP Board meeting to review the financial implications of the project.

If the monitoring report highlights substantial changes to the project, such as additional costs above the agreed contingency budget, the CIP Board may require Project Managers to re-apply for funding as part of the next annual funding round.

Chapter 4 – Capital Programme Financing

4.1 The Capital Programme is financed by a wide range of funding sources, including:

- government grants;
- third party contributions (including Section 106 funding);
- London Luton Airport Ltd dividend;
- revenue contributions;
- capital receipts;
- borrowing from various sources

From these sources, there are two types of capital funding:

- Specific project funding – funding which has been linked to a particular project, often with strict conditions regarding how it should be used. Project managers are responsible for managing and monitoring the receipt and use of this type of funding.

- General capital funding – this funding can be used to finance the total net cost of the Capital Programme and does not need to be ring-fenced to specific projects. The council's Finance directorate is responsible for monitoring this type of funding as a corporate resource, with the involvement of the Property and Infrastructure directorate in relation to property and land sales.

4.2 Government Grants

The council receives a number of grants from various government sources, including the UK government, the Heritage Lottery Fund and Arts Council England. Prior to the UK's exit from the EU, the council received funding from European Structural Funds; following Brexit, the council may receive funding from the UK government's Shared Prosperity Fund and the Levelling Up Fund. Government funding can be in the form of non-ring-fenced, ring-fenced and ring-fenced specific.

Examples of grants from central government departments include:

- the Department for Education provides the Basic Need grant to fund expansion of school places, as well as other annual grants for schools capital maintenance;
- the Department for Transport provides the LTP Block grant to fund integrated transport and highways works;
- the Department of Health and Social Care provides the Disabled Facilities grant to finance works to private individuals' properties.

4.3 Third Party Contributions

The council receives a number of external contributions from third parties to fund or partially fund capital projects. These contributions are usually linked to a specific, named project and often carry strict spending conditions.

The majority of these contributions come from developers in accordance with Section 106 of the Town and Country Planning Act 1990 and Section 278 of the Highways Act 1980. S106 capital funding can only be used in accordance with the conditions set in its agreement and is only considered for inclusion to support specific capital projects once the funding has been received.

4.4 Revenue Contributions

Council services are able to utilise their own revenue budget to support a capital project that they put forward, either partially or in full. These are usually contributions from a service's annual revenue surplus, (for example, the revenue surplus from the Travellers site is put into a reserve and used to fund capital works to the Travellers site).

Capital project applications that include revenue contributions are considered on a case by case basis. As a result of the reduction in dividend, the budget and Medium Term Financial Plan (MTFP) make an allowance for £5 million of revenue contributions to capital outlay to fund projects with a life of fewer than six years.

4.5 Capital Receipts

Capital receipts arise from the sale of council assets. This type of income can be used to:

- finance new capital investment, such as regeneration and commercial acquisitions (e.g. buying property for re-purposing where there is a sound business case);
- reduce borrowing, notably under the Prudential Borrowing Framework;
- meet the needs of disposal costs;
- finance the cost of equipment (e.g. IT end-user equipment or infrastructure);
- finance and meet the cost of asset replacement whether founded in condition, suitability, sufficiency or wholesale replacement of life-expired equipment;
- fund the replacement plant or vehicles;
- finance one-off funding for transformation and change management projects.

If the sale of an asset results in a significant loss of revenue or the requirement to repay a grant, the funds raised from the sale will be used first to cover these costs. Any remaining funds can then be re-allocated for any of the other purposes listed above.

Capital receipts can also be ring-fenced to specific capital expenditure. For example, sales of Right to Buy properties have specific conditions attached. Where funding from capital receipts are not ring-fenced, they can be used as general capital funding.

The council's disposal policy sets out how decisions are made in relation to surplus property and helps to manage conflicting priorities, such as provision of land for the development of affordable housing or schools.

In some cases, legislation by central government restricts the sale of certain assets, such as schools and Right to Buy homes. Sales of these assets can also require a proportion of the receipt to be reclaimed by central government.

