CAPITAL & INVESTMENT STRATEGY AND CAPITAL PROGRAMME 2023/24 to 2026/27 (Paul French)

Synopsis of report:

To recommend a draft Capital Strategy and Capital Programme for Full Council approval in February 2023.

The report highlights the use of existing and future capital receipts and the potential use of revenue contributions to fund certain items of capital expenditure. The Strategies come together in the Council's Medium-Term Financial Strategy (MTFS) and detailed Revenue Budget for 2023/24 to be considered by Full Council in February 2023.

This report should be read in conjunction with the Treasury Management Report set out elsewhere on this agenda

Recommendations:

i) The Capital Strategy at Appendix 'A' and the Capital Programme at Exempt Appendix 'B' be approved.

ii) This committee consider future revisions to the Council's Capital and Treasury Management Strategies to maintain useable capital receipts at a prudent level of £2million

1. Context of report

1.1 Local authorities must distinguish between capital expenditure and revenue expenditure in their accounting. Unless expenditure qualifies as capital it will normally be charged to revenue in the year that the expenditure is incurred. The rules as to what can qualify as capital expenditure are complex however, in its simplest form capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

1.2 The Government places strict controls on the financing capacity of the authority, this is known as the Prudential Framework. Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions are taken in light of the Council's Corporate Business Plan, Medium Term Financial Strategy (MTFS), Capital Strategy and Treasury Management Strategy (TMS). The control of capital expenditure is therefore carefully planned and prioritised in order to maximise the benefit of resources overall.

1.3 The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice ("TM Code"), and specifically the Prudential Code for Capital Finance in Local Authorities which authorities when determining how much it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital expenditure plans of local authorities are affordable, prudent, proportionate and sustainable

1.4 This report should be read in conjunction with the Treasury Management Report - this will allow readers to understand how stewardship, value for money, prudence, governance, risk management, sustainability and affordability are managed by the Council.

2 The Capital & Investment Strategy

2.1 The Prudential Code for Capital Finance in Local Authorities together with the Governments Statutory guidance, CIPFA's Prudential Property Investment Guidance, other statutory guidance and legislation requires the Council to produce a comprehensive capital strategy.

2.2 The Capital Strategy sets out the principles to be followed which demonstrate how new capital investment, together with active management of existing assets, contributes to achieving the Council's approved policies, objectives and targets. It considers future capital investment needs, especially in relation to regeneration and the growth agenda, and ensures the optimum impact of those investments. It also helps the Council to be clear on its priorities for bidding for external funding

2.3 The Assistant Chief Executive is responsible for ensuring that a Capital Strategy and a Capital Programme covering a 3-5 year period are prepared / updated on an annual basis for consideration initially by the Corporate Management Committee, before their submission for approval to full Council. The Council may amend the proposed Capital Strategy or Capital Programme or ask the Corporate Management Committee to reconsider areas of detail within them.

2.4 The Council's strategies are influenced by government policy and their legislative targets, for example the autumn 2020 announcement that petrol and diesel engines are to be phased out within a decade which will influence how the Council replaces its vehicle fleet and provides electric charging points in its car parks. Another example being the change in government and CIPFA produced statutory guidance forbidding Councils to invest in commercial property for financial gain.

2.5 Over the last decade the Council has used various strategies to increase its revenue income, capital receipts and prudential borrowing to invest in the infrastructure, regeneration and commerce of the Borough. The Council still aims to be financially self-sufficient (i.e. no call on revenue balances), over the life of the current Corporate Business Plan and the financial strategies which support it. With first the pandemic, and now the high cost of living/high inflationary environment, this is getting harder to achieve, however, each year the financial strategies are updated and reviewed by Council with this aim in mind.

2.6 The Capital Strategy was last updated by full Council in February 2022. The strategy needs to be updated on an annual basis and an updated and re-titled Capital and Investment Strategy for 2023/24–2026/27 is attached at Appendix A for approval.

2.7 Other than necessary changes resulting from the updated CIPFA Codes and government legislation, there have been no significant changes to the Council's Capital & Investment strategy since the Council planned significant regeneration projects commencing in Addlestone and Egham. All of these place shaping projects have committed considerable capital sums in order to revitalise areas of the Borough, create new leisure facilities, increase employment opportunities, reduce running costs, provide much needed new housing, including affordable units and a long term sustainable income stream to fund further major regeneration projects.

