City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of Executive to be held on 5 March 2024 and Council to be held on 7 March 2024

AN

Subject:

Capital Investment Plan 2024-25 to 2027-28

Summary statement:

Section A of this report presents the Council's Capital Investment Plan 2024-25 to 2027-28.

Section B presents an updated Capital Strategy for 2024-25. This strategy underpins the spending proposals within the Capital Investment Plan.

Section C presents the Investment Strategy for 2024-25.

Equality & Diversity:
The budget proposals set out clearly the need for equality to be considered as part of the Budget Strategy. As in previous years full Equality Impact Assessments have been produced for all budget proposals and full consultation with relevant groups has been undertaken. The outcome of consultation will be considered and reported upon before the 2024-25 budget is approved.

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Portfolio:
Leader

Overview & Scrutiny Area:

Corporate

The Capital Investment Plan supports the delivery of Council priorities.

1. SUMMARY

1.1 This report proposes the Council's Capital Investment Plan (CIP) from 2024-25 to 2027-28. The report also includes for 2024-25: The Capital Strategy (Section B) and the Investment Strategy (Section C).

1.2 This report is part of the overall 2024-25 budget proposal for the Council which also includes:

- The Council's Revenue Estimates for 2024-25 (Document AL)
- Allocation of the Schools Budget 2024-25 Financial Year (Document AM)
- Section 151 Officer's Assessment of the proposed budgets (Document AP)

2. OVERVIEW

2.1 **SECTION A** of this report outlines the 2024-25 to 2027-28 Capital Investment Plan (CIP). This includes:

- Capital Investment Plan - Background
- The Capital Schemes
- Minimum Revenue Provision (MRP)
- The Prudential Indicators

2.2 **SECTION B** of this report sets out the 2024-25 Capital Strategy. This includes:

- Guiding Principles
- Governance Framework for Capital Decisions
- Capital Resources to support Capital Expenditure
- Flexible Use of Capital Receipts
- Commercial Property Investments
- Loans to External Organisations
- Asset Management Planning
- Risks
- Prudence, Affordability, Sustainability
- Skills & Knowledge
- Capital Strategy Actions

2.3 **SECTION C** updates the 2024-25 Investment Strategy.

SECTION A: CAPITAL INVESTMENT PLAN 2024-25

3. CAPITAL INVESTMENT PLAN - BACKGROUND

3.1 The Capital Investment Plan (CIP) is split between General Fund and Housing Revenue Account (HRA). It is the Council's budget for expenditure on long-term asset items, such as buildings and vehicles. These items are one-off, so need to provide value to the Council across several financial years; the items are also paid for across different financial years.

3.2 Expenditure in the CIP therefore differs significantly from that in Revenue Estimates – these estimates present ongoing expenditure, such as salaries, used up and funded within one financial year.

3.3 The CIP is governed by statutory requirements set out in the 2003 Capital Regulations. The key points are:

- Capital expenditure within the CIP provides benefits to Council residents that lasts for more than one financial year, such as a new sports centre.

- The construction process, for example a new crematorium, can also stretch across several financial years. For these reasons the CIP budget is presented as a rolling programme across future years.

- Capital expenditure can only be funded from a limited number of sources: external grants (designated by the grant provider as for a capital purpose); Section 106's / CILs; funding provided by the Revenue Estimates (Direct Revenue Financing); funding from reserves and borrowing.

- All the above funding sources involve paying for capital expenditure directly and immediately, except when borrowing is required. The borrowing principal and the related interest charges are repaid gradually through successive Revenue Estimates. The impact of the borrowing principal and interest payments are known technically as capital financing charges.

- There are some further points to note around capital financing charges. The provision of funding for the principal repayments is governed by strict rules. These rules determine how this funding is identified and set aside within successive years of the Revenue Estimates. The rules are known technically as the Minimum Revenue Policy (MRP). This funding is set aside irrespective and unrelated to the actual principal repayments, which is managed within the Council's Treasury Management Strategy.

- Interest charges on the borrowing are charged to the Revenue Estimates based on the year to which these relate.

- Capital Expenditure is monitored using Prudential Indicators. These aim to measure and weigh the Council's level of indebtedness and any impacts on the Revenue Estimates for future generations. This check is due to the importance of ensuring value from capital expenditure: it significantly impacts both on service provision and finances for many years in the future.

- Updates to the Prudential and Treasury Management Codes were published by CIPFA in December 2021. The Department for Levelling Up Housing and Communities (DLUHC) had tightened up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and closed access to all PWLB borrowing if such schemes are included in a council's capital programme. The new CIPFA codes have also adopted a similar set of restrictions to discourage further capital expenditure on commercial investments for yield.

3.4 One other point about borrowing is the overall purpose from the Council's perspective. One purpose is to fund one-off expenditure to deliver an ongoing improvement to service provision for the residents' districts (The Council calls this Corporate Borrowing).

3.5 Sometimes the purpose of the one-off expenditure is to enable the same service provision to be delivered more efficiently: for example, the Council could purchase vehicles as opposed to paying to lease or hire them. Such borrowing schemes are known as "Invest to Save" because the capital financing costs are mitigated by the savings they generate in the Revenue Estimates.

3.6 The Council has concluded that the revenue expenditure it is anticipated to incur in each year of the period 2024-28 is likely to exceed the financial resources available and that reaching financial and operational sustainability without further government assistance will not be possible. In 2023-24 the Council has requested a capitalisation directive of £80m, and £140m has been requested to balance the budget in 2024-25. A capitalisation directive allows the Council to use capital funding sources (borrowing and receipts from asset disposals) to fund revenue costs for an agreed period. Each additional £10m borrowed through capitalisation directions would however add an estimated £0.9m per annum to future borrowing costs for 20 years.

3.7 In response to its financial situation the Council is considering a range of actions including asset disposals and a range of transformation proposals.

3.8 It must be noted that annual capitalisation directions (transferring revenue cost into capital cost which must be funded over 20 years) increases the Council's debt burden. Also capital receipts from the Asset Disposal Strategy are being used to fund the ongoing capitalisation directions and therefore the Council is not able to reduce its existing historic debt.

3.9 Against this financial backdrop the Council's Capital Programme is significantly impacted. The Council's high level of short-term borrowing and cost pressures from increased interest rates means the programme will have a full review starting in March 2024. The CIP will be reviewed to reflect a reduction in scale and cost, it will comprise only core programmes and schemes that i) the Council are committed to commercially, ii) meet statutory obligations, iii) deliver savings in management and maintenance costs, and iv) avoid future cost increases.

3.10 Several external macroeconomic factors may impact the delivery of the Capital Programme and its financing decisions. Recent high inflation has caused the Bank of England to increase interest rates, hence potentially putting additional cost pressures on the Council for loan repayments. Current levels of inflation as well as some challenges in the supply chain may also impact the delivery of the Capital Programme both from a cost and skill perspective.

4. THE CAPITAL SCHEMES

4.1 As noted above, the CIP is always a rolling programme, because it continues across financial years. Therefore, the starting point for the proposed 2024-25 CIP is the quarter 3 monitoring position for the 2023-24 CIP. This is shown in Table 1 below:

Table 1: Quarter 3 Capital Investment Plan 2023-24

Directorate	Budget Q2 23-24	Changes	Re profiled Budget Q3 23-24	Spend 31 Dec 2023	Budget 24-25	Budget 25-26	Budget 26-27 onwards	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Adult Social Care	4.3	0.4	4.7	1.3	6.1	6.1	1.6	18.5
Children's Services	19.8	0.1	19.9	11.3	15.8	10.1	3.9	49.7
Place - Economy & Development Services	51.4	1.2	52.6	35.3	37.2	27.2	6.1	123.1
Place - Planning, Transport & Highways	68.5	0.5	69.0	40.7	40.1	20.9	104.1	234.1
Place – Other	18.6	1.4	20.0	8.6	41.9	16.5	1.1	79.5
Corp Service – Estates & Property Services	19.3	13.3	32.6	19.1	15.4	6.9	2.0	56.9
TOTAL	**181.9**	**16.9**	**198.8**	**116.3**	**156.5**	**87.7**	**118.8**	**561.8**
Reserve Schemes & Contingencies	30.4	-11.5	18.9	0	81.7	35.3	42.3	178.2
TOTAL – General Fund Services	**212.3**	**5.4**	**217.7**	**116.3**	**238.2**	**123.0**	**161.1**	**740.0**
HRA	2.8	0	2.8	3.6	14.5	10.0	8.2	35.5
TOTAL CIP	**215.1**	**5.4**	**220.5**	**119.9**	**252.7**	**133.0**	**169.3**	**775.5**

4.2 In order to draw up the 2024-25 CIP proposed changes are:

- Additional budgets on current schemes added to the quarter 3 2023-24 CIP
- Ongoing schemes continued for the additional 2027-28 year added to the CIP.
- New schemes for CIP.
- Removal / reduction of budget for several schemes.

4.3 The first change is the ongoing schemes continued into 2027-28. These are detailed below:

- General contingency for unforeseen capital expenditure - £1m.
- IT Upgrades - £2m.

4.4 No new schemes have been identified but there are several possible schemes that are at a very early stage of development. The budget position means only invest to save schemes should be considered for further capital investment. Further work and investigations will be completed during 2024-25 and any new scheme cannot be released as new budget until the presentation of full project business cases to the Project Appraisal Group and approval from Executive.

4.5 Due to the challenging financial situation, and the need to ensure the revenue impact of the capital programme is reduced, the Council has reviewed the level of capital investment needed and has been able to identify reductions in some areas of the existing capital budget. There is the potential to free up resources in the CIP by either deleting or delaying some of these projects.

4.6 The proposals include the removal / reduction of budget for several schemes. A description of these schemes is provided in the table over.

Table 2: Proposed Budget reductions

Scheme	Proposed Budget reductions £'000	Current Position
Children's Service		
Area office accommodation	800	Remove in full. Originally included to invest in a new office accommodation. Now being considered as part of the full Estate Strategy review.
Laptops	400	Remove in full. Originally included to invest capital funding in Digital Inclusion for Disadvantaged Children & Young People by investing in infrastructure supporting the programme. This has been funded by other sources.
Place		
Goitside	178	Currently no plans are in place for this scheme, so it is proposed that it is removed completely from the CIP.
City Centre Growth Zone	1,300	Remove in full. Will be considered as part of the development of the City Centre scheme.
Bradford Beck	1,891	Currently no definite plans are in place for this scheme, so it is proposed that it is removed from the CIP. Alternative approaches are being reviewed and it will be revisited once plans are developed.
Canal Road Land Assembly	450	Currently no Council plans are in place for this scheme, so it is proposed that it is removed completely from the CIP. Progression of this scheme will be via alternative funding sources and once these are confirmed it will be included back in the CIP.
Depots	3,000	Currently no plans are in place for this scheme, so it is proposed that it is removed completely from the CIP. It will be revisited once plans are developed.
Electric vehicles/ New Street cleansing	300	Reduction in budget for new street cleansing plant and equipment.
Total	**8,319**	

4.7 The proposed 2024-25 to 2027-28 Capital Investment Plan is a rolling programme including the quarter 3 2023-24 capital budget, with the addition of £3m new budgets for on-going schemes and removal of £8.3m budgets in Table 2. This is set out in Appendix 1, along with a funding analysis. The Capital Investment plan will require further review to reduce expenditure or find alternate non-Council funding sources. The review will commence in March 2024 and will require a review of all schemes, business cases, profiles, to identify schemes that can be stopped, deferred, reduced etc.

4.8 The proposed CIP includes £772m of capital investment in the District (£736m General Fund and £36m Housing Revenue Account). The profile of capital expenditure will continue to be updated as projects develop through the stages and/or if the resourcing position changes.