4.6 London Luton Airport Limited Dividend

The council is the sole shareholder of London Luton Airport Limited (LLAL), a private company established pursuant to the Airports Act 1986 that owns the freehold of London Luton Airport. The council received an annual dividend from LLAL, up to and including the financial year 2019/20, some of which was invested in the Capital Programme. Due to the impact of COVID-19 on the aviation industry, LLAL is unlikely to be in a position to pay a dividend to the council for a number of years.

4.7 Borrowing

The remaining net cost of the council's Capital Programme, after all types of available funding set out above are applied, represents the council's underlying need to borrow. This need to borrow to fund the remainder of the Capital Programme is called the Capital Financing Requirement (CFR).

According to the principles set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG), local authorities are allowed to borrow to invest in their Capital Programme, provided that the cost of borrowing is affordable, sustainable and prudent. The Prudential Code allows local authorities freedom and flexibility to finance their Capital Programme using borrowing which is not supported by government grants.

Prudential borrowing can also be considered to cover the cost of projects such as regeneration and investment, service transformation and, where appropriate, redundancy capitalisations. These projects are considered on a case by case basis. Since November 2020, however, borrowing to acquire property assets purely to produce an income return is no longer permitted.

There are restrictions on borrowing in relation to some local authority funds, most notably the Housing Revenue Account (HRA). The HRA is a ring-fenced account within the general fund. All borrowing within this account must be in line with the Prudential Code. Following the removal of the HRA debt cap by the government in October 2018, individual business cases are now developed for new investment projects within the HRA, to ensure they deliver value for money and are affordable within the council's HRA business plan.

All contractual agreements entered into by the council that includes the use of an asset are reflected in the Capital Programme and the CFR, to ensure that the full capital financing position and financial liabilities are acknowledged and reported. The council currently has a liability held on the Balance Sheet to reflect the Private Finance Initiative (PFI) in relation to the Challney School agreement.

All existing service contracts, which provide an asset used for the delivery of a service must be assessed to determine whether there is an explicit or underlying lease arrangement contained. If identified, the asset and corresponding liability must be reflected within the council's financial reporting and capital financing.

4.8 Treasury Management Strategy

The council is required to operate a balanced budget, meaning that cash raised should be broadly equal to cash expenditure throughout the year (allowing for contributions to and from reserves).

The council's Annual Treasury Management Strategy (TMS) is an essential tool in maintaining a balanced budget and has two main functions:

i. To ensure that cash flow is adequately planned, so that cash is available when needed. Surplus money is invested in low-risk counterparties providing adequate liquidity.

ii. Funding of the council's capital plans. The CFR outlines the borrowing needs of the council, and the TMS is used to plan long term cash flow to ensure that the

council can meet its capital spending obligations. This may include long or short-term borrowing or the use of longer term cash flow surpluses. In some cases, any debt previously drawn may be restructured to meet the council's risk appetite or objectives.

The council carries out robust monitoring of its approach to capital expenditure and borrowing, in line with CIPFA's Prudential Code. The council monitors and approves a range of prudential indicators on an annual basis. Projects that support the council's corporate objectives and that demonstrate an acceptable financial return within business cases are able to utilise prudential borrowing. Within such cases, a full financial appraisal is carried out to ensure that all revenue implications of the cost of borrowing are considered fully.

The council's Annual Treasury Management Strategy sets out the long-term projection of external debt, internal borrowing and the use of cash reserves, as well as outlining how debt will be repaid over its life. In addition, the TMS sets out the current forward projections around affordability, including the council's liability benchmark, operational boundary and authorised limit for external debt.

4.9 Affordability of the Capital Programme

The Council has to make sure that all of its capital investment plans and borrowing are prudent and sustainable and meet the criteria of the Prudential Code and other CIPFA regulations. In these difficult economic times and with the implications of COVID-19 ever present, it has never been more important for council services and officers to maintain a financially sustainable and deliverable capital programme which is thoroughly scrutinised and is accountable within the Council's governance framework to ensure maximum value for money to local residents.

