Appendix 2 – Capital Strategy Key Principles

As well as the principles of affordability, prudence and sustainability from the prudential code, the Authority has four key principles to underpin the capital strategy:

1. Health and Safety Regulations. The Authority has a number of obligations as a result of owning assets and as such, expenditure that makes sure these obligations are met carry with them a high priority. Examples include health and safety obligations to our employees and the public and lease and landlord responsibilities ensuring that properties are free from hazards and to comply to meet legal responsibilities.

2. New or enhanced assets fit strategically with the Authority's purposes over the long term. In line with an approved Asset Management Plan and Authority Plan, assets created or replaced will be assessed to establish the extent to which they fit strategically with the Authority's purposes over the longer term. This should include assets which deliver revenue savings or additional income streams.

3. Whole life costs of capital investment are considered including initial costs, ongoing revenue obligations, future income streams and future disposal receipts or costs. Capital investment proposals will need to consider whole life costs of the asset, this includes the initial capital investment costs as well as any revenue income streams or ongoing revenue expenditure. Any future residual value income or expenditure incurred at disposal should also be included where relevant. This may include any sale proceeds to invest back into replacements, especially for items such as vehicles.

4. The creation and replacement of assets should have long term sustainability. This means that the Authority has the ability to replace assets when they have reached the end of their useful life. Subject to the Asset Management Plan and the Authority Plan these should be given priority; these replacement costs ideally need to be available within existing budgetary provision (such as capital or revenue reserves, revenue budgets or borrowing costs can be met from existing budgets or additional income streams.