Table 3: Capital Investment Plan 2024-25

Directorate	**Budget 23-24**	**Budget 24-25**	**Budget 25-26**	**Budget 26-27**	**Budget 27-28 onwards**	**Total**
	£m	£m	£m	£m	£m	£m
Adult Social Care	4.8	6.1	6.1	1.7	0.0	18.7
Children's Services	20.5	15.8	10.1	3.9	0.0	50.3
Place - Economy & Development Services	52.7	36.8	26.9	5.1	1.0	122.5
Place - Planning, Transport & Highways	67.6	39.6	20.9	14.2	89.9	232.2
Place – Other	20.1	41.9	16.5	1.1	0.0	79.6
Corp Service – Estates & Property Services	32.5	15.4	6.9	2.0	0.0	56.8
TOTAL	**198.2**	**155.6**	**87.4**	**28.0**	**90.9**	**560.1**
Reserve Schemes & Contingencies	18.1	78.8	34.1	31.9	13.4	176.3
TOTAL – General Fund	**216.3**	**234.4**	**121.5**	**59.9**	**104.3**	**736.4**
HRA	2.8	14.5	10.0	8.2	0.0	35.5
TOTAL CIP	**219.1**	**248.9**	**131.5**	**68.1**	**104.3**	**771.9**
Capitalisation direction (EFS)	**80.0**	**140.0**	**106.1**	**87.9**	**51.5**	**465.5**
TOTAL CAPITAL SPEND	**299.1**	**388.9**	**237.6**	**156.0**	**155.8**	**1,237.4**

4.9 The Council is projecting to spend £299.1m in 2023-24 and planned expenditure of £1,237m (including capitalisation directions) from 2024-25 across the five remaining years of the Capital Programme.

4.10 Capitalisation directions contribute significantly to the Capital Programme. From 2025-26 onwards these are included based on estimates for the ongoing support required by the Council. It needs to be noted that capitalisation of revenue spend increases the cost of borrowing in following years.

5 MINIMUM REVENUE PROVISION (MRP) POLICY

5.1 It is a statutory requirement for Full Council to set the Minimum Revenue Provision (MRP) policy each year. As noted, it is a technical term but refers to the rules governing how much funding is set aside from successive Revenue Estimates each year to repay debt.

5.2 The overall purpose of the policy is to charge the costs of capital schemes to current and future years in proportion to the amount of service benefit delivered in each year. The aim is to allocate costs between time periods and different generations in a fair and reasonable way. This means:

- Costs are charged only when schemes are in operation and not in the construction phase.

- Costs are generally allocated over the expected timespan in which any scheme is operational.

- The policy only relates to the repayment of borrowing: the elements of schemes funded directly, for example by grants or revenue contributions, do not cause any future funding pressures on the Revenue Estimates.

5.3 The Council is required to determine a level of MRP it considers to be prudent, whilst having regard to the current MRP Guidance issued in 2018. The overriding requirement of the Guidance is to set a prudent provision which ensures that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

5.4 Regulations require Full Council to approve an MRP statement in advance of each year. The Policy may be revised during the year by full Council, or the appropriate body of Members where required.

5.5 Full Council is recommended to approve the following MRP statement for the 2024-25 financial year. The proposed policy is set out in Appendix 2. There are no proposed changes to the Council's MRP policy for 2024-25. The main elements of the policy are set out below.

- For supported borrowing MRP will be calculated using an Asset Life annuity basis on the remaining average life of the overall asset base. This is considered to be more prudent than other available methods.

- For all unsupported borrowing MRP will be calculated using an Asset Life annuity basis. Estimated asset life periods will be determined under delegated powers.

- For MRP in respect of PFI contracts the charge to the revenue account is over the life of the school building assets. As per the main borrowing this is on an annuity asset life basis.

- MRP in respect of finance leases will equal the repayment amount for the year.

- There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

5.6 The government is currently consulting on changes to the Capital Finance and Accounting Regulations and on revised statutory guidance in relation to MRP, which it proposes would apply from 1st April 2024. The outcome of this consultation is not expected to be known when the Council approves its budget and its MRP policy for 2024-25. If the final version of the Regulations and guidance differs from the proposals and requires any changes to the Council's MRP policy, a revised

Policy will be submitted to Council for approval at the earliest opportunity.

6. PRUDENTIAL INDICATORS

6.1 The Prudential Indicators are calculated on the basis that the CIP in future years is delivered in full and that there is no slippage.

6.2 The 2003 Capital Regulations authorise Councils to borrow for a capital purpose only. This is subject to tests of sustainability and affordability, using the Prudential Indicators. CIPFA published the revised Prudential and Treasury Codes in December 2021.

6.3 One key Prudential Indicator, is a measure of the Council's outstanding debt. Outstanding debt is the Council's cumulative borrowing less any funding for debt repayment set aside within the Revenue Estimates. This Prudential Indicator is called the Capital Financing Requirement (CFR). The indicator is shown in Table 4a.

Table 4a: Capital Financing Requirement (CFR)

	2022-23 Actual £m	**2023-24 Estimate £m**	**2024-25 Estimate £m**	**2025-26 Estimate £m**	**2026-27 Estimate £m**	**2027-28 Estimate £m**
Opening Capital Financing Requirement	**712**	**769**	**937**	**1,138**	**1,239**	**1,291**
CIP- Increase in borrowing	77	109	104	45	16	39
CIP - Less MRP and other financing movements	-20	-21	-23	-26	-28	-29
Capitalisation direction (EFS) - Increase in borrowing	-	80	122	88	73	36
Capitalisation direction (EFS) Less MRP	-	-	-2	-6	-9	-11
Closing Capital Financing Requirement	**769**	**937**	**1,138**	**1,239**	**1,291**	**1,326**

6.4 Table 4a shows:

- The actual CFR at 31 March 2023 was £769m. This figure is also shown in the Council's draft statement of accounts and is being externally audited.

- The CFR is projected to increase, peaking at £1,326m at 31 March 28. There is an increase when borrowing in year for a capital purpose is more than the amounts set aside to fund the principal repayments. It also reflects the additional borrowing for capitalisation direction.

- The borrowing is estimated (apart from 31/03/2023) based on the proposed 2024-25 CIP, as set out in Appendix 1.

- Outstanding debt increases when new borrowing is higher than the principal payments charged to the Revenue Estimates.

6.5 When the Council borrows cash, this is nearly always from the Public Works Loan Board (PWLB). However, cash borrowing is lower than the CFR. A reconciliation between the CFR and the Council's loans is shown below in the Prudential Indicator for the external debt projection:

Table 4b: External Debt Projection

	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m	31/03/27 Estimate £m	31/03/28 Estimate £m
Capital Financing Requirement	**769**	**937**	**1,138**	**1,239**	**1,291**	**1,326**
General Fund - Private Finance Initiative	-139	-130	-121	-111	-101	-90
External Borrowing	**-465**	**-668**	**-885**	**-995**	**-1,115**	**-1,137**
Under-borrowing	165	139	132	133	75	99

6.6 Regarding Table 4b over:

- External borrowing increases generally when the CFR increases but remains lower than the CFR.

- The amount by which External debt is lower than the CFR is called under-borrowing. For example, under-borrowing is estimated to be £139m at 31 March 2024. One reason is that some of the borrowing is in the form of a lease arrangement (the Private Finance Initiative) rather than cash. The other is that the Council borrows from its own internal earmarked reserves, rather than borrowing, because it is less expensive. As Council usable reserves have reduced in line with planned commitments, the internal borrowing has also reduced resulting in external borrowing that will need to be required to fund the CFR. Borrowing estimates have also increased due to the capitalisation direction.

6.7 As noted, the increase in the CFR drives the increase in external debts. This CFR increase in turn is caused by that part of the CIP funded from borrowing. The element of the CIP funded from borrowing is shown in the performance indicator below:

Table 4c: Analysis of Capital Spend Requiring Borrowing

	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m	31/03/27 Estimate £m	31/03/28 Estimate £m
General Fund	-	216.3	234.4	121.5	59.9	104.3
Capitalisation direction (EFS)	-	80.0	140.0	106.1	87.9	51.5
Total General Fund	**-**	**296.3**	**374.4**	**227.6**	**147.8**	**155.8**
Housing Revenue Account*	-	2.8	14.5	10.0	8.2	0.0
Total Spend	**154**	**299.1**	**388.9**	**237.6**	**156.0**	**155.8**

Capital Spend not funded from borrowing	76.6	110.1	144.9	86.5	52.1	65.3
Capitalisation direction (EFS) not funded by borrowing (estimated capital receipts)	-	-	18.0	18.0	15.0	15.0
Capital spend funded from borrowing	77.4	109	104	45	16	39
Capitalisation direction (EFS) funded by borrowing	-	80.0	122.0	88.1	72.9	36.5
Total spend funded from borrowing	**77.4**	**189.0**	**226.0**	**133.1**	**88.9**	**75.5**

*Separate HRA from 01-04-2023

6.8 Another Prudential Indicator measures the impact of the Capital Financing Costs (debt repayments and interest) on the Revenue Estimates. This impact measures the annual costs as a ratio as the Net Expenditure Requirement shown in the 2024-25 Revenue Estimates (Document AL).

6.9 This Indicator is called the ratio of capital financing costs to the Net Revenue Stream. The indicator is shown in Table 5 below, together with a separate analysis for Invest to Save schemes:

Table 5: Ratio of Capital Financing costs to the Net Revenue Stream

	2023-24 Estimate £m	**2024-25 Estimate £m**	**2025-26 Estimate £m**	**2026-27 Estimate £m**	**2027-28 Estimate £m**
Financing Costs – General Fund	**59.2**	**72.8**	**84.3**	**92.1**	**96.1**
Net Revenue Stream	453	435	459	492	513
Ratio: Capital Financing costs to Net Revenue Stream	**13.1%**	**16.8%**	**18.4%**	**18.7%**	**18.7%**

6.10 Key points about the above Prudential Indicator are:

- The estimated ratio of capital financing costs to the Net Expenditure Requirement increases between 2024-25 and 2027-28.

- The Prudential Indicator reflects a number of assumptions including that interest rates are 4.5% in 2024-25, 3.75% in 2025-26, 3.5% in 2026-27 and 2027-28. The costs shown are particularly sensitive to unforeseen changes to interest rates.

- A reconciliation between the Prudential Indicator and the capital financing costs shown in the Revenue Estimates Budget is also shown in the table over:

Table 6: Capital Financing Costs in the Revenue Estimates Budget

	2022-23 Actual £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
Total Capital Financing Costs	**54.4**	**59.2**	**72.8**	**84.3**	**92.1**	**96.1**
Direct Funding Schemes	-4.8	0	0	0	0	0
PFI interest virement	-16.5	-15.3	-14.6	-13.9	-13.1	-12.4
PFI virement	-8.5	-8.8	-9.0	-10.1	-10.7	-11.0
Prudential borrowing virement	-6.4	-5.2	-6.2	-9.5	-10.4	-10.5
Corporate Capital Financing Costs within Revenue Estimates	**18.2**	**29.9**	**43.0**	**50.8**	**57.9**	**62.2**

6.11 Items of expenditure such as PFI interest and the PFI Lease virement are treated as capital expenditure under accounting rules and therefore come within the remit of the Prudential Indicator. However, this expenditure is already included elsewhere in the Revenue Estimates.

6.12 Similarly, borrowing for self-financing schemes is being funded from services, as set out in the Prudential borrowing virement shown in Table 6 above.

6.13 All the Prudential Indicators, including additional analysis, are set out fully in Appendix 3 of this report.

6.14 An increase in capital spend funded by borrowing generates a requirement to take out new loans and increases the corporate revenue capital financing costs (Table 6). For any new schemes the additional increase in debt cost should be met from schemes that generate savings or avoid revenue costs or provide income streams. The Council will continue to pursue external funding through capital grant opportunities.

6.15 Additional corporate borrowing will impact on Revenue budgets and any additional costs for schemes already in the plan will also have to be considered. The proposed CIP means that the Council Prudential Indicators are increasing and uncertainty over costs means there will need to be a continued review considering the affordability and deliverability of the CIP. The overall capital programme position will be kept under review and any new information regarding funding allocations will be presented to Members in future reports.

7 FINANCIAL & RESOURCE APPRAISAL

7.1 The finance and resourcing implications are set out in the body of this report.

8 FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

8.1 Government guidance allows the capitalisation of certain types of qualifying revenue expenditure in-year, funded from the flexible use of 'in-year' generated capital receipts. The original DCLG guidance covered the 2016-19 period, but this was subsequently extended by a further 3 years, to 2021-22, following the Autumn Statement announcement on November 17th, 2017. The Local Government Finance Settlement for 2021-22 extended these capital receipts flexibilities for a further three years, which will cover the period up to and including 2024-25.