The Council has restricted and limited resources and this capital strategy process and its decision making process must prioritise capital bids and assess these against other conflicting priorities (where appropriate) and make critical decisions about where essential capital funding is to be provided, also taking into account the significant budget and funding gaps the Council will be taking into future financial years after 2021/22.

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates and will be considered carefully to ensure that borrowing is affordable.

The Prudential Code requires the Council to set two limits on its total external debt, as set out in the table below. The limits have been adjusted as required for growth and slippage in the capital strategy. The limits are:

Authorised Limit for External Debt. This is the limit prescribed by section 3(1) of the Local Government Act 2003 representing the maximum level of borrowing which the Council may incur. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but may not be sustainable in the longer term.

Operational Boundary. This is the limit which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR but may be lower or

higher depending on the levels of actual debt and the ability to fund under-borrowing from other cash resources. The boundary is based on current debt plus anticipated net financing need for future years.

Table: Authorised limit and operational boundary for external debt in £m

	2021/22 limit £'000	**2022/23 limit £'000**	**2023/24 limit £'000**	**2024/25 limit £'000**
Authorised limit – borrowing Authorised limit – leases Authorised limit – total external debt	953,800	998,000	1,000,000	1,000,000
Operational boundary – borrowing Operational boundary – leases Operational boundary – total external debt	723,290	755,581	773,038	785,699

Chapter 5 – Risk Management

5.1 Managing risk is essential to preventing any events or actions from having a detrimental impact on the council's ability to deliver on this strategy and its objectives. This can include negative outcomes, additional costs, disruption and reputational damage.

The CIPFA Prudential Code recognises the inherent risks associated with various types of capital investment and sets principles for the control of risk and optimising returns in relation to the identified level of risk.

The council has a strong reputation for its commercial approach to service delivery and is continually recognised as one of the highest income generating local authorities in the country. Maintaining this reputation and performance will require continued due diligence which has been built into our governance process.

5.2 Potential Risks

There are a number of potential risks associated with this strategy and capital expenditure. These include the following types of risk:

Credit risk –The risk that another organisation in which we have invested capital monies becomes insolvent or unable to pay us some or all of our investment returns.

Economic risk – The risk of a capital investment made by the council being adversely affected by macroeconomic conditions, either domestically or overseas. This may include economic conditions such as inflation or deviations in exchange rates impacting on the value of investments, as well as political decisions and instability.

Financial risk – Any type of risk associated with financing or the potential loss of monies from financial transactions. This can include specific types of risk, such as credit risk.

Fraud and Security risk – The risk of financial losses due to errors, security breaches or fraudulent activities either internally or by other parties.

Legislative and political risk – The risk of legislative changes, regulations, policies or decisions by governments having an adverse impact on the deliverability, outcomes or financial returns of an investment. This can include decisions and legislation that make projects more costly or time-consuming to complete.

Liquidity risk – The risk of the council or another organisation being unable to meet short-term payment obligations on time, either wholly or in part, leading to delays in the timing of cash inflows for a project.

Operational risk – The risk of losses caused by inadequate or failing internal processes, people or systems, as well as from external events. This can include factors such as human error, fraud and data compromise. This type of risk is largely

controllable within an organisation if sufficient risk assessments and mitigations are carried out.

Reputational risk – The risk of negative publicity or a negative public perception causing damage to the reputation of the organisation, leading to loss of revenue, additional costs or loss of confidence from residents, partners and investors.

Social and environmental risk – Any risks that could have a potentially negative impact on either the environment (e.g. carbon emissions, air and water quality, biodiversity) or communities (including staff, residents and communities beyond Luton).

5.3 Risk Appetite

The council's 'risk appetite' refers to the level of risk that the organisation is prepared to accept, tolerate or be exposed to at any point in time. The council accepts in principle that a certain level of risk is inherent in practically all capital expenditure projects required to meet the objectives of this strategy.

