City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of Executive to be held on 16 February 2021

DG

Subject:

Capital Investment Plan 2021-22 to 2024-25

Summary statement:

Section A of this report presents the Council's Capital investment Plan 2021-22 to 2024-25.

Section B presents an updated Capital Strategy for 2021-22. This strategy underpins the spending proposals within the Capital Investment Plan.

Section C presents the Investment Strategy for 2021-22. This provides an update to the Investment Strategy, with particular reference to recent Government announcements.

Chris Chapman
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Portfolio:

Corporate

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Overview & Scrutiny Area:

Corporate

1. SUMMARY

1.1 This report proposes the Council's Capital Investment Plan (CIP) from 2021-22 to 2024-25. The report also includes for 2021-22: The Capital Strategy (Section B) and the Investment Strategy (Section C).

1.2 This report is part of the overall 2021-22 budget proposal for the Council which also includes:

- The Council's Revenue Estimates for 2021-22 (Document DE)
- Allocation of the Schools Budget 2021-22 Financial Year (Document DH)
- Section 151 Officer's Assessment of the proposed budgets (Document DI)

2. OVERVIEW

2.1 **SECTION A** of this report outlines the 2021-22 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 2021-22 Capital Strategy. This includes:

- Guiding Principles
- Governance Framework for Capital Decisions
- Capital Resources to support Capital Expenditure
- 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 2021-22 Investment Strategy.

SECTION A: CAPITAL INVESTMENT PLAN 2021-22

3. CAPITAL INVESTMENT PLAN - BACKGROUND

3.1 The Capital Investment Plan (CIP) is the Council's budget for expenditure on long-term infrastructure items, such as buildings and vehicles. These items are one-off, so need to provide value to the Council across a number of 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 sports centre, can also stretch across a number of financial years. For these reasons the CIP budget is presented as a rolling programme across a number of 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); funding provided by the Revenue Estimates (Direct Revenue Financing); funding from reserves, including the Major Repairs Reserve in the case of the Housing Revenue Account 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 what are called 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.

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 rent 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.

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 2021-22 CIP is the quarter 3 monitoring position for the 2020-21 CIP. This is shown in Table 1 below:

Table 1: Quarter 3 Capital Investment Plan

	Q2 Re profiled Budget 2020-21	Changes	Re profile Budget 2020-21	Spend 31 Dec 2020	Budget 21-22	Budget 22-23	Budget 23-24 onwards	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Health and Wellbeing	1.6	0	1.6	0.3	4.2	1.5	0	7.3
Children's Services	24.1	0.2	24.3	13.2	11.0	2.3	0	37.6
Place - Economy & Development Services	14.4	0.1	14.5	3.1	41.5	21.6	8.6	86.2
Place - Planning, Transport & Highways	28.3	1.7	30.0	13.4	65.4	112.0	16.5	223.9
Place - Other	20.4	0.5	20.9	8.9	12.3	14.0	10.5	57.7
Corp Service – Estates & Property Services	12.7	0.3	13.0	3.6	5.0	0.1	0	18.1
TOTAL – General Fund Services	**101.5**	**2.8**	**104.3**	**42.5**	**139.4**	**151.5**	**35.6**	**430.8**
HRA	**0.6**	**1.1**	**1.7**	**0**	**2.0**	**8.0**	**18.7**	**30.4**
Reserve Schemes & Contingencies	31.4	-0.9	30.5	0	110.3	101.7	38.6	281.1
Council TOTAL	**133.5**	**3.0**	**136.5**	**42.5**	**251.7**	**261.2**	**92.9**	**742.3**

4.2 In order to draw up the 2021-22 CIP proposed changes are:

- Revisions for estimated slippage in the current 2020-21 financial year.
- Ongoing schemes continued for the additional 2024-25 year added to the CIP.
- New schemes for CIP.
- Changes related to the HRA CIP schemes.

4.3 The first change is the ongoing schemes continued into 2024-25. These are detailed below:

- Replacement of Vehicles - £3m
- Property Programme - £2m
- General contingency for unforeseen capital expenditure - £1m

4.5 The new schemes proposed for the CIP are set out and described in Table 2 below. It is proposed these be identified as ‘reserve’ schemes, pending the presentation of full project appraisals to the Project Appraisal Group for review before seeking Executive approval.