8.2 Local authorities are given the power to use capital receipts from the sale of general fund land and buildings received in the years in which this flexibility is offered, to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of qualifying projects.

8.3 In 2023-24 the Council made use of capital receipt flexibilities that allow for qualifying revenue expenditure to be funded from capital receipts. This was a deviation from the previous policy of using capital receipts to support only the capital investment plan and consequently reduce the borrowing requirement.

8.4 In 2024-25 the Council is not currently planning on doing this as the benefits of these flexibilities are already part of the Councils Exceptional Financial Support request. The Council's strategy is to use capital receipts to reduce the borrowing need for the capitalisation direction.

8.5 The Government is however currently consulting on changes to the capital receipts flexibilities that are open to all Councils without the need to apply for Exceptional Financial Support, and if these proposed changes prove to be financially beneficial then the Council will seek to take advantage of these.

8.6 One of the proposals for example includes allowing Councils to borrow from PWLB at prevailing rates less 0.4% for Transformation activity. This is 1.4% less than the Council would otherwise be borrowing at under the Bradford specific capitalisation directive.

8.7 The section 151 Officer has therefore included a recommendation to Budget Council to delegate powers to them. The proposal in this report is to delegate authority to the Section 151 officer to have the option to adjust this strategy and fund transformation projects from capital receipts to ensure that the Council achieves the most advantageous financial position that derives from proposals that are not yet agreed by Government.

9 RISK MANAGEMENT AND GOVERNANCE ISSUES

9.1 The risk implications are set out in the body of this report.

10 LEGAL APPRAISAL

10.1 This report is submitted to the Executive in accordance with the Budget and Policy Framework Procedure rules. There are no other legal implications arising from this report.

11 OTHER IMPLICATIONS

11.1 SUSTAINABILITY IMPLICATIONS

There are no direct sustainability implications arising from this report, sustainability implications are considered as part of individual capital project appraisals

11.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

There are no direct impacts arising from this report

11.3 COMMUNITY SAFETY IMPLICATIONS

There are no direct impacts arising from this report

11.4 HUMAN RIGHTS ACT

None

11.5 TRADE UNION

None

11.6 WARD IMPLICATIONS

None.

11.7 IMPLICATIONS FOR CHILDREN AND FAMILIES

None

11.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

None

11.9 NOT FOR PUBLICATION DOCUMENTS

None

12 RECOMMENDATIONS

12.1 Executive are asked to note the contents of this report and to have regard to the information contained within this report when considering the recommendations to make to Council on the CIP for 2024-25.

12.2 That the updated Capital Plan for 2024-28, be approved; (Appendix A). Commitments against reserve schemes and contingencies can only be made after a business case has been assessed by Project Appraisal Group and approved by Executive.

12.3 That Members agree that the Council undertakes a review of the capital programme.

12.4 The 2024-25 MRP Policy set out in Appendix 2 is approved.

12.5 That the Capital Strategy (including Prudential Indicators), set out at Appendix 3, be approved.

12.6 That the Flexible Use of Capital Receipts policy (section 8) is approved. Delegate authority to the Section 151 officer to have the option to adjust this strategy and fund transformation projects from capital receipts to ensure that the Council achieves the most advantageous financial position that derives from proposals that are not yet agreed by Government.

12 APPENDICES

Appendix 1: The 2024-25 to 2027-28 Capital Investment Plan
Appendix 2: Proposed Minimum Revenue Policy
Appendix 3: Supporting Tables for the Capital Strategy

Capital Strategy 2024-25

1 CAPITAL STRATEGY (BACKGROUND)

1.1 The Council's Capital Strategy is a policy framework for the development; management and monitoring of its Capital Investment Plan (CIP).

1.2 In respect of timeframes, the strategy is also both a plan for the current year and the long-term, with emphasis on the next ten years.

1.3 The strategy is how the Council ensures compliance with mandatory statutory guidance contained in the Prudential Code for Capital Finance in Local Authorities. The headline message delivered by the Code is the requirement for the Council to consider key judgement criteria of Prudence, Affordability and Sustainability when making and reviewing decisions about the use of its capital resources.

1.4 The simple purpose of the strategy is also to ensure that capital expenditure is deployed in such a way as to maximise the provision of the services needed by Council residents. Delivering this purpose involves selecting and project managing capital schemes; while coordinating their implications for risk, treasury and resourcing.

1.5 Capital Expenditure is defined as expenditure on the acquisition, creation or enhancement of assets that have a useful life or more than one year. This means items of expenditure on buildings, vehicles and substantial equipment. Local Government also has the statutory right to include within this definition, expenditure on assets owned by third parties, or loans given to third parties.

1.6 Capital expenditure schemes are also constructed, financed and used to deliver services across multiple financial years; so each one is a substantial commitment by the Council.

1.7 CIPFA published the revised Prudential and Treasury Codes in December 2021 and stated the revisions needed to be included in the reporting framework from the 2023-24 financial year. The changes look to strengthen the requirements regarding borrowing for commercial projects to ensure Local Authorities are not borrowing in advance of need, with a view to primarily making a profit / financial return.

1.8 The Council does not currently have any capital investments which fall within this commercial category and the current CIP does not have any commercial schemes. The new Code does not introduce restrictions on councils borrowing for purposes essential to their core aims, such as for housing and regeneration projects, or for treasury management purposes.

1.9 Other changes are to ensure Local Authorities' capital investment remains sustainable and to facilitate these two new prudential indicators together with the replacement of an existing indicator have been proposed as set out below:

- New prudential indicator: external debt to net revenue stream ratio
- New prudential indicator: income from commercial and service investments to net revenue stream
- Replacing "Gross debt and the CFR" with the liability benchmark as a graphical prudential indicator.

1.10 These changes will be reflected in the Treasury Management Strategy and be reflected as appropriate when developing future capital programmes.

1.11 This 2024-25 Capital Programme will be reduced in scale and cost compared to previous years. With increasing General Fund debt and an environment of higher interest rates the delivery of an effective Asset Management Plan and an ambitious Asset Disposal Strategy, including reducing the number of buildings used by the Council, is essential to mitigate rising cost pressures, reduce the overall debt burden and help the Council balance its books.

1.12 The Capital Strategy presented here and associated capital framework will continue to be improved over coming months and years.

2 GUIDING PRINCIPLES

2.1 To ensure the efficient use of all its assets the Council will not permit any project to be included in its Capital Investment Plan (CIP) unless it furthers its strategic priorities and objectives. These strategic priorities include the statutory duties that Councils are responsible for undertaking.

2.2 Overall, the following principles will apply to all capital investment decisions:

I. They should reflect the priorities identified in the Council Plan and its supporting strategies.

II. They will be prioritised by availability of resources and allocated funding and supported by a business case review.

III. Priority will be given to schemes financed from capital grants or Invest to Save income streams.

IV. The cost of financing each capital scheme will be incorporated into the relevant annual policy, resources strategy and budget (e.g. Capital Investment Plan 2024-25 to 2027-28).

V. Commissioning and procuring for capital schemes will be legally compliant, which will be established by early and appropriate due diligence.

3 LINKS TO COUNCIL POLICIES, STRATEGIES AND OBJECTIVES

3.1 The Council's **Capital Plan** covers a four-year period: the latest proposed in this report will cover 2024-2028. The proposed commitments in the programme reflect the Council Plan:

i. Better Skills, More Good Jobs and a Growing Economy
ii. Decent Homes
iii. Good Start, Great Schools
iv. Better Health, Better Lives
v. Safe, Strong and Active Communities
vi. A Sustainable District
vii. An Enabling Council

4 Housing Revenue Account (HRA)

4.1 The (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately within the accounts. The HRA is funded primarily from tenants' rents and service charges.

4.2 The Executive, at its meeting of November 1 2022, approved the opening of a Housing Revenue Account (HRA) in the financial year 2023-24. This was in response to a direction issued by the Department for Levelling Up Housing and Communities (DLUHC) in relation to council's owning more than 200 units of housing. Bradford District presently owns just 404 units out of approximately 34,000 social housing units in the Bradford district.

5 GOVERNANCE FRAMEWORK FOR CAPITAL DECISIONS

5.1 The Council's relevant democratic decision-making and scrutiny processes are set out in its Constitution and include:

i. A **Council Plan** which sets out strategic priorities.

ii. Approval of the **Capital Strategy, Treasury Management Strategy and Capital Investment Programme,** including the prudential indicators referred to within them.

iii. The current **Capital Investment Plan (CIP).** Each scheme in the CIP is approved by both the Executive and Full Council. The CIP is monitored by the appropriate responsible officer, finance and the Project Appraisal Group (PAG) in order to detect and deal with any variances to the plan. Updates are reported to the Executive on a regular basis.

iv. The Council's **Financial Regulations**. Under these regulations the PAG will assess unfunded capital expenditure proposals. Schemes funded from capital grants or Direct Revenue Financing can be progressed and approved directly by the Director of Finance. Any new capital expenditure proposals that are not wholly funded from capital grants or by the proceeds of sale of land must be either financed directly from the Revenue Estimates or be formally authorised from an identified capital scheme or approved additional borrowing.

v. A mandatory **Capital Business Case** to identify the projected running costs and financing costs of the relevant asset and assess its affordability.

vi. The **Project Appraisal Group (PAG)**. Currently its membership comprises finance, legal, procurement, project management and property expertise and it is chaired by the Director of Finance. Its prime responsibility is to review the Capital Business Case.

vii. Investment assets are subject to specific approval processes, involving the Investment Advisory Group, discussed in the Investment Strategy.

viii. There is also discussion and a review underway to develop the support provided around project delivery as well as processes around contract management.

6 CAPITAL RESOURCES TO SUPPORT CAPITAL EXPENDITURE

6.1 Proposed future schemes are set out in the **Capital Investment Plan 2024-25**, due to be considered by Full Council on 07 March 2024.

6.2 Schemes not funded directly by grants, receipts from asset disposals or reserves generate **Capital Financing Costs**, which have to be paid for out of the annual Revenue Estimates (Document AL for 2024-25). Capital Financing Costs derive from the cumulative effect of previous years' borrowing to fund capital investment, net of amounts previously paid. These costs are not impacted by the current year capital expenditure: they can only be matched against service benefit when the related asset is operational.

6.3 **Invest to Save (self-financing) schemes** generate savings or additional income in the Revenue Estimates which offset the Capital Financing Costs**.** Such schemes and their related savings or additional income are projected to have an increasing impact on the Revenue Estimates and the Medium-Term Financial Strategy in future years.

6.4 **Corporate Borrowing schemes do not generate savings or additional income in the Revenue Estimates.** Such schemes are chosen for their direct delivery of service provision. Of course, in practice individual schemes can generate some savings or additional income but also require a corporate borrowing contribution.

6.5 **Capital Receipts** are usually restricted to use for:

i) Financing new capital investment.

ii) Reducing borrowing under the Prudential Framework.

iii) Paying a premium charged in relation to any amounts borrowed.

iv) Meeting any liability in respect of credit arrangements.

v) Meeting disposal costs (not exceeding 4% of the receipt).

6.5.1 In general, capital receipts arising from the disposal of housing assets and for which account is made within the Housing Revenue Account (HRA), are governed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. In summary the regulations require that receipts arising from:

i) Right to Buy (and similar) sales may be retained to cover the cost of transacting the sales and to cover the debt on the properties sold, but a proportion of the remainder must be surrendered to Central Government; and
ii) All other disposals may be retained in full provided they are spent on affordable housing, regeneration or the paying of housing debt.

6.6 **Flexible Use of Capital Receipts**

6.6.1 As part of the Local Government Finance Settlement (LGFS) in March 2016, the Secretary of State for Housing, Communities and Local Government provided Local Authorities with the opportunity to use capital receipts to fund the revenue costs of transformation. This flexibility was then extended to 2021-22 as part of the 2018-19 LGFS. Alongside the Final LGFS in February 2021, this flexibility was extended for a further three-year period (2022-23 to 2024-5). The Council utilised capital receipts to fund elements of transformational agenda in line with the Directive guidance in 2022-23 and 2023-24.