The council's risk appetite is determined and expressed within various strategies agreed by the council's Executive Committee. In general, the council will seek to minimise and manage its exposure to all types of risk that are unwanted and that carry a low level of reward.

Identifying the risk appetite for each type of risk is important to enable project managers and the Capital Investment and Projects Board to assess the level of risk associated with each project and determine what is tolerable and manageable.

A summary of the council's risk appetite for each type of risk is outlined below:

Type of Risk	Risk Appetite
Credit	In line with external treasury advice, there will be low appetite for unsecured non-investment grade debt. Investments will be secured orat investment grade. Robust due diligence will be applied to all investments to ensure credit risk is kept to a manageable level.
Economic	The Council will be exposed to local economic risks as it predominantly invests in the growth of the local economy, the local housing market and the creation of jobs. Interest rate, inflation and other geopolitical risks will be kept to a nominal level.
Financial	Risks associated for different types of assets, covering property, housing and sector specific industrial investments. Focus is on maintaining security whilst focusing on income generation, with a lower appetite in achieving capital appreciation. The Council currently has no significant exposure to currency risk or more volatile or emerging markets.

Type of Risk	Risk Appetite
Fraud / Security	There is no appetite for any level of this type of risk. Council policies and procedures, as well as the code of conduct for members and officers must be adhered to while the most robust due diligence is required to prevent this type of risk from other parties.
Legislative / Political	In some cases, this risk can be volatile, depending on factors including changing political views and election cycles. This will be closely monitored with a low appetite for investments that are highly likely to be impacted by changing legislation within the expected lifetime of the investment.
Liquidity	Capital is managed centrally on an ongoing basis to ensure that there is sufficient liquidity in the short and medium term to meet costs and support front line services, as well as meeting long-term solvency and funding requirements.
Operational	There is no appetite for this type of risk as this largely falls within the council's control. Detailed business continuity planning and a no-tolerance approach to working outside of agreed processes and procedures are in operation.
Reputational	As a public sector organisation, with a high-level of transparency and public scrutiny over decision-making, the council recognises that there are inherent risks around reputation, including public trust and confidence. The council will aim to avoid and reduce high-level risks that severely damage the confidence of the public, investors and partners.
Social / Environmental	In line with corporate priorities, there will be no appetite for investments that have significant adverse effects on the environment, the wellbeing of residents and the community. A high level of due diligence will be applied to monitor these risks.

5.4 Identifying and Mitigating Risks

Risk management includes the process of identifying risks, evaluating their potential impact and taking necessary and effective actions to mitigate against them. In some cases, it will be possible to eliminate or minimise risks, either by avoiding expenditure and projects that are deemed to have too high a risk or by transferring this risk to another party. However, in many cases, careful management of risks will be required through a series of actions to mitigate and monitor their impact.

Risk management is built into the governance process outlined in chapter 3. As part of this process, all potential capital investments will be rigorously stress-tested through challenge meetings and the completion of HMT compliant business cases for major projects.

Shortlisting of potential capital projects will include a RAG rating for all projects based on the level of risks identified for each project. Projects that are considered to be carrying too high a level of risk for the council's risk appetite will not be shortlisted.

Risks associated with any approved projects will be added to the council's risk register and will be regularly monitored by the project manager and the Capital Investment and Projects (CIP) Board. The Project Manager will also be responsible for carrying out actions to mitigate these risks, which will be agreed with the CIP Board.

The RAG rating system is outlined below:

Level of Risk	Definition	Actions/Mitigations
Above Risk Appetite (Critical Risk)	The level of risk identified is above the council's identified risk appetite.	Project is eliminated at the shortlisting stage and not considered for approval.
Red (High Risk)	The level of risk identified is high for one or more types of risk.	If the project is approved, all red risks are added to the corporate risk register, mitigations are agreed with the CIP Board and are regularly monitored by both the project manager and CIP Board.
Amber (Moderate Risk)	The level of risk for one or more types of risk is moderate.	If the project is approved, all Amber risks are added to the corporate risk register, mitigations are agreed with CIP Board and risks monitored regularly by the project manager, with exception reporting to CIP Board if the level of risk increases or new risks are identified
Green (Low Risk)	The level of risk is considered to be low or non-existent.	If the project is approved, the project manager is responsible for monitoring levels of risk and updating the CIP Board through exception reporting when the level of risk increases or new risks are identified.