Table 2: New proposed schemes for the 2021-22 CIP

Proposed Scheme	Total Budget £000	Description / Benefit
Health & Wellbeing		
PCS1 BACES	3,300 Additional 300k 2021-22 and 750k per year for 4 years, 2022-23 onwards	Additional Investment in Bradford & Airedale Community Equipment Service (BACES) is required beyond the currently approved funding period. The capital budget is an essential part of the BACES requirement for small and minor adaptations to people's homes that are not Disabled Facilities Grant eligible or for larger items of equipment such as Stair lifts and Hoists. It is intended that there will be a future requirement of £350k for Learning Disability service users and £400k for more general BACES capital items.
PCS2 Great Places to Grow Old – Saltaire Residential Care Home	2,400	The Scheme is already in the CIP for the construction of a new 50 bed short stay residential home on the site of Neville Grange in Saltaire.
Place – Sport & Culture		
PCS3 Marley Playing Field	500	Works to riverbank next to the playing field.
Corporate Resources		
PCS4 Core IT Infrastructure	1,220 2021-22	This is for SAP developments and the Digital Strategy capital innovation fund. It will be funded by £0.4m already in the 20-21 Programme, £0.2m revenue contribution and the remainder corporate borrowing.
Children's Services		
PCS5 SEND Expansion	6,000 2,000 per year for 3 years	This is the estimate of the additional budget need above current Basic Needs Grant. It would be funded by corporate borrowing and be used to complete SEND expansion in mainstream schools and SEN schools.
PCS6 IT Processes and Systems – End to End Review	330	A planned programme of work to systems and processes. The improvements to the systems are designed to promote better practice including facilitating improvements in the quality of analysis and the extent to which the child's lived experience is captured. This in turn will contribute to enhanced planning and review, helping us to ensure that progress towards clear targets is monitored.

PCS7 Laptops for Children	2,200 split over two financial years (one academic year)	Investment programme for raising attainment across the District. It includes continuing to invest capital funding in Digital Inclusion for Disadvantaged Children & Young People by investing in an infrastructure to support the programme.

4.6 In addition to the schemes above there are other possible schemes that are at a very early stage of development. Further work and investigations will be completed and they will be brought to Executive for approval. Schemes currently being considered are:

- A Waste Recycling Facility
- Crag Road Phase 2 Development
- A Business Development Zone
- A potential increase of £0.5m for the Saltaire Residential Care Home Scheme

4.7 The proposed new schemes in Table 2 are at different stages as regards the development of the relevant business cases. Points to note are:

- The 2021-22 Property Programme have already been subject to a detailed business case and approved by the Project Advisory Group. The total cost of the proposed Programme is £2.5m and this will be funded by the £2m included in Reserves and the movement of £0.5m from the Argus Chambers Property Scheme.
- IT Processes and Systems – End to End Review has already been reviewed by PAG. The scheme is for a planned programme of improvement work to systems and processes in Children's Services. The cost of the capital spend is £0.330m and it will be funded by corporate borrowing.

The remaining schemes are subject to further work and a detailed, costed business case. The new schemes are held in a Reserves & Contingencies section of the CIP and as such cannot be released to budget managers.

4.8 The proposed 2020-21 to 2024-25 Capital Investment Programme is a rolling programme including the quarter 3 capital budget, with the addition of the new schemes detailed in table 2. This is set out in Appendix 1, along with a funding analysis.

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, do not cause any future funding pressures on the Revenue Estimates.

5.3 The proposed policy is set out in Appendix 2. Compared to previous years, the only change to the policy is an update for the Council's new Housing Revenue Account. This allows funding to repay debt to be redirected to investment in the housing stock, providing that sufficient upkeep and improvement on the buildings is delivered.

5.4 The main elements of the policy set out in Appendix 2 are set out below:

- Pre 2008 debt, which cannot be distinguished against specific assets, is being repaid over 50 years on an equal instalment basis.

- Some debt taken out between 2008 and 2012 is currently being repaid on an annuity basis. This reflects policy and regulations during this period.

- Funding set aside for debt repayments within the HRA is calculated on a depreciation charge.

- All other debt is repaid on an equal life basis: as determined by the expected lifespan of each individual asset.

- The policy also provides some discretion to the Section 151 officer in determining debt repayments. However, this is subject to the relevant scheme meeting targets.

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. However, slippage has been included for the 2021-22 year.

6.2 The 2003 Capital Regulations authorise Councils to borrow for a capital purpose only. This is subject to tests of sustainability and affordable, using the Prudential Indicators.

6.3 One key Prudential Indicator, therefore, 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 3a below:

Table 3a: Capital Financing Requirement (CFR)

	2019-20 Actual £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m
Opening Capital Financing Requirement	***700***	**711**	**753**	**845**	**939**	**936**
Increase in borrowing	29	66	121	127	35	11
Less MRP and other financing movements	-18	-24	-28	-33	-38	-40
Closing Capital Financing Requirement	**711**	**753**	**845**	**939**	**936**	**907**

6.4 Table 3a above shows:

- The actual CFR at 31 March 2020 was £711m. This figure is also shown in the Council's statement of accounts and has been externally audited.
- The CFR is projected to increase, peaking at £939m in 31 March 2023. There is an increase when borrowing in year for a capital purpose is more than the amounts set aside to fund the principal repayments.
- The borrowing is estimated (apart from 31/03/2020) based on the proposed 2021-22 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. However, cash borrowing is significantly 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 3b: External Debt Projection

	31/03/20 Actual £m	31/03/21 Estimate £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m	31/03/25 Estimate £m
Opening Capital Financing Requirement	***700***	**711**	**753**	**845**	**939**	**936**
Private Finance Initiative	*-169*	-161	-157	-153	-148	-144
Earmarked Reserves	*-229*	-243	-202	-202	-202	-202
Investments	*52*	96	45	45	45	45
Working Capital	*-36*	-28	-28	-28	-28	-28
(ii) Opening External Debt 1 April	***318***	**375**	**411**	**508**	**606**	**607**
Under-borrowing	*382*	*336*	*341*	*337*	*333*	*328*

6.6 Regarding Table 3b above:

- External debt increases generally when the CFR increases but is significantly lower.