6.6.2 The Flexible Use of Capital Receipts is designed to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings for either the Council or other public sector delivery partners.

6.6.3 In 2024-25 the Council is not currently planning on doing this as the benefits of these flexibilities are already part of the Councils Exceptional Financial Support request. The Council's strategy is to use capital receipts to reduce the borrowing need for the capitalisation direction.

6.6.4 The Government is however currently consulting on changes to the capital receipts flexibilities that are open to all Councils without the need to apply for Exceptional Financial Support, and if these proposed changes prove to be financially beneficial then the Council will seek to take advantage of these.

7 COMMERCIAL ACTIVITY AND PROPERTY INVESTMENTS

7.1 A commercial property investment strategy was approved by Executive on 4 April 2017. This permitted investment in commercial property both to create long term income generation; or to promote economic development, service provision and regeneration within the District.

7.2 Since 2017, the former Ministry of Housing, Communities and Local Government (MHCLG) announced several changes in relation to borrowing for commercial property investments. These are summarised below:

- From 1 April 2018, Local Authorities were required to approve an Investment Strategy at Full Council. The definition of Local Authority investments was also updated to include investment property and loans to third parties and related companies.

- It was also announced (1 April 2018) that Local Authorities were no longer able to borrow in advance of their Capital Financing Requirements, solely for the purpose of investment yield. The impact was to restrict commercial investment where Councils' actual cash or finance lease borrowing was equal to their underlying need to borrow for a capital purpose (The Capital Financing Requirement). This did not apply to Bradford Council. Bradford internally borrowed from earmarked reserves, so that actual borrowing is below the Capital Financing Requirement (See Table 4b Capital Investment Programme 2023-24 to 2027-28)

- On 10 September 2019, the MHCLG increased the interest rate on borrowing by 1%. The reason given for this increase was to reduce the level of borrowing by Local Authorities for the purpose of acquiring commercial property portfolios.

- On 11 March 2020, the Government rescinded the 1% interest increase but only for borrowing related to the construction of social housing. The Government also announced a consultation on Local Authorities' commercial property portfolios.

- On 26 November 2020, the MHCLG rescinded the 1% increase on all borrowing from the PWLB. However, at the same time, the results of the consultation were that councils seeking to borrow from the PWLB will now have to confirm they are not borrowing primarily for yield at any point or from any source for a period of 3 years. Compliance is monitored by reviewing capital plans; in Bradford's case, the

Capital Investment Programme 2024-25 to 2027-28.

7.3 As a result, Bradford can no longer invest in commercial property solely to create income generation. The prior criteria for investment in strategic acquisitions (see Criteria B below) has now been updated (see Criteria A below):

Criteria A

i. A proven ability to promote economic development, service provision and regeneration within the District.

Criteria B

i. Risks associated with the investment

ii. The likelihood of being able to sell the investment in extremis

iii. The location of the investment, with preference being firstly within the District and secondly within the Leeds City Region

iv. The security of direct rental payments, with consideration given to the reliability of tenants

v. The income stream from the investment, current and potential

vi. The potential increase to the capital value of the investment

vii. The sector in which the investment is made, e.g. retail or warehouses

viii. The detailed business case for investment

8 Non Treasury financial investments

8.1 The statutory guidance requires councils to identify and disclose the range of contributions which its existing non treasury management investments make to its objectives.

8.2 The Council may make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a strategy for local regeneration and economic growth. In such cases, a realistic assessment of potential policy gains could justify the loan even when liquidity and security considerations might indicate that it is not prudent.

8.3 In such cases, a cost may be chargeable to the Revenue Estimates, either in accordance with the Council's Minimum Revenue (MRP) Policy or, alternatively, an expected credit loss model in line with IFRS 9 (financial instruments) would be required.

8.4 Loans to external organisations are covered under the Council's MRP policy because as noted above, they fall within the Local Authority definition of capital expenditure. The Council's MRP Policy sets out that the Capital Financing Costs can only be fully met from the loan repayments under the following conditions:

- The loan repayment schedule covers the full cost of the original loan.
- That there continues to be confidence that loan repayments will be repaid.
- That the external organisation adheres to the loan schedule.

8.5 In addition, a loan to an external organisation may reduce the interest income received into the Revenue Estimates. This will happen when the interest charged on the loan is less that the amount that would be received from an alternative investment.

8.6 Technical accounting rules many also require applying the credit loss model. This calculates a nominal cost to the Council equivalent to the monetary value of the difference between the interest charged on the external loan and the commercial rate. However, currently the Council is entitled to make an adjustment, so that there is no real impact in the Revenue Estimates.

8.7 The Council has a long-term investment in the Leeds City Region Revolving Investment Fund (LCR RIF). It was established in 2013 with the local authorities of Leeds, Bradford, Kirklees, York, Harrogate, Calderdale and Wakefield, who have jointly committed in excess of £20m loan funding for commercially viable, private sector led infrastructure and construction projects in the Leeds City Region. The Council has so far contributed £3.4m to the fund. Projects eligible for support include new homes, delivering new energy infrastructure, new factories, and non-operational buildings, where conventional sources of funding are insufficient and/or unavailable. Loans are made on commercial terms and compliant with State Aid restrictions to meet the gaps where private finance cannot be obtained.

9 ASSET MANAGEMENT PLANNING

9.1 The Council Estate Management Service manages its existing assets to reduce costs and maximise service benefit. The Council has recently adopted the Corporate Landlord Approach to the management of its property holdings and in accordance with the Medium-Term Financial Strategy.

9.2 The Council's is mitigating energy costs and seeking to rationalise its operational estate portfolio. A permanent strategy is being finalised for the Council's city centre office estate through the reduction of assets held. The Council will see a significant reduction in the assets it holds to generate capital receipts and other revenue savings following service delivery reviews. Property assets will be reviewed over the next four years ensuring asset decisions are being made with sufficient regard to the long-term financial position of the Council and the requirement to become financially sustainable.

10 RISKS

10.1 In considering the Capital Investment Programme 2024-25 to 2027-28 and the Capital Strategy, there are several key risks. These are summarised below:

- **Interest rates are higher than expected**. The current estimate of capital financing costs is based on interest rate forecasts. Such forecasts are inherently subject to change. Such changes could significantly increase capital financing costs.
- **Overspends**. The capital projects could overspend, or alternatively the expected funding may be lower than expected. This will reduce value for money and increase the future costs charged to the Revenue Estimates.
- **Project delivery impaired**. As well as the financial impacts, poor project delivery reduces the quality-of-service provision for residents.
- **Unanticipated Revenue Consequences of Capital Investment**. There could be additional costs in the Revenue Estimates that are not fully anticipated in the

Business Case, for example, additional repair and maintenance costs.

- **Obsolete assets**. Technological changes, changes in Local Government or different choices could make an asset obsolete, reducing the expected service provision. If this causes a reduction in the expected life of the asset, debt repayments may need to be made from the Revenue Estimates over a shorter period.
- **Invest to Save schemes rely on over-optimistic revenue projections**. The revenue savings or income generation forecasted from a scheme may not materialise. This is a particular risk, because as noted above, budget projections for the Revenue Estimates are increasingly reliant on such forecasts.
- **Change to regulations**. The Government may change current regulations, so that the financial impact of debt and borrowing on the Revenue Estimates could increase.
- **Committed Capital Expenditure**. During the construction phase, new information may become available, for example as a result of a site investigation or other circumstances, which prevents a scheme progressing. In such circumstances, the committed costs add no value and are written off against the Revenue Estimates.
- **The value of property reduces and/or it is more difficult to dispose of property.** The anticipated capital receipts in the CIP are over-optimistic, more borrowing is required, and Capital Financing Costs increase.
- **Actual or prospective loans to external parties are not repaid.** If external loans are not repaid, they will have to written off, with the cost charged directly against the Revenue Estimates. Such write offs could increase costs unexpectedly.
- **Change in Government Policy.** There are assumptions in the CIP that some Government grants are recurring. If these assumptions are incorrect, the Council will have to choose between reducing service provision or using additional financial resources.

10.2 The policy framework in the Capital Strategy aims to mitigate the risks identified above. Other risk mitigations are set out in the proposed Capital Strategy actions.

11. PRUDENCE, AFFORDABILITY, SUSTAINABILITY

11.1 As noted, the updated Prudential Code for Capital Finance in Local Authorities issued in December 2021 requires the Council to consider the key judgement criteria of Prudence, Affordability and Sustainability when considering the Capital Programme.

11.2 Some considerations around this are:

- At 1 April 2023, the Council had £1,091m of long-term assets, when valued according to their potential to provide service provision to the Council. Outstanding debt on these assets is £769m (CFR balance).
- The CIP 2024-25 to 2027-28 proposes £772m of new capital expenditure: funded by £459m of capital grants and miscellaneous items; £121m of Invest to Save borrowing; and £192m of corporate borrowing. Individual schemes are detailed in Appendix 1 by department and analysed according to their individual funding requirements.
- Interest rates have risen in the last year and further increases are forecast.
- Other potential risks are outlined in the Risk section above (see Section 10 Risks).
- The CIP is a rolling programme. Current schemes include those approved as part of the budget process last year and individual schemes progressed, developed and approved at Executive during the current financial year. Each scheme's contribution to the Council's service provision and its resource requirement is assessed

individually.

- The Prudential indicators set out in Appendix 3, Table 4, show the ratio of capital financing costs to the net revenue requirement increasing from 13% to 18.7% between 2023-24 to 2027-28.

11.3 Overall the Capital Financing Requirement (CFR) of £769m will be paid for from Capital Financing Costs charged to future revenue estimates. The proposed CIP 2024-25 to 2027-28 requires substantial new borrowing, increasing the CFR and the amount of funding set aside from future revenue estimates.

11.4 The projected CFR and Capital Financing Costs are shown in detail by the Prudential Indicators. These are used to test the affordability of the proposed CIP.

11.5 Most of the Council's long-term borrowing is from the PWLB; which was £366.8m at 1 April 2023. Also Salix Finance Limited provides interest free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The Council to date has taken the opportunity to secure £19.1 million interest free loans to fund the £45 million approved street lighting replacement scheme in the Council's capital plan. At 1 April 2023 the Council had £11.7m from Salix loans.

11.6 A further £137.7m of borrowing relates to the private finance initiative with a private company and will be repaid from future contracted lease payments.

11.7 Borrowing decisions are made on a cash flow basis so are not directly aligned with the Capital Financing Costs charged to the Revenue Estimates. In practice, the Council's earmarked reserves are used to reduce actual borrowing. This is because borrowing costs are higher than the interest the Council received on its investments. The relationship between the CFR, earmarked reserves and other assets and liabilities is summarised in Table 5, Appendix 3.

12 SKILLS AND KNOWLEDGE

12.1 The Council has professionally qualified staff across a range of disciplines including finance, legal and property. A programme of continuous professional development (CPD) is undertaken, and employees attend courses on an ongoing basis to keep abreast of new developments and skills. The Council establishes project teams from all the professional disciplines across the Council as and when required.

12.2 The Council uses external advisors where necessary to complement the knowledge its own officers hold. Some of these advisors are contracted on long-term contracts or are appointed on an ad-hoc basis when necessary. The Council currently employs Link Asset Services as treasury management advisors and PWC as VAT advisors. This approach ensures the Council has access to specialist expertise when needed to support its staff, commensurate with its risk appetite.

12.3 Internal and external training is offered to members to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions taken by the Director of Finance.

13. CAPITAL STRATEGY ACTIONS

13.1 These are intended to align the Council's operations with the CFR and are listed in

Table 9 of the Capital Strategy Appendix 3. The Actions represent the programme for implementation of the Capital Strategy, which as a high-level document omits much operational detail in favour of a strategic overview of how the Council will manage and optimise its use of its capital assets.