<u>Funding the Capital Strategy</u>

2.8 The long-term revenue implications of the Council's strategies are included in the Medium-Term Financial Strategy (MTFS) which includes:

- Funding the fixed interest, fixed term maturity and annuity loans
- Setting aside income to repay debt when due (Minimum Revenue Provision policy)
- Maintaining both the General Fund minimum working balance at a prudent level and the property based earmarked reserves to mitigate risk of loss of any kind.
- Continuous review of income, debt levels and void rates to ensure effective budgetary control of the Council's financial position.

- Fund more of its capital programme from revenue and place less reliance on capital receipts.
- Rolling valuation of asset values with certain high value assets being valued every year.

2.9 The predicted reduction in revenue resources from government via the oft delayed Fair Funding and Business Rate retention reviews, have a number of funding implications for the Capital & Investment Strategy and detailed capital programme. These include the following:

- The availability of revenue resources to fund capital expenditure will be severely limited.
- Traditionally short life assets (heavy vehicles and plant, CCTV equipment) have mainly been funded from Capital receipts. However due to declining levels of receipts, an "Equipment Replacement Fund" to fund more "short life" assets from revenue income and place less reliance on capital receipts.
- Capital receipts have been declining for a number of years. The sale of the remaining apartments in the Addlestone One and Magna Square developments are the last identified source of capital receipts available and are financing the current capital programme to 2026/27 only.
- The Council has ambition to commence further regeneration schemes. It is likely these will be joint ventures with strategic partners rather than the Council funding entire schemes.

2.10 As part of the Council's governance arrangements the Capital Strategy, Treasury Management Strategy and MTFS consider the long-term context when making investment decisions. Individual business cases progress through various Member working groups, committees and full Council. Performance is monitored through the revenue and capital budget monitoring reports to Corporate Management Committee with Treasury Management and Prudential Indicators performance being reported to Members three times in a financial year – setting, half year monitoring and year end actuals - to both Corporate Management Committee and Overview and Scrutiny Select Committee. In 2023/24 this will be extended to include quarterly reporting as required under the new Codes of practice.

2.11 The overarching aims of these strategies is to provide a framework within which the capital investment plans will be delivered. While it covers a four-year timeframe the Council recognises there is some uncertainty in future years due to future funding streams and higher than anticipated costs due to the current economic environment. Therefore, the strategies focus heavily on the financial years 2023/24 and 2026/27 in light of this evolving financial position with many schemes being deferred.

2.12 Government legislation now precludes buying commercial assets purely for a financial return and the Treasury have amended their lending terms for the PWLB (Public Works Loans Board) to help facilitate this. As part of the new lending terms the Council will have to continue to submit to government a:

- High level description of our capital spending and financing plans for the following three years including planned use of the PWLB
- Confirmation from the Chief Finance Officer that the Council has no intention to buy investment assets primarily for yield at any point in the next three years. (As loans are not linked to specific capital projects this means if a capital plan includes investment asset purchase, that local authority cannot borrow anything from the PWLB).
- In any future borrowing the Council's Chief Finance officer must confirm that the original assurance that not buying investment assets primarily for yield remains valid.

2.13 To assist this, HM Treasury has developed guidance in consultation with CIPFA and the local government sector to help local authorities ensure that their capital plans are compliant with ongoing access to the PWLB. The PWLB will continue to support service spending, housing, economic regeneration, preventative action, and treasury management. The guidance also includes a definition of investment assets bought primarily for yield,

which the PWLB will not support. Whilst the PWLB will still lend for certain capital expenditure, the Council's ability to use this facility will be reliant on the any limitations included in the Levelling Up and Regeneration Bill once it is enacted.

3. Asset Management Strategy

3.1 The Council's asset portfolio is centred on operational land and buildings and the place shaping agenda in the Borough; however, some good quality commercial properties have been acquired outside of the Borough in the past to aid diversification. The portfolio includes office space – some leased to the NHS - supermarkets, hotels, light industrial / business parks, and a bonded warehouse serving most airports in the SE of England along with retail and leisure. The two business parks were developed by the Council on brownfield sites to regenerate the local area and create local jobs.