A more detailed risk matrix is included in Appendix B.

Chapter 6 – Skills, Training and Support

6.1 To achieve the aims of this strategy, the council will ensure that officers and members have the required skills, training and support to deliver capital projects on time, within budget and to meet agreed outcomes.

The council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. This includes many officers working in specialist roles relating to policy, finance, legal or procurement, as well as a number of officers with training in project and/or programme management. The council will ensure that officers with a range of these skills and specialisms are involved in the Capital Investment and Projects Board that oversees the delivery of this strategy and the Capital Programme.

As part of the council's People Plan, the Customer and Organisational Development directorate will be responsible for maintaining the required skills and knowledge within the organisation to deliver the strategy through recruitment, retention and skills development.

6.2 Skills and Training

The council will ensure that in-house learning and development training for officers and members will include the following:

- programme management training for officers responsible for the Capital Programme;
- awareness training and workshops to support project managers in navigating the capital bid approval process;
- project management training to support project managers overseeing capital projects;
- core skills required for officers involved in day-to-day operations to deliver projects, including procurement skills, contract management and risk management;
- strategic skills and training for officers and elected members involved in decision-making in relation to the Capital Programme;
- training for members involved in agreeing the Capital Programme, as well as training around governance, risk management, procurement and audit.

Senior officers also maintain and update their skills and knowledge by attending technical briefings and CIPFA treasury workshops, as well as receiving circulars from treasury advisers.

In addition to specific training, appendix B also provides a detailed briefing note for project managers to navigate the approval process for new capital projects. The Capital Bids Panel will also be able to provide advice to project managers in submitting applications for new projects.

6.3 Specialist Support

The council makes use of external advisers and consultants, who are specialists in their field, to provide support and guidance to officers and members. In many cases this approach is more cost effective than directly employing such staff, but enables officers to access the knowledge and support needed to deliver the Capital Strategy.

- specialist support for members involved in agreeing the capital programme, including support around governance and audit;
- financial and legal advice – is sought if required beyond the specialist capabilities of council officers (the council currently employs ArlingClose as treasury advisers);
- commercial advice – will be sought as and when required for specific projects, including the regular use of property advisers to carry out valuations and advise on property purchases;
- treasury management advice and training – will be provided to officers and elected members with responsibilities for treasury management;
- feasibility studies – the council will commission specialist feasibility studies for projects if appropriate and cost-effective to do so.

Glossary of Terms

Asset management – How an organisation governs, maintains and maximises the value of its assets, including tangible assets (physical assets such as buildings and equipment) and intangible assets (i.e. human capital, financial assets and intellectual property.

Authorised limit for external debt – The maximum level of borrowing that a local authority can incur, as determined under section 3(1) of the Local Government Act 2003. This reflects the maximum level of borrowing that could be afforded in the short-term, but may not be desirable or sustainable in the long-term.

Basic Need grant – Funding provided by the Department for Education to local authorities annually to help fulfil their statutory duty to provide enough school places for children in their local area.

Capital outlay – The overall expenditure on used for capital projects to acquire, improve, repair or maintain capital assets.

Capital receipts – Incoming cash flow from the sale of fixed assets, the sale of shares or the issuance of debts such as bank loans.

Capital expenditure – Spending on capital projects to acquire, improve, repair or maintain assets, including property and equipment.

Capital Financing Requirement (CFR) – The CFR for a local authority is the total amount that the council needs to borrow to finance its capital programme. This is the total cost of the Capital Programme minus all other sources of funding (including grants, capital receipts, dividends and revenue contributions).

Capital Programme – The Capital Programme is the council's complete list of agreed capital projects over a set period of time.