Investment Strategy 2024-25

INVESTMENT STRATEGY

1. BACKGROUND:

The Council's investment activities cover three broad areas – treasury management investments, other financial investments such as loans and equity investments which are made to achieve service objectives, and non-financial investment assets such as property. Whilst the Council does not acquire properties purely for investment purposes, it does hold a number of property assets which generate rental income, some of which were acquired in order to stimulate economic growth within areas of the district and some of which were previously operational assets which are now surplus to operational requirements.

This strategy document sets out the Council's annual Investment Strategy as is required by the 3rd Edition of the Section 15 guidance on local government finance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 in 2018. It covers the budget year 2024-25 onwards. The overall objective of the strategy is to provide high-level guidance on acquiring and managing investments to improve the financial resilience of the Council, the income base for its services and to ensure that its financial assets are applied efficiently for the benefit, improvement or development of the area through the acquisition, retention and management of good quality investments and the granting of loans.

The 2011 Localism Act provides a general power of competence which permits local authorities to do anything they consider likely to promote or improve the economic, social and environmental well-being of their area. This means that the annual Investment Strategy closely links to the Council's Economic Strategy to deliver economic growth, tackle inequality and create change in the area that benefits everyone.

This Investment Strategy also provides an update for recent announcements. The former Ministry of Housing, Communities and Local Government (MHCLG) has determined that councils seeking to borrow from the PWLB can no longer incur capital expenditure primarily for yield at any point or from any source for a period of 3 years.

CIPFA published the revised Prudential and Treasury Codes in December 2021.

2. INVESTMENTS – DEFINITION

The section 15 guidance issued on 1 April defined investments as including both financial assets and commercial property, held primarily for yield.

The guidance was issued in part as a response to the increasing investment of Local Authorities in commercial property. As such, commercial property was specifically identified as falling within the terms of the guidance and this strategy.

Most of the Council's commercial property portfolio is historic, with just two additional investment acquisitions in recent times and none in 2022-23. At 1 April 2023, this investment property portfolio was valued at £51.3m (2022-23 unaudited statement of accounts), a small proportion of overall long-term assets of £1,091m.

The definition of an investment also covers loans made by the Council to one of its wholly owned companies, a joint venture, or to a third party. However, this strategy does not cover investments managed within the treasury management scheme of delegation. These are considered within the annual Treasury Management Strategy.

3. KEY STRATEGIC PRINCIPLES

This Investment Strategy sets objective criteria for any investment. These are listed below:

i. Is within the General Power of Competence (2011 Localism Act)
ii. Transparency and democratic accountability
iii. Contribution
iv. Use of indicators
v. Security, Liquidity and Yield
vi. Investment Limit

3.1 Transparency and democratic accountability:

The Council is required to prepare at least one annual Investment Strategy that contains the details specified in the 2018 guidance and is approved by full Council.

3.2 Contribution to Council's overall purposes:

Investments made by local authorities can currently be classified into one of two main categories:

- Investments held for treasury management purposes; and
- Other Investments, which are not held for treasury management purposes.

Investments held for treasury management purposes usually comprises short term lending to banks, financial institutions and other local authorities, when the Council has a cash surplus. These are managed within Treasury Management Strategy, so do not need to be considered within this Investment Strategy.

Other investments previously made by the Council are property investments and loans to third parties. Future decisions will be assessed on the contribution made, using the criteria set out below. A key measure of contribution will be the delivery of service provision, as set out in the General Power of Competence within the Localism Act: therefore. the supporting business case assessment should demonstrate that the investment forms part of a project in the Council's Plan or some other formal statement of the Council's strategic or policy aims.

The full criteria to measure contribution and make investment decisions (as included in the Capital Strategy is set out below:

Criteria A

i. A proven ability to promote economic development, service provision and regeneration within the District.

Criteria B

i. Risks associated with the investment
ii. The likelihood of being able to sell the investment in extremis
iii. The location of the investment, with preference being firstly within the District and secondly within the Leeds City Region
iv. The security of direct rental payments, with consideration given to the reliability of tenants
v. The income stream from the investment, current and potential
vi. The potential increase to the capital value of the investment
vii. The sector in which the investment is made, e.g. retail or warehouses
viii. The detailed business case for investment

i. Falls within the General Power of Competence (where an investment is classified as contributing to regeneration or local economic benefit)
ii. Yield
iii. Regeneration
iv. Economic benefit/business rates growth
v. Responding to local market failure
vi. Treasury management
vii. Invest to Save Schemes capacity to reduce costs or generate additional income from an asset (including a sensitivity analysis to test the robustness of the expected savings).

All business case proposals for property investments will be evaluated by the Project Appraisal Group, including using the key strategic principles and the contribution criteria.

As noted, the Council can no longer invest in commercial property primarily for yield. However, yield is important criteria where service provision can be financed, or partly financed by savings or income generation. This is also consistent with the Capital Strategy, which aims to encourage the identification of Invest to Save (or self-financing) schemes.

3.3 Investment indicators:
The Council proposes to adopt a system of quantitative indicators to guide and inform investment decisions relating to Other Investments. The Council initially adopted the indicators proposed within the Guidance. These indicators will be reported upon and reviewed.

The Council's proposed range of indicators (Section 7) will allow members and other interested parties to understand the total exposure from borrowing and investment decisions. They will cover both the Council's current position and the expected position assuming all planned investments for the following year are completed. They will not take account of Treasury Management investments which will continue to be reported within the Treasury Management report.

3.4 Security, Liquidity and Yield:
In this context, Security means protecting the capital sum invested from loss; and Liquidity means ensuring the funds invested are available for expenditure when needed. Yield is the expected return of the investment over its lifetime and can be expressed either in financial terms or as the achievement of policy or strategic aims.

In considering Other Investments, the balance between security, liquidity and yield will be considered as part of the business case, alongside the contribution the Other Investment can make to achieving policy objectives.

3.5 Investment Limit
The Council will from time to time set one or more Investment Limits and keep them under review. The Council will use prudential borrowing to fund Other Investments / strategic acquisitions. Currently interest rates remain at a low level and the rental income / Contribution from Other Investments should more than cover the associated debt costs, whilst also providing a net yield to support the Council's revenue budget. The Council can fix interest over the long-term which removes the risk of interest rate volatility.

Provision of £20 million has been included in the capital programme, phased across the programme and funded by prudential borrowing. Any new approved schemes for this budget will need to meet the new Prudential Code requirements. A small £0.7m budget is also included, as part of the Leeds City Region Revolving Investment Fund.

4. GOVERNANCE ARRANGEMENTS
The Council has set up an Investment Advisory Group to consider specific business cases in relation to investing in Other Investments / strategic acquisitions. The core group consists of:

- Leader of the Council – (Chair)
- Portfolio holder for Regeneration, Planning & Transportation
- A representative nominated by the Leader of the Conservatives
- A representative nominated by the Leader of the Liberal Democrat & Independent Group
- Strategic Director of Corporate Resources
- Strategic Director of Place
- Director of Finance / s151 Officer
- Assistant Director Estates & Property
- City Solicitor / Monitoring Officer

Other officers will attend as relevant to the specific business case.

5. RISK ASSESSMENT

Any capital expenditure falling within the definition of investment (but excluding Treasury Management) will be risk assessed as follows:

i. Whether, and if so, on what terms the Council uses external advisors as treasury management advisors, property investment advisors or any other relevant persons. In each case such engagements will be on the Council's standard terms and conditions unless there is an agreed exception, as is provided for under No. 20 of the Council's Contract Standing Orders.

ii. The outcome of any monitoring by the Council of the quality of advice provided by its external advisors.

iii. To what extent, if at all, any risk assessment is based on credit ratings issued by credit ratings agencies, and the reliability of such ratings given the current degree of engagement between the rating agency and the market under assessment.

iv. Where credit ratings are used, how frequently they are monitored and the procedures for taking action if credit ratings change.

v. What other sources of information are used to assess and monitor risk.

vi. Any specific property-related risks – covenant strength, lease period/s, condition, maintenance costs, etc.

Risk Assessment will be undertaken as part of business case considerations and regularly reviewed.

6. CAPACITY, SKILLS AND CULTURE

The Investment Strategy Guidance requires that Councillors and Officers involved in investment decisions need the appropriate capacity, skills and information to enable then to take an informed decision as to whether or not to enter into a specific investment. As part of this, the Council will procure specialist legal and financial support as required.

7. PRUDENTIAL INDICATORS

As noted above, the Council has a historic portfolio of investment property. This has been expanded with two investments in property, with the intention of making a profit that will be spent on local public services. These assets fall under the definition of Investment Properties in the CIPFA Accounting Code and are valued at fair value in the accounts in accordance with IFRS13. Fair value is when an asset is valued at its highest and best use.

Overall Return

	2022-23 **£m**
Rental income	-2.4
Service charges	-0.1
Repairs and Maintenance	0.4
Capital Financing costs & other	0.6
Total return	**-1.5**
Source 2022-23 Draft Statement of Accounts	

The value of the Council’s investment property as at 31 March 2023 was £51.3m, making a return of 3%. The historic investment property has been revalued upwards above its purchase cost, so taking this into account, the return would be higher. This means historic spend on investment property is supporting the current revenue estimates.

No new acquisitions were completed in 2022-23 and one of the recent investment acquisitions is no longer in this category due to a change in operational use. This asset is not included in current prudential indicators.

Debt to Net Service Expenditure (NSE) Ratio

This indicator measures the gross debt associated with the recent property investment as a percentage of the Council's net expenditure requirement, where the Net Expenditure Requirement is a proxy for the size and financial strength of a council.

	2022-23 Actual £000	2023-24 Estimate £000	2024-25 Estimate £000
Gross Debt	6,111	6,000	5,887
Net Service Expenditure	428,000	453,000	435,000
Debt to NSE Ratio	1.4%	1.3%	1.3%

The indicator shows the proposed debt level for the Council's recent investment. It shows that the debt ratio from investment in a property portfolio will be approximately less than 2% of the Council's net revenue budget if the investment in this property is funded solely from borrowing. There is no specific debt that can be identified against the Council's historic portfolio. No additional investments are assumed in the indicator at present, in the light of DLUCH guidance.

Income to NSE Ratio

This indicator measures the Council's dependence on the income from property investments to deliver core functions.

The income generated from all property investments will fund 0.4% of the Council's' net service expenditure but this reduced to 0.2% due to the planned property disposals. The Council's reliance on income from property investments is low.

	2022-23 Actual £000	2023-24 Estimate £000	2024-25 Estimate £000
Commercial Income	2,500	2,000	885
Net Service Expenditure	428,000	453,000	435,000
Commercial Income to NSE Ratio	0.6%	0.4%	0.2%

Investment Cover Ratio

This indicator measures the total net income from the recent property investment compared to interest expense.

	2022-23 Actual £000	2023-24 Estimate £000	2024-25 Estimate £000
Investment Cover Ratio	3.1	1.9	1.9

The indicator shows that net income is expected to be higher than the interest expense in future years.

Loan to Value Ratio

This indicator measures the amount of debt compared to the total asset value. In the period immediately after purchase it is normal for the directly attributable costs of purchasing commercial property investments to be greater than the realisable value of the asset (for example, because of non value adding costs such as stamp duty and fees). The Loan to value ration should gradually decrease, reflecting the assumption that property values will remain constant while borrowings will be repaid.

	2022-23 Actual £000	2023-24 Estimate £000	2024-25 Estimate £000
Loan to value Ratio	1.4	1.3	1.3

Target Income Returns

This indicator shows net revenue income compared to equity and is a measure of the achievement of the property portfolio.

	2022-23 Actual £000	2023-24 Estimate £000	2024-25 Estimate £000
Target Income Returns	7.3%	4.3%	4.3%

Gross and Net Income

The net income targets are included in the Council's financial projections. The achievement of target income streams will be managed as part of the Council's standard budget monitoring process. Targets are dependent upon further investments being made. The indicator shows the proposed income for the Council's recent investment.

	2022-23 Actual £000	2023-24 Estimate £000	2024-25 Estimate £000
Gross Income	552	368	368
Net Income	443	257	255

Operating Costs

Operating costs relate to the cost of the Council's internal Estate Management function in relation to managing assets acquired under the property investment strategy.