3.2 Acquisition for investment in regeneration purposes has been a natural progression for the Council in pursuit of improving services. A good example is the Egham Leisure Centre which had only "dry" facilities, had significant future maintenance liabilities and was a cost to the taxpayer. By investing in a new, energy efficient centre with a swimming pool the Council has provided new facilities for residents, removed a near term maintenance liability and exchanged a revenue cost for a revenue income.

3.3 Holding on to commercial property carries risks which the Council is fully aware of. Examples being: property prices falling, maintenance liabilities, depreciation of the asset, rent default, void property should a tenant leave. To mitigate the risks and manage the portfolio effectively, the Council:

- Created a new Asset Management Strategy
- Has created two reserves - a repairs and renewals reserve and an income equalisation reserve – to even out future year's income and expenditure on the maintenance of the Council's asset base.
- Carries out fair value assessments for all investment property assets as part of the year end accounting process in accordance with International Accounting Standard 40: Investment Property

3.4 The new Asset Management Strategy will give a framework of how we strategically manage both our commercial and operational assets that sit withing the General Fund. The strategy sets out the Council's vision, aspirations, opportunities and objectives for both portfolios and outlines an Action Plan for how it aims to achieve these outcomes.

4. Capital Programme

Capital Expenditure

4.1 The updated Capital Programme is set out in exempt Appendix 'B'. This covers a ten year period and includes a mix of proposed and approved schemes and has been split into separate HRA and General Fund programmes to aid transparency. This is very much an aspirational programme and relies on the assumed funding streams being available.

4.2 Approved schemes are where a business case has been drafted with a specific detailed budget (or estimate) that has already been approved. Proposed schemes are those which Members have agreed to in principle but require a further, more detailed, report to turn this into an approved scheme - these are entered in the Capital Programme as provisions subject to a future committee report. Provisions and estimates are equally important in financial forecasting terms as they are all built into the budget to ensure that when all added together (on the assumption that they will eventually be approved) they are affordable.

4.3 Whilst the Capital Programme covers a 10 year period, due to current uncertainties in government funding, capital receipt generation, the ability to borrow further sums and the economic outlook, the focus of this report is very much on the short term and covers the next 4 years.

4.4 The changes to the Programme since its approval in February 2022 stem from phasing adjustments between financial years due to delays and/or future resourcing issues, the inclusion of new schemes approved during the year and the addition of some provisional new schemes which will seek further committee approval during the life of the Programme.

4.5 New provisional schemes have been included in the programme as a result of work streams from departmental Service Business Plans being presented to service committees in early 2023. These work streams are a direct result of achieving goals contained within the Corporate Business Plan and comprise:

	£000
Housing estate paths (HRA)	200
IRL boiler replacement (HRA)	500
IT enhancements - NEC Housing (HRA)	50
Civic Centre remedial works	1,100
Climate change initiatives for operational buildings	100
Paddling pool replacement programme	200
Welfare support and corporate debt software	20
Revenues legislative requirements - CTAX and Business rates	10
Waste & recycling hardware and software improvements	50
Meeting Rooms Video Conferencing	30
Replacement pay & display machines	50
ANPR in car parks	250
Total	**2,560**

4.6 In total the Capital programme currently contains provisional/unapproved schemes to the value of £34.572m. This includes a £29m HRA rebuild programme that includes schemes that have not yet been approved in detail by the Housing Committee.

4.7 Including the schemes highlighted above, the total Capital Programme costs over the next five years are estimated to be as follows:

	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
	£	£	£	£	£
Capital Expenditure					
Housing Services - HRA	9,186,910	26,101,600	17,864,600	17,966,350	11,010,950
Housing Services - GF	684,049	651,507	651,507	651,507	651,507
Community Services	904,728	1,070,000	482,000	546,000	220,000
Environment & Sustainability	2,876,760	2,592,205	331,480	2,000,000	2,062,944
Corporate and Business Services	26,587,587	14,043,331	2,677,500	3,665,000	1,470,000
	40,240,034	44,458,643	22,007,087	24,828,857	15,415,401
Funded By					
HRA Balances	607,464	6,824,202	14,548,600	8,509,100	0
HRA Major Repairs reserve	8,020,000	10,565,000	1,963,000	1,963,000	1,700,950
General Fund reserves	0	0	0	0	0
Earmarked Reserves	1,852,070	1,392,205	1,250,480	3,076,000	1,562,944
Grants & Contributions	4,106,185	7,889,257	2,019,507	965,757	4,431,507
Capital Receipts	20,654,315	10,184,648	2,225,500	5,315,000	2,720,000
Borrowing	5,000,000	7,603,331	0	5,000,000	5,000,000
	40,240,034	44,458,643	22,007,087	24,828,857	15,415,401