Capital Strategy – As required by the CIPFA Prudential Code, a capital strategy is designed to demonstrate how a local authority takes decisions on capital expenditure, investment and borrowing to achieve long-term strategic objectives.

Cash reserves – Money kept aside by an organisation that can be accessed quickly to meet any short-term or emergency funding needs that arise.

Corporate Property Officer (CPO) – The senior officer responsible for managing all of the council's corporate assets (the assets that are managed and utilised centrally rather than by a specific department, such as office buildings).

Disabled Facilities grants – Provided by the Department for Health and Social Care to local authorities to make alterations to the home of someone with a disability (such as widening doorways, installing ramps, stair lifts or downstairs bathrooms).

External debt – The amount borrowed from outside organisations, such as central government, private businesses or banks.

Housing Revenue Account (HRA) – The HRA is a landlord account which is used to record expenditure and income relating to a local authority's own housing stock and any closely linked services or facilities which are provided primarily for the benefit of the council's tenants. Income and expenditure on the account includes rent, service charges and the costs of maintenance and repairs.

Investment principles – The council's investment principles govern how decisions are made on where to invest capital expenditure, to ensure that the Capital Programme meets agreed objectives, delivers positive outcomes and achieves value for money.

Liability benchmark – An investible portfolio of assets designed to closely match the projected cash flows created by liabilities (i.e. debt repayments) in order to minimise risk.

LTP Block grant – Funding provided by the Department for Transport to support local transport capital improvement projects costing less than £5 million.

Medium-Term Financial Plan (MTFP) – The council's plan over a period of several years to fund the council's plans while maintaining a balanced budget and future sustainability.

Net-Zero emissions – This refers to the council's commitment to be carbon-neutral by 2040. Net-zero carbon emissions are where the total carbon emissions released into the atmosphere by an organisation, individual or place (i.e. Luton) are completely offset by the amount of carbon actively taken out of the atmosphere. Net-zero can be achieved in part by reducing carbon emissions, as well as actions taken to offset them.

Non-ring-fenced funding – Funding available to councils that have no restrictions and can be spent on anything the council chooses.

Operational boundary – based on forward projections the operational boundary is the limit beyond which the council's external debt is not normally expected to exceed.

Portfolio Holder – An elected member and member of the council's Executive Committee, with special responsibility for overseeing one area of the council's business (e.g. finance).

Prudential Code – Produced by the Chartered Institute of Public Finance and Accountancy (CIPFA), to set a clear framework for local authorities to ensure that their plans for capital investment are affordable, prudent and sustainable.

Prudential indicators – Used to demonstrate the affordability of borrowing for local authorities and support decision-making around borrowing and capital expenditure.

Revenue surplus – The total revenue minus the total expenditure of the council (or a department or service) once its budget is completed.

Right to Buy – A government scheme designed to enable tenants in council-owned homes to buy their home.

Ring-fenced funding – Funding provided to a local authority which can only be used in one area or for a particular purpose, such as funding for schools. In some cases there is flexibility on how this funding can be spent as long as it meets the intended purpose of the funding.

Ring-fenced specific funding – Funding available to a local authority that has been provided for a specific project (e.g. project funding provided by the National Heritage Lottery Fund).

Risk Appetite – This describes the level of risk that the council is prepared to tolerate. The level of risk appetite may vary for different types of risk.

Risk Management – The process of identifying, evaluating and taking steps to minimise and mitigate against risks faced by an organisation.

Section 106 funding – Monies paid by developers during the completion of a new development, to fund capital spending on community infrastructure projects (such as new facilities like community centres and parks or enhancements of existing facilities), as set out under Section 106 of the Town and Country Planning Act 1990.

Section 151 Officer – A suitably qualified officer appointed by the council with responsibility for the proper administration of its affairs, as set out in Section 151 of the Local Government Act 1972.

Statutory responsibilities – Any responsibilities, roles or duties that a council must perform according to legislation passed by the UK government (such as legal responsibilities relating to children's safeguarding, social care, planning and housing services, road maintenance and waste collection).