Additional operating costs may be incurred because of the purchase of investment properties. Any such costs will be factored into financial appraisals as part of the purchase assessment to ensure that target net rates of return are achieved. This indictor may therefore be revised if further investments are made.

	2023-24 Estimate £000	2024-25 Estimate £000	2025-26 Estimate £000
Operating Costs	400	400	400

Appendix 1

CS Ref	Scheme Description	2023-24 Budget Q3	Service change	Revised 2023-24 Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027 onwards	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care												
CS0237a	Saltaire Residential Care Home	2,051	0	2,051	4,500	4,961	1,657	0	0	4,033	9,136	13,169
CS0237c	Kghly Rd Residential Care Valley View	293	0	293	0	0	0	0	0	293	0	293
CS0373	BACES	848	0	848	750	750	0	0	0	0	2,348	2,348
CS0239	Community Capacity Grant	206	0	206	0	0	0	0	206	0	0	206
CS0311	Autism Innovation Capital Grant	31	0	31	0	0	0	0	31	0	0	31
CS0312	Integrated IT system	44	0	44	0	0	0	0	44	0	0	44
CS0532	Changing Places Toilets	514	0	514	0	0	0	0	212	0	302	514
CS0535	Beckfield Resource Centre	237	0	237	0	0	0	0	0	0	237	237
CS2000	DDA	81	0	81	80	10	0	0	0	0	171	171
CS0567	MH Crisis House	70	0	70	0	0	0	0	70	0	0	70
CS0570	Adults Technology Enabled Care	400	0	400	807	344	0	0	151		1,400	1,551
CS0546	Capital Items 23-24	0	63	63	0	0	0	0	0		63	63
Total - Adult Social Care		**4,775**	**63**	**4,838**	**6,137**	**6,065**	**1,657**	**0**	**714**	**4,326**	**13,657**	**18,697**
Children's Services		0										
CS0249	Schools DRF	1,500	0	1,500	0	0	0	0	1,500	0	0	1,500
CS0022	Devolved Formula Capital	568	0	568	0	0	0	0	568	0	0	568
CS0030	Capital Improvement Work	100	0	100	100	100	0	0	300	0	0	300
CS0240	Capital Maintenance Grant	6,239	0	6,239	2,500	0	0	0	8,739	0	0	8,739
CS0244a	Primary Schools Expansion Programme	342	0	342	0	0	0	0	342	0	0	342
CS0244b	Silsden School	1,900	0	1,900	0	0	0	0	1,900	0	0	1,900
CS0362	Secondary School Expansion	371	0	371	1,000	0	0	0	1,371	0	0	1,371

CS Ref	Scheme Description	2023-24 Budget Q3	Service change	Revised 2023-24 Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027 onwards	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0244c	SEN School Expansions	4,000	0	4,000	4,000	6,000	1,900	0	15,900	0	0	15,900
CS0550	SEND Expansion Capital Works	4	0	4	3,990	0	0	0	0	0	3,994	3,994
CS0531	Bingley Grammar Expansion	1,500	0	1,500	3,700	4,000	2,000	0	11,200	0	0	11,200
CS0421	Healthy Pupil Capital Grant	32	0	32	0	0	0	0	32	0	0	32
CS0436	Children's Homes	17	0	17	0	0	0	0	0	0	17	17
CS0488	Digital Strategy	80	0	80	100	0	0	0	0	0	180	180
CS0500	TFD	13	0	13	0	0	0	0	0	0	13	13
CS0338	Ingleborough Hall	81	0	81	0	0	0	0	0	0	81	81
CS0568	Children's Residential Care	1,900	0	1,900	401	0	0	0	0	0	2,301	2,301
CS0559	Connect the Classroom	1,235	578	1,813	0	0	0	0	1,813	0	0	1,813
CS0580	Resilient Schools Project Funding	0	0	0	0	0	0	0	0	0	0	0
CS0364	Capital Items 23-24	0	34	34	0	0	0	0	0	0	34	34
Total - Children's Services		**19,882**	**612**	**20,494**	**15,791**	**10,100**	**3,900**	**0**	**43,665**	**0**	**6,620**	**50,285**
Place - Economy & Development Services												
CS0136	Disabled Housing Facilities Grant	5,900	0	5,900	7,097	4,058	4,058	0	8,902	0	12,211	21,113
CS0137	Development of Equity Loans	770	0	770	700	700	0	0	0	0	2,170	2,170
CS0144	Empty Private Sector Homes Strat	498	0	498	1,000	1,000	1,000	1,000	498	0	4,000	4,498
CS0299	CPO Monies to be held	0	0	0	0	0	0	0	0	0	0	0
CS0496	Towns Fund Keighley & Shipley	68	0	68	0	0	0	0	68	0	0	68
CS0527	Towns Fund Keighley Phase 2	8,234	0	8,234	12,745	11,519	0	0	32,498	0	0	32,498
CS0526	Towns Fund Shipley Phase 2	4,905	0	4,905	9,597	9,598	0	0	24,100	0	0	24,100
CS0577	UKSPF hyper-local programme	309	248	557	1,350	0	0	0	1,907	0	0	1,907
CS0084	City Park	192	0	192	0	0	0	0	0	0	192	192
CS0085	City Centre Growth Zone	350	-350	0	0	0	0	0	0	0	0	0
CS0291	One City Park	15,531	0	15,531	2,902	0	0	0	3,294	15,134	5	18,433

CS Ref	Scheme Description	2023-24 Budget Q3	Service change	Revised 2023-24 Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027 onwards	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0408	City Village - stage one	750	0	750	0	0	0	0	500	0	250	750
CS0228	Canal Road	100	0	100	0	0	0	0	0	0	100	100
CS0266	Superconnected Cities	200	0	200	429	0	0	0	0	0	629	629
CS0265	LCR Regional Invest Fund	0	0	0	658	0	0	0	0	0	658	658
CS0107	Markets	21	0	21	0	0	0	0	0	0	21	21
CS0363	Markets - City Centre	14,753	0	14,753	325	0	0	0	1,926	0	13,152	15,078
CS0411	Parry Lane	21	0	21	0	0	0	0	0	0	21	21
CS0579	Capital Items 23-24	0	183	183	0	0	0	0	0	0	183	183
Total - Place - Economy & Development Services		**52,602**	**81**	**52,683**	**36,803**	**26,875**	**5,058**	**1,000**	**73,693**	**15,134**	**33,592**	**122,419**
Place - Planning, Transportation & Highways												
CS0178	Ilkley Moor	13	0	13	0	0	0	0	13	0	0	13
CS0285	Blight Sites - Manningham Manor House	450	0	450	0	0	0	0	0	0	450	450
CS0071	Highways S106 Projects	199	0	199	0	0	0	0	199	0	0	199
CS0372	Countryside S106 Projects	264	0	264	0	0	0	0	264	0	0	264
CS0450	CILS Parish / Town Councils	227	0	227	0	0	0	0	227	0	0	227
CS0563	CILS Highways	484	0	484	0	0	0	0	484	0	0	484
CS0099	Integrated Transport	0	0	0	0	0	0	0	0	0	0	0
CS0172	Saltaire R/bout Cong& Safety Works	4	0	4	0	0	0	0	4	0	0	4
CS0293	West Yorks & York Transport Fund	1,509	0	1,509	12,937	0	0	89,897	104,343	0	0	104,343
CS0396	WYTF Corr Imp Projects	4,879	0	4,879	2,100	2,000	943	0	9,922	0	0	9,922
CS0512	Bradford Beck	1,441	-1,371	70	0	0	0	0	0	0	70	70
CS0306a	Strategic Transport Infrastructure Priorities	1,188	0	1,188	0	0	0	0	223	0	965	1,188
CS0323	Flood Risk Mgmt	71	0	71	0	0	0	0	71	0	0	71
CS0386	Cycling & Walking Schemes LTP3	0	0	0	0	0	0	0	0	0	0	0
CS0398	Bfd City Ctre Townscape Heritage (grants)	592	0	592	1,613	0	0	0	2,205	0	0	2,205

CS Ref	Scheme Description	2023-24 Budget Q3	Service change	Revised 2023-24 Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027 onwards	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0398b	Top of Town Public Realm	1,037	0	1,037	0	0	0	0	0	0	1,037	1,037
CS0430	Hwys Maintenance Fund Oct18	97	0	97	0	0	0	0	97	0	0	97
CS0432	Steeton/Silsden Crossing	7	0	7	0	0	0	0	7	0	0	7
CS0434	Smart Street Lighting	20,710	0	20,710	5,261	2,933	0	0	0	28,904	0	28,904
CS0455	IP4 projects	511	0	511	0	0	0	0	511	0	0	511
CS0464	Ben Rhydding Railway Station Car Park	0	0	0	1,042	750	259	0	2,051	0	0	2,051
CS0467	Transforming Cities Fund (TCF)	8,120	0	8,120	0	0	0	0	6,882	0	1,238	8,120
CS0469	IP4 Safer Roads 20-21	0	0	0	0	0	0	0	0	0	0	0
CS0470	IP4 Safer Roads 21-22	601	0	601	0	0	0	0	601	0	0	601
CS0529	Safer Rds 22-23	1,652	0	1,652	1,164	1,164	1,164	0	5,144	0	0	5,144
CS0562	CRSTS - Safer Roads 23/24	1,232	0	1,232	0	0	0	0	1,232	0	0	1,232
CS0483	Motorcycle Parking	40	0	40	0	0	0	0	40	0	0	40
CS0486	Active Travel Fund Programme	861	0	861	0	0	0	0	861	0	0	861
CS0502	Corridor Improvement Prog (CIP2)	75	0	75	0	0	0	0	75	0	0	75
CS0477	CCTV Infrastructure	485	0	485	0	0	0	0	0	0	485	485
CS0533	UTMC – CRSTS Traffic Mgmt System	0	0	0	1,150	1,150	1,150	0	3,450	0	0	3,450
CS0539	Traffic Management	230	0	230	0	0	0	0	0	230	0	230
CS0542	UTMC – CRSTS Traffic Mgmt System22-23	12,423	0	12,423	10,657	10,657	10,657	0	44,394	0	0	44,394
CS0555	Moorland Restoration for Climate Emergency	250	0	250	150	0	0	0	200	0	200	400
CS0556	CRSTS - Kings Rd & Wakefield Rd	684	0	684	0	0	0	0	684	0	0	684
CS0575	City Centre Ducting	450	0	450	450	0	0	0	0	0	900	900
Total Place - Planning, Transportation & Highways		**60,786**	**-1,371**	**59,415**	**36,524**	**18,654**	**14,173**	**89,897**	**184,184**	**29,134**	**5,345**	**218,663**

CS Ref	Scheme Description	2023-24 Budget Q3	Service change	Revised 2023-24 Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027 onwards	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Dept of Place - Clean Air Zone												
CS0471	Clean Air Zone	8,225	0	8,225	3,080	2,265	0	0	13,570	0	0	13,570
Total Place - Clean Air Zone		**8,225**	**0**	**8,225**	**3,080**	**2,265**	**0**	**0**	**13,570**	**0**	**0**	**13,570**
Dept of Place - Waste, Fleet & Transport		0										
CS0060	Replacement of Vehicles	2,500	0	2,500	1,541	0	0	0	0	4,041	0	4,041
CS0517	Electric vehicles	520	0	520	355	18	0	0	0	197	696	893
CS0435	Sugden End Landfill Site	22	0	22	0	0	0	0	0	0	22	22
CS0359	Community Resilience Grant	3	0	3	0	0	0	0	3	0	0	3
CS0497	Climate Change Initiatives – Vehicles	105	0	105	0	0	0	0	105	0	0	105
CS0503	Environmental Delivery Works	22	0	22	0	0	0	0	0	0	22	22
Total Place - Waste, Fleet & Transport		**3,172**	**0**	**3,172**	**1,896**	**18**	**0**	**0**	**108**	**4,238**	**740**	**5,086**
Dept of Place - Sports & Culture												
CS0487	Alhambra Theatre Lift	2	0	2	0	0	0	0	0	0	2	2
CS0162	Capital Projects - Recreation	105	0	105	0	0	0	0	105	0	0	105
CS0530	LDP (Active Bradford)	358	0	358	50	0	0	0	408	0	0	408
CS0004	S106 Recreation	50	0	50	0	0	0	0	50	0	0	50
CS0501	Parks Development Fund	275	0	275	0	0	0	0	275	0	0	275
CS0404	SPIP Phase 1	1,715	0	1,715	0	0	0	0	1,683	0	32	1,715
CS0576	SPIP - Phase 2	625	0	625	11,000	0	0	0	7,125	0	4,500	11,625