4.8 It should be noted that the draft Capital Programme **excludes** any regeneration costs of Egham Phase 2, Addlestone 2 and Chertsey, but **includes** assumptions on vehicle and ICT replacement at the end of their lives or contracts as follows:

- Vehicle assumptions: £4.2m over the life of the programme relates to vehicle replacement based on original purchase cost and useful economic lives. Should Members wish to electrify the fleet in the future, this will add additional costs to the programme (based on current purchase costs);
- ICT assumptions: £2.6m for IT system replacement which assumes retendering at end of current contracts. Contract extensions or minor upgrades should reduce this cost.

4.9 The programme is funded in a number of ways. The proposed method for financing the Capital Programme is set out in the table above. In the Housing Revenue Account (HRA), tenant's rents fund the works to the Council's housing stock and, when a dwelling is sold, part of the sale proceeds are used to develop new homes. In the General Fund, revenue contributions fund some assets with a short life, and we use capital receipts from the sale of assets to fund much of the remainder. In the General Fund most of the capital receipts are generated from the sale of apartments in the Addlestone One and Egham Magna Square regeneration areas, however once they have gone, new sources of finance will need to be sought.

4.10 The Council has in the past, borrowed to fund large scale regeneration schemes to fund its regeneration initiative. Government restrictions (contained in the Levelling Up and Regeneration Bill) and changes to the access requirements in accessing Public Works Loan Board (PWLB) loans, mean that future borrowing may be restricted. The above table assumes that the previous borrowing requirement anticipated for the Magna Square development (£12.6m) and the Housing new build programme (£10m) are still available.

Non-treasury Investments

4.11 The Prudential Code, TM Code and DLUHC regulations include guidance on what is termed "non-treasury" investments. These are predominantly investments for commercial return such as:

- commercial loans to companies and other organisations, and
- holding property for a financial return (investment property).

For Runnymede this is our commercial and investment property portfolio, and our loans to our wholly owned companies and local community groups.

4.12 The Council owns a significant investment property portfolio which is now managed through its developing Asset Management Strategy (see section 3 above). The Council has also invested in its three wholly owned companies via pre-approved Loan Facilities Agreements which enabled the companies to buy some of the properties resulting from the Council's regeneration schemes. There are no plans in the current Capital Programme to increase investments in these areas.

Capital receipts

4.13 A capital receipt is a sum received by the Council when it disposes of an asset that was originally classed as capital expenditure. Capital receipts are classed by the Council as a corporate resource and are not ring-fenced to the service committee disposing of an asset. The Council's usable general capital receipts are declining as predicted. Most short life assets are funded from capital receipts (plant, equipment and vehicles) with some being funded from the revenue budget (ICT and Safer Runnymede equipment). The Council's financial strategy aspires to fund all short life assets from revenue when the resources become available.

4.14 All capital receipts generated from sales of Council dwellings are subject to special rules. A proportion of all receipts are paid over to Central Government according to a set of complex criteria. The balance of any sale that is not paid over to the Government, is then split between an amount set aside for debt repayment (i.e. the debt associated with that property) leaving the balance available for like for like (1-4-1) replacement. This latter amount is fed back into the capital programme to finance the purchase of HRA properties.

4.15 The current forecast for capital receipts, both general and set aside for housing purposes, is shown in the following table and is based on existing plans for the sale of the remaining flats in the Addlestone One and Egham developments:

Scheme Details	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
General Usable Receipts					
Receipts at 1 April 2022	7,202,526	1,775,660	5,035,875	6,260,590	3,145,805
Add new receipts in the year	15,195,449	11,680,215	3,220,215	1,970,215	320,215
Less Applied during the year	(20,622,315)	(8,420,000)	(1,995,500)	(5,085,000)	(2,490,000)
Anticipated year end balance	**1,775,660**	**5,035,875**	**6,260,590**	**3,145,805**	**976,020**
Set Aside for HRA Debt repayments					
Receipts at 1 April 2022	709,989	1,039,389	1,368,789	1,698,189	2,027,589
Add new receipts in the year	329,400	329,400	329,400	329,400	329,400
Less Applied during the year	-	-	-	-	(2,356,989)
Anticipated year end balance	**1,039,389**	**1,368,789**	**1,698,189**	**2,027,589**	**-**
Set Aside for 1-4-1 Replacements					
Receipts at 1 April 2022	1,336,648	1,534,648	-	-	-
Add new receipts in the year	230,000	230,000	230,000	230,000	230,000
Less Applied during the year	(32,000)	(1,764,648)	(230,000)	(230,000)	(230,000)
Anticipated year end balance	**1,534,648**	**-**	**-**	**-**	**-**

4.16 From the above table it can be seen that the Council runs down usable capital receipts by the end of 2026/27 and they will be completely extinguished in 2027/28. This means that in order to finance future schemes alternative sources of finance will be needed unless additional receipts can be generated through asset disposals. The Asset and Regeneration team are looking at other possible property sales within the commercial portfolio to replenish capital receipts. Should the anticipated new receipts be delayed, or if no new properties are identified for future sale, it will be necessary to reprioritise the Capital Programme and delay or remove schemes. This will start with removing the provisional/unapproved schemes as set out above.

4.17 Using up all of the usable capital receipts leaves the Council open to future funding issues. With revenue resources set to deplete over the next few years, should an emergency situation arise (such as the recent replacement cladding programme at Addlestone One), there will be no resources available to undertake the work. It is therefore proposed that the Council maintain a minimum level of capital receipts in the region of £2m for such emergencies

4.18 The Council's evolving Asset Management Strategy sets out criteria for reviewing assets that no longer provide the required yield or the security for the capital investment. Where this is the case, mitigating actions that the Council proposes to take to protect the capital invested could include the sale of the asset. Where this is likely the criteria set out in the Capital and Investment Strategy for asset management, planning and disposals will come into play.

4.19 In the 2022/23 Provisional Local Government Finance Settlement a 3-year extension was announced from 2022-23 onwards for the existing flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery. Due to a lack of Capital Receipts, there are currently no proposals to take advantage of this flexibility in the revised Capital Programme.

Other funding streams (revenue balances, developer contributions, grants)

4.20 In setting the budget for 2023/24 and future years the Council approved an ongoing revenue budget to fund ongoing ICT hardware and CCTV camera replacement as well as contributing to a Repairs and Renewals Fund. In the medium term the pressure on the revenue budget is likely to mean revenue funding of ***all*** short life assets remains aspirational.

4.21 In considering an application for planning permission the Council may seek to secure benefits to an area related to the proposed developments through the negotiation of a 'planning obligation' with the developer – known as a Section 106 agreement. The obligation must be necessary to make the development acceptable in planning terms, be directly related to the development and fair and reasonable to the scale of the development.

4.22 The Council is also able to collect a planning charge known as Community Infrastructure Levy (CIL). CIL largely replace Section 106 contributions in delivering strategic infrastructure. However, Section 106 agreements will still be used for securing the provision of affordable housing and some developments will provide such housing and pay CIL. Contributions may also be sought via Section 278 of the Highways Act 1980 agreements where modifications are required to the highway.

4.23 As well as Section 106 and CIL income, the Council will apply where possible for grants to help fund particular projects.

4.24 The Council has in the past resourced capital projects using prudential borrowing where schemes generate enough income to pay the interest on the loan and the principal (the Minimum Revenue Provision policy). Whilst the Capital Strategy allows borrowing for future regeneration programmes, which invest in long term assets, alternative sources of finance will be investigated to ensure the Council's debt levels are kept at prudent levels.

4.25 There may be instances where leasing, rather than purchasing, could offer value for money and it will be considered during option appraisal. From 1 April 2024 any leased assets will be brought "on balance sheet" as the public sector adopts International Financial Reporting Standard (IFRS) 16: Leases. This will mean all assets over a predetermined limit leased by the Council will be included in the Capital Programme and in the Non-Current Assets section of the Balance Sheet.

4.26 Some Councils use the Private Finance Initiative (PFI) to fund capital schemes. At the present time the Council has no PFI schemes being considered.