CS Ref	Scheme Description	2023-24 Budget Q3	Service change	Revised 2023-24 Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027 onwards	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0537	Silsden Park Section 106 Projects	224	0	224	0	0	0	0	224	0	0	224
CS0489	Playable Spaces	537	0	537	1,500	1,337	1,081	0	1,035	0	3,420	4,455
CS0541	Levelling Up Parks – Grosvenor Park	85	0	85	0	0	0	0	85	0	0	85
CS0543	Corn Mill Green Improvements, Steeton	49	0	49	0	0	0	0	49	0	0	49
CS0549	Allerton Cricket Clubhouse	0	0	0	0	0	0	0	0	0	0	0
CS0560	Marley Tip Top Land Slip	500	0	500	1,000	500	0	0	0	0	2,000	2,000
CS0564	Bolton Woods Play equipment	27	0	27	0	0	0	0	27	0	0	27
CS0403	Bereavement Strategy	7,481	0	7,481	8,000	1,055	0	0	0	7,000	9,536	16,536
CS0552	New Cemetery Extension	2,565	0	2,565	1,000	800	0	0	0	0	4,365	4,365
CS0508	Theatres Website	45	0	45	0	0	0	0	45	0	0	45
CS0245	Doe Park	27	0	27	0	0	0	0	27	0	0	27
CS0461	Shipley Gym extension & equipment	51	0	51	0	0	0	0	0	0	51	51
CS0572	Gym Equipment Keighley & Sedbergh	300	0	300	0	0	0	0	300	0	0	300
CS0356	Sedbergh SFIP	46	0	46	0	0	0	0	0	0	46	46
CS0354	Squire Lane	1,000	0	1,000	17,437	12,866	0	0	16,403	0	14,900	31,303
CS0498	Libraries IT Infrastructure	165	0	165	0	0	0	0	0	60	105	165
CS0519	CILS Libraries	191	0	191	0	0	0	0	191	0	0	191
CS0509	Libraries (Equipment/Shelving)	21	0	21	0	0	0	0	21	0	0	21
CS0534	Libraries as Locality Hubs (LIF)	222	0	222	0	0	0	0	222	0	0	222
CS0571	Victoria Hall Seating	140	0	140	0	0	0	0	0	0	140	140
CS0545	Capital Items 23-24 – Sport	0	13	13	0	0	0	0	0	0	13	13
CS0578	Capital Items 23-24 - Libraries	0	75	75	0	0	0	0	0	0	75	75
Total Place - Sports & Culture		**16,806**	**88**	**16,894**	**39,987**	**16,558**	**1,081**	**0**	**28,275**	**7,060**	**39,185**	**74,520**

CS Ref	Scheme Description	2023-24 Budget Q3	Service change	Revised 2023-24 Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027 onwards	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corp Resources - Estates & Property Services												
CS0333	Argus Chambers / Britannia Hse	150	0	150	0	0	0	0	0	0	150	150
CS0511	Property Programme 21-22	292	0	292	0	0	0	0	0	0	292	292
CS0528	Property Programme 22-23	2,381	0	2,381	0	0	0	0	0	0	2,381	2,381
CS0554	Property Programme 23-24	2,000	0	2,000	2,000	0	0	0	0	0	4,000	4,000
CS0460	Mitre Court CPU Property & Equip	0	0	0	0	0	0	0	0	0	0	0
CS0230	Beechgrove Allotments	0	0	0	0	148	0	0	148	0	0	148
CS0565	CILS-Allotments Refurbishment	150	0	150	0	0	0	0	150	0	0	150
CS0476	Carbon and Other Mngmt Efficiencies P2	780	0	780	500	750	0	0	0	0	2,030	2,030
CS0420	Electric vehicle charging Infr (Taxi Scheme)	56	0	56	0	0	0	0	56	0	0	56
CS0495	Bradford LAD Scheme	1,835	0	1,835	0	0	0	0	1,835	0	0	1,835
CS0381	Godwin St	18,000	0	18,000	4,986	2,000	0	0	0	6,986	18,000	24,986
CS0409	Coroner's Court and Accommodation	350	-220	130	0	0	0	0	0	0	130	130
CS0520	Regeneration Opportunity	534	0	534	5,500	4,000	2,000	0	0	0	12,034	12,034
CS0408	City Village	0	0	0	74	0	0	0	0	0	74	74
CS0573	Newhall Park – BHT site	127	0	127	0	0	0	0	0	0	127	127
CS0522	Children's Homes Capital Works	121	0	121	0	0	0	0	0	0	121	121
CS0525	Baildon Library	929	0	929	0	0	0	0	929	0	0	929
CS0445	Core IT Infrastructure	3,867	0	3,867	2,360	0	0	0	0	0	6,227	6,227
CS0551	Future Security Strategy	965	0	965	0	0	0	0	100	0	865	965
CS0378	Customer Services Strategy	50	0	50	0	0	0	0	0	0	50	50
CS0544	Capital Items 23-24	0	134	134	0	0	0	0	0	0	134	134
Total Corp Resources – Estates & Property Services		**32,587**	**-86**	**32,501**	**15,420**	**6,898**	**2,000**	**0**	**3,218**	**6,986**	**46,615**	**56,819**

CS Ref	Scheme Description	2023-24 Budget Q3	Service change	Revised 2023-24 Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027 onwards	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reserve Schemes & Contingencies												
CS0395z	General Contingency	235	0	235	1,000	1,000	0	0	0	0	2,235	2,235
CS0397z	Property Programme	0	0	0	2,000	4,000	2,000	0	0	0	8,000	8,000
CS0399z	Strategic Acquisition	0	0	0	5,000	5,000	10,000	0	0	20,000	0	20,000
CS0400z	Keighley One Public Sector Est	0	0	0	200	400	400	0	0	1,000	0	1,000
CS0576z	Sports Pitches	0	0	0	0	2,000	6,990	3,627	10,142	589	1,886	12,617
CS0405z	City Hall	500	0	500	3,000	3,500	500	0	0	3,750	3,750	7,500
CS0408z	City Village Stage 2	0	0	0	1,925	0	0	0	0	0	1,925	1,925
CS0060z	Vehicles	0	0	0	3,000	0	0	0	0	3,000	0	3,000
CS0060zb	Electric vehicles/ street cleansing	0	0	0	323	0	0	0	0	323	0	323
CS0472z	District Heating	0	0	0	750	750	0	0			1,500	1,500
CS0473z	Renewable Energy (Solar Farm)	0	0	0	3,000	2,000	0	0	2,000	3,000	0	5,000
CS0474z	Transforming cities fund	13,737	0	13,737	44,090	9,444	0	0	67,271	0	0	67,271
CS0484z	New Reserve	2,000	0	2,000	0	0	0	0	0	0	2,000	2,000
	2021-22 Schemes											
CS0244z	SEND	0	0	0	1,500	500	0	0	0	0	2,000	2,000
	2022-23 Schemes											
CS0060w	Vehicles	0	0	0	0	3,000	0	0	0	3,000	0	3,000
CS0395w	Contingency	0	0	0	1,000	0	0	0	0	0	1,000	1,000
CS0538w	Energy efficiency	250	0	250	500	500	500	250	0	0	2,000	2,000
	2023-24 Schemes											
CS0395f	Children's Residential Care	0	0	0	2,899	0	0	0	0	0	2,899	2,899
CS0395i	Inflation Contingency	350	0	350	5,000	0	0	0	0	0	5,350	5,350
CS0395j	Area office accommodation	800	-800	0	0	0	0	0	0	0	0	0
CS0395m	Bereavement Strategy – Phase 2	0	0	0	1,620	0	0	0	0	0	1,620	1,620
CS0445f	IT Programme	0	0	0	0	0	2,000	0	0	0	2,000	2,000
CS0060f	Vehicles	0	0	0	0	0	3,000	0	0	3,000	0	3,000
CS0397f	Property Programme	0	0	0	0	0	4,000	0	0	0	4,000	4,000

CS Ref	Scheme Description	2023-24 Budget Q3	Service change	Revised 2023-24 Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027 onwards	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0395g	Contingency	0	0	0	0	0	1,000	0	0	0	1,000	1,000
CS0566g	City of Culture	1,000	0	1,000	1,500	500	0	0	3,000	0	0	3,000
CS0574z	New Towns Fund Keighley	0	0	0	500	1,500	1,500	6,500	10,000	0	0	10,000
	2024-25 Schemes											
CS0395h	Contingency	0	0	0	0	0	0	1,000	0	0	1,000	1,000
CS0445g	IT Programme	0	0	0	0	0	0	2,000	0	0	2,000	2,000
Total - Reserve Schemes & Contingencies		**18,872**	**-800**	**18,072**	**82,007**	**34,294**	**31,890**	**13,377**	**92,413**	**37,662**	**46,165**	**176,240**
TOTAL - General Fund		**217,707**	**-1,413**	**216,294**	**237,445**	**121,727**	**59,759**	**104,274**	**439,840**	**104,540**	**191,919**	**736,299**

CS Ref		Scheme Description	2023-24 Budget Q3	Service change	Revised 2023-24 Budget	2024-25 Budget	2025-26 Budget	2026-27 Budget	2027 onwards	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Budget Total
Housing Revenue Account (HRA)		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
CS0308	Affordable Housing Program 2015-18	0	0	0	0	0	0	0	0	0	0	0	
CS0407	Property Acquisition – Local Authority Housing Fund (LAHF)	1,580	0	1,580	4,471	0	0	0	4,931	1,120	0	6,051	
CS0558	HRA Disabled Adaptations	160	0	160	40	20	0	0	0	220	0	220	
Total - Housing Revenue Account (HRA)		**1,802**	**0**	**1,802**	**4,511**	**20**	**0**	**0**	**4,931**	**1,340**	**62**	**6,333**	
Reserve Schemes & Contingencies													
CS0407z	Affordable Housing	1,000	0	1,000	10,000	10,000	8,224	0	14,430	14,794	0	29,224	
TOTAL - HRA		**2,802**	**0**	**2,802**	**14,511**	**10,020**	**8,224**	**0**	**19,361**	**16,134**	**62**	**35,557**	
TOTAL - All Services		**220,509**	**-1,413**	**219,096**	**248,956**	**131,547**	**67,983**	**104,274**	**459,201**	**120,674**	**191,981**	**771,856**	

Appendix 2: Minimum Revenue Policy 2024-25

1.1 The Local Government Act 2003 requires the Council to make a provision for the repayment of borrowing used to finance its capital expenditure, known as the Minimum Revenue Provision (MRP).

1.2 The MRP is the amount of principal capital repayment that is set aside each year in order to repay the Capital Financing Requirement (CFR) based on the requirement of statutory regulation and the Council's own accounting policies.

1.3 DLUHC regulations require full Council to approve an MRP statement in advance of each year. The Policy may be revised during the year by full Council, or the appropriate body of Members where required.

1.4 The regulations allow the Council to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy will be kept under regular review to ensure that the annual provision is prudent.

1.5 The method for calculating the MRP on each category of debt is outlined below:

a) For supported borrowing MRP will be calculated using an Asset Life annuity basis on the annuity asset life method over the remaining 36 years. This is more prudent than other available methods.

b) Unsupported or prudential borrowing MRP is based on the Asset Life method – that is, the expenditure financed from borrowing is divided by the expected asset life. From 1 April 2022 the MRP is calculated on the annuity basis.

c) Since 2009-10 the appropriate financing costs for the Council's Building Schools for the Future (BSF) Private Finance Initiative (PFI) schemes have been included in MRP calculations. In 2018-19 the MRP policy for PFI assets was brought into line with the main MRP Policy and the charge of the principal to the revenue account is now over the life of the school building assets. As per the main borrowing from the 1 April 2022 this is on an annuity asset life basis.

d) Finance lease MRP is equal to the principal repayment.

e) There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

f) Asset lives are reviewed on an ongoing basis to match the MRP charge to the Revenue Estimates with the service benefit derived from the asset. The Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

g) MRP will generally commence in the financial year following the one in which the expenditure was incurred. However, for long life assets, the authority will postpone the commencement of MRP until the financial year following the one in which the asset becomes operational.

h) MRP overpayments – DLUHC MRP Guidance makes allowance for any charges made over the statutory MRP, VRP or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. For these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. There are no plans for VRP to be made in 2024-25. However, VRP will be kept under review, and should it be deemed prudent to make any VRP this will be the decision of the S.151 Officer and reported to Executive and Governance & Audit Committee at the next available opportunity.

i) Where capital expenditure involves repayable loans to third parties no MRP is charged where the principal element of the loan is being repaid in annual instalments. The capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP. Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

APPENDIX 3: CAPITAL STRATEGY TABLES

Table (i)

Asset Balance Sheet values as at 31 March 2023

Category	Value as at 31 March 2023 £'000
Council Dwellings	34,723
Land & Buildings	540,567
Vehicles, Plant, Furniture & Equipment	28,334
Infrastructure	281,315
Community Assets	56,027
Surplus Assets	16,453
Assets Under Construction	42,500
Heritage Assets	38,986
Investment Property	51,341
Intangible Assets	295
Assets held for sale	593
Total	**1,091,134**

Source: Draft Statement of Accounts 2022-23

Table (ii)

Capital Investment Plan 2024-25

	2023-24	2024-25	2025-26	2026-27 onwards	2027-28 onwards	Total
Funding:	£m	£m	£m	£m	£m	£m
Grants	107.6	144.9	86.5	52.1	65.3	456.4
Miscellaneous	2.5	-	-	-	-	2.5
Borrowing	109	104	45	16	39	313
Capitalisation Direction - borrowing	80	122	88.1	72.9	36.5	399.5
Capitalisation Direction – capital receipts	-	18	18	15	15	66
Total Spend:	**299.1**	**388.9**	**237.6**	**156.0**	**155.8**	**1,237.4**

Table (iii)

Split of Invest to Save Borrowing

	2023-24	2024-25	2025-26	2026-27	2027-28 onwards	Total
Funding:	£m	£m	£m	£m	£m	£m
Borrowing: Invest to Save	28	39	20	11	23	121
Borrowing: Other	81	65	25	5	16	192
Capitalisation Direction	80	122	88.1	72.9	36.5	399.5
Total borrowing estimate	**189**	**226**	**133.1**	**88.9**	**75.5**	**712.5**

Table (iv)

Capital financing costs

	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
MRP, excluding PFI**	17.8	22.4	25.1	27.0	27.3
MRP PFI, finance lease	3.3	3.3	3.4	3.4	3.5
Old West Yorkshire Waste debt	0.1	0.1	0.1	0.1	0.1
Interest on external borrowing	22.4	28.4	28.7	28.8	28.6
Interest on PFI	15.3	14.6	14.0	13.2	12.4
Premium on debt repayment	0.3	0.3	0.3	0.3	0.3
Capitalisation Direction (MRP / Interest) *	-	3.7	12.7	19.3	23.9
Total Capital Financing Costs	**59.2**	**72.8**	**84.3**	**92.1**	**96.1**
Projected Net Revenue Stream	453	435	459	492	513
Ratio to Net Revenue Stream	**13.1%**	**16.8%**	**18.4%**	**18.7%**	**18.7%**

*2024-25 onwards - Year of EFS includes half year interest, years afterwards include MRP and interest over a 20-year timeframe

**2024-25 onwards includes MRP on 2023-24 £80m EFS

Table (v):

Capital Financing Requirement 31 March 2023

Balance Sheet	31/03/2023 £m
Capital financing Requirement	**769**
Private finance Initiative & Leasing	-139
External Borrowing	-465
Underlying Borrowing Requirement	**165**
Investments Held	-65
Earmarked Reserves	98
General Fund Balance	73
Capital Grants Unapplied	59
Provisions/Collection Fund	12
Working capital (deficit) / surplus	-12
Under-Borrowing	**165**
Source 2022-23 Draft Statement of Accounts	

Table vi:

Projected increase in Capital Financing Requirement

	2022-23 Actual £m	**2023-24 Estimate £m**	**2024-25 Estimate £m**	**2025-26 Estimate £m**	**2026-27 Estimate £m**	**2027-28 Estimate £m**
Opening Capital Financing Requirement	**712**	**769**	**937**	**1,138**	**1,239**	**1,291**
Increase in borrowing - CIP	77	109	104	45	16	39
Increase in borrowing – capitalisation direction	-	80	122	88	73	36
Less MRP and other financing movements CIP	-20	-21	-23	-26	-28	-29
Less MRP EFS	-	-	-2	-6	-9	-11
Closing Capital Financing Requirement	**769**	**937**	**1,138**	**1,239**	**1,291**	**1,326**

Table vii:

External debt indicators

Operational boundary

	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
Total	**860**	**1,140**	**1,250**	**1,300**	**1,330**

Authorised limit

	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
Total	**880**	**1,160**	**1,270**	**1,320**	**1,350**

Table viii:

Capital Strategy indicators

Measure	Current Position	Potential Position
Total Borrowing related to long term assets	As at 31-03-2023 £465m total borrowing is 42.6% of long terms assets of £1,091m.	CIP2023-24 to 2027-28 has £192m of Corporate Borrowing and £121m of Invest to Save (self-financing borrowing), totalling an assumed increase of £313m in borrowing to £778m. Assuming this increases long term assets also by £313m to £1,404m, this is 55.4% of long-term assets. Due to additional capitalisation direction there will also be an increase in borrowing of £398m.This will not increase long term assets. If included in total borrowing this is 77.7% of long-term assets.
Total Borrowing costs as a percentage of net budget	For 2022-23 borrowing costs of £48m plus Invest to Save borrowing costs of £6.4m, totalling £54.4m are 12.6% of net budget.	At 2023-24 borrowing costs of £54.2 plus invest to save of £5.0m total £59.2m. 13.1% of the net revenue budget.

Table ix

Capital Strategy Actions

NUMBER	ISSUE	ACTION
1.	Management of the Balance Sheet	A balance sheet projection and analysis is included in the Council's quarterly monitoring reports to Executive and Council. The purpose of this is to monitor the Council's assets and liabilities going forward and report on any increase in liabilities. Further, it would develop the reporting of potential financial risks to the Council in relation to the Capital Investment Plan and other expenditure.
2.	Loans to External Organisations	i. A responsible officer is assigned to monitor all outstanding loans to external organisations and assess on a quarterly basis any risk of non-payment. ii. The rate of interest on loans to external organisations will reflect the level of risk and liquidity of them. Where additional loans are considered, the rate of interest may be above the rate at which the Council can borrow from the Public Works Loan Board. The Capital Strategy proposes that a more detailed policy is drawn up. iii. Loans for regeneration and local growth purposes may be granted at discounted rates (soft loans). Indicators on proportionality and total level of loans by type will be developed by the responsible officer. iv. The responsible officer will also maintain a central list of financial guarantees provided to external organisations. v. The purpose is to ensure that the Council's long-term debts are fully repaid, or any future difficulties are anticipated so mitigating action can be taken. Any loans given to an external organisation used for capital expenditure increase the Council's Capital Financing Requirement. If it looks likely that the loan will not be repaid, additional capital financing costs will be a cost pressure within the revenue estimates.

3.	Forecasts of spend against the Capital Investment Plan	i. Responsible finance officers will arrange departmental meetings to provide accurate capital forecasting of the 2024-25 Capital Investment Plan. As part of this to develop the Council's shared understanding of the critical paths of the capital schemes. ii. The Treasury Management Officer will monitor current interest rates and expectations of future rate increases on a daily basis. iii. The Treasury Management Officer will develop options to contractually borrow in the future at current interest rates. iv. A responsible officer will calculate the sensitivity of Invest to Save schemes to interest rate increases. v. The overall purpose is to enable the Council to take out borrowing at the most optimal time. Accurate forecasting will help the Council understand when borrowing will be required. vi. The purpose of the option to contractually borrow in the future at current interest rates would reduce the risk of interest rates rising. An interest rate rise would increase capital financing costs. Further the calculations for the Invest to Save schemes, embody assumptions about interest rates which may be incorrect.
4.	Investigate borrowing with annuity loans	i. The Treasury Management Officer and Business Advisor Capital will assess the optimal use of annuity loans compared to repayment at maturity loans. ii. The Treasury Management Officer and Business Advisor Capital also consider whether equal instalment of principal loans would be appropriate. iii. The purpose is to take out borrowing in a way which minimises the Council's costs. Repayment at maturity loans require the Council to repay the loan principal at the end of the period of the loan and pay annual interest on the outstanding amount.

		Annuity loans require the Council to make a uniform payment each year over the whole term of the loan. This method of repayment would align more closely with how capital financing costs are charged in practice to the Revenue Estimates. Such alignment could help the Council manage its cash flow, reducing overall capital financing costs. Annuity loans may be more appropriate where there is an expectation that the size of the Capital Investment Plan reduces in future years. iv. Equal instalments of principal loans require that an equal amount of the principal is repaid each year. The purpose of investigating this option is to ascertain whether this would reduce capital financing costs and improve cash flow.
5.	Review lease arrangements that involve an asset to determine if a purchase arrangement would be more cost effective	i. A responsible officer to review lease arrangements to determine if it would more cost effective to buy any assets outright. ii. The purpose is to ensure that lease arrangements are as cost effective as possible. Further the purpose is to prepare for a likely change in accounting rules which may increase the Council's capital financing costs arising from lease arrangements.
6.	Project Appraisal Group (PAG)	i. Any new proposals which are not funded from capital grants or receipts from the sale of land / buildings would have to be: either financed directly from the Revenue Estimates and vired from another capital scheme. ii. The quarterly monitoring of capital spend will be reported to Project Appraisal Group. As part of the Capital Strategy's aim to continually align the Capital Investment Plan with Council strategies, budget challenge sessions will be conducted with senior officers and Councillors.

		iii. Post completion statements for schemes costing in excess of £10m will be brought to Project Appraisal Group to appraise value for money and achievement against the Council Plan. As part of this, a revised process for evaluating benefits will be developed during 2024-25 by the Business Advisor Capital. iv. Project Appraisal Group will determine whether there are opportunities to share expertise in accessing capital grants across the Council. v. The schemes in the 2024-25 Capital Investment are formerly linked for reporting purposes to the Council's strategies. Capital Financing Costs are modelled over the asset life as standard, under the guidance of the Business Advisor Capital. vi. The purpose is to minimise the Council's requirement for borrowing and to streamline the Project Appraisal Group.
7.	Risk Reporting	i. A responsible officer will be assigned to develop the reporting and escalation of risks arising from the Capital Investment Plan and monitoring of balance sheet liabilities. This would involve the Project Appraisal Group, the Section 151 Officer and to align with the Corporate Risk Register as appropriate. ii. The Council's risk appetite is low. This is consistent with the CIPFA Treasury Management Code of Practice which stipulates that investments are prioritised according to security, liquidity and yield, in that order of importance. Subject to careful due diligence, the Council will consider a moderately higher level of risk for capital schemes which meet an important objective in the Council plan and generate significant non-financial benefits for the District.

		iii. A specific risk as a VAT registered body is the recovery of exempt VAT only up to a value of 5% of all the VAT it incurs. This is known as the de-minimis limit. Monitoring and control of exempt input tax is essential for the Council as where exempt input tax exceeds the 5% limit the whole amount is irrecoverable and will represent an additional cost to the Council. Each capital investment will be closely reviewed to assess its VAT implications. iv. Inflation risk will be managed through close contract management. Further the Capital Investment Plan includes £1m annual contingency, plus an additional £5m for 2024-25. There is an additional risk contingency for the capital financing costs in the revenue estimates. v. The purpose is to ensure that risks are monitored and escalated appropriately.