4.27 Projects that are reliant on the receipt of government or other third party funding, including grants from the National Lottery, must follow the normal capital reporting and approval procedures.

5 Treasury Management Strategy (TMS)

5.1 The Treasury Management Strategy (TMS) sets out the framework each year for the Council's treasury operations and is inextricably linked to the Capital & Investment Strategy and Capital Programme. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed - particularly where Capital purchases are concerned. The capital plans set out in this report provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

6. Prudential and Treasury Management Indicators

6.1 The Prudential Code requires all local authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources and make sure that decisions are being made with sufficient regard to the long run financial implications and potential risks to the authority. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, proportionate, prudent and

sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

6.2 To demonstrate that these objectives are being fulfilled the Prudential Code operates through the provision of prudential indicators which highlight aspects of capital expenditure planning. Each indicator is annually updated as part of the budget process and projected forward for the next three years. The Code requires that the Council approves as a minimum, certain mandatory prudential indicators. A complete set of all indicators is included in the Annual Treasury Management Strategy report.

7 Legal Implications

7.1 Under the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting (England) Regulations 2003, local authorities must have regard to statutory proper practices in their treasury management and borrowing activities. These are set out in the following:

- CIPFA's Treasury Management in the Public Services: Code of Practice 2021 Edition [The CIPFA Code] which requires the Council to approve a treasury management strategy before the start of each financial year;
- CLG Guidance on Local Authority Investments, 3rd Edition [CLG Guidance] which requires the Council to approve an investment strategy before the start of each financial year; and
- CIPFA Prudential Code for Capital Finance in Local Authorities 2021 Edition [The Prudential Code] which requires the Council to have regard to the Prudential Code when determining how much money it can afford to borrow.
- Numerous other CIPFA codes and statutory guidance

7.2 The above codes require all local authorities to produce a detailed Capital Strategy. The Capital Strategy is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. The development of a Capital Strategy allows flexibility to ensure that the overall strategy, governance procedures and risk appetite are fully understood by all elected members.

8 Equality implications

8.1 There are no direct equality implications resulting from this report. Any implications arising from new initiatives or those marked as being subject to a further report, will be fully explored within those future reports

9. Environmental/Sustainability/Biodiversity implications

9.1 The capital programme is the expression in financial terms of the Council’s agreed policies and schemes and as such there are no specific Environmental, Sustainability, or Biodiversity implications arising from this report. Any implications arising from new initiatives or those marked as being subject to a further report, will be fully explored within those future reports.

10. Conclusion

10.1 The Council recognises that effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions (treasury and non-treasury) are taken

considering the Council's Corporate Business Plan, Medium Term Financial Strategy (MTFS), Capital & Investment Strategy, Asset Management Strategy and Treasury Management Strategy.

10.2 The Capital & Investment Strategy and Capital Programme balance the resources available to the Council and leave options open as to future funding over the life of the MTFS. The key objectives of the Capital, Asset management and Treasury Management Strategies are to deliver a Capital Programme that will:

- Ensure assets of the Council are used to support the delivery of the priorities set out in the Corporate Business Plan.
- Supports the Council's specific project plans – especially economic development and regeneration
- Is affordable, financially prudent and sustainable.

10.3 In preparing these strategies, it is clear that future resourcing of Capital schemes could become an issue unless additional capital receipts can be generated, or other sources of funding can be obtained. Due to the uncertainties surrounding the timing of future capital receipts, it is recommended that a minimum level of receipts in the sum of £2m is held to ensure any future emergency expenditure can be financed.

10.4 The 10 year Capital Programme is an aspirational one and makes an assumption that the previous borrowing requirement anticipated for the Magna Square development (£12.6m) and the Housing new build programme (£10m) are still allowable once the Levelling Up and Regeneration Bill has been enacted. Should this not be the case, the Capital Programme will need to be revisited and adjustments made in line with the prioritisation methodology set out in the Capital & Investment Strategy to ensure the programme remains affordable.

(To recommend to Full Council on 10 February 2022)

Background Papers

- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes – 2021 Edition
- The Prudential Code for finance in local authorities - 2021 Edition
- Ministry for Housing, Communities and Local Government – MHCLG) Guidance on Local Authority Investments
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003