- The amount by which External debt is lower than the CFR is called under-borrowing. For example, under-borrowing is estimated to be £336m at 31 March 2021.

- The reasons for the under-borrowing are reconciled in the above table. One significant 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.

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 3c: Analysis of Capital Spend Requiring Borrowing

	31/03/20 Actual £m	**31/03/21 Estimate £m**	**31/03/22 Estimate £m**	**31/03/23 Estimate £m**	**31/03/24 Estimate £m**	**31/03/25 Estimate £m**
Total Capital Spend	*81*	*137*	*255*	*268*	*76*	*27*
Capital Spend not funded from borrowing	*52*	*71*	*134*	*141*	*41*	*16*
Capital spend funded from borrowing	***29***	***66***	***121***	***127***	***35***	***11***

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 2021-22 Revenue Estimates (Document DE).

6.9 This Indicator is called the ratio of capital financing costs to the Net Revenue Stream. The indicator is shown in Table 4 below, together with a separate analysis for Invest to Save schemes:

Table 4: Ratio of Capital Financing costs to the Net Revenue Stream

	2020-21 £m	**2021-22 £m**	**2022-23 £m**	**2023-24 £m**	**2024-25 £m**
Total Capital Financing Costs	**56.6**	**60.8**	**66.4**	**71**	**72.5**
Projected Net Expenditure Requirement	391.3	391.3	391.3	391.3	391.3
Ratio: Capital Financing costs to Net Expenditure Requirement	**14.5%**	**15.5%**	**17.0%**	**18.1%**	**18.5%**
Invest to Save element of Total Capital Financing Costs	*6.7*	*8.1*	*11.3*	*13.9*	*15.3*

Invest to Save contribution to Ratio to Net Expenditure Requirement	*2.1%*	*1.9%*	*1.5%*	*1.3%*	*1.2%*

6.10 Key points about the above Prudential Indicator are:

- The ratio of capital financing costs to the Net Expenditure Requirement increases between 2020-21 and 2024-25.

- Most of the increase in the ratio is driven by borrowing for Invest to Save schemes. Such schemes should generate mitigating savings which are not shown in the Prudential Indicator.

- The Prudential Indicator reflects a number assumptions including: that interest rates are 1.4% in 2020-21, 1.5% in 2021-22, 1.6% in 2022-23, 1.6% in 2023-24 and 1.8% in 2024-25. The CIP has also been reprofiled to reflect lower spend in 2020-21. 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 below:

Table 5: Capital Financing Costs in the Revenue Estimates Budget

		2020-21 **£m**	**2021-22** **£m**	**2022-23** **£m**	**2023-24** **£m**	**2024-25** **£m**
Total Capital Financing Costs		**56.6**	**60.8**	**66.4**	**71**	**72.5**
Direct Funding Schemes		1.0	1.0	1.0	1.0	1.0
PFI interest virement		-16.0	-15.5	-14.9	-14.2	-13.6
PFI virement		-7.9	-8.1	-8.6	-8.8	-9.0
Prudential borrowing virement		-6.7	-8.4	-12.9	-16.4	-17.8
Corporate Capital Financing Costs within Revenue Estimates		**27**	**29.9**	**31.1**	**32.6**	**33.3**

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 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 5 above.

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

7 FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

7.1 Until the end of the 2021-22 financial year, Councils have been given the option of using capital receipts to fund the Revenue Estimates. This subject to a number of conditions detailed below:

- The funding is for what can be termed transformation projects.
- Such projects will result in ongoing revenue savings for the Council.
- The costs of the project are one-off and strictly time limited.

7.2 The Council's current strategy is to use capital receipts to reduce the borrowing need for capital expenditure. 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.

7.3 The Council is also awaiting the introduction of a new funding regime for Local Government.

8 FINANCIAL & RESOURCE APPRAISAL

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

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 The report complies with the Council's statutory obligations and the requirement to follow statutory guidance.

11 OTHER IMPLICATIONS

11.1 Equality and Diversity

None

11.2 SUSTAINABILITY IMPLICATIONS

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

11.3 GREENHOUSE GAS EMISSIONS IMPACTS

There are no direct impacts arising from this report

11.4 COMMUNITY SAFETY IMPLICATIONS

There are no direct impacts arising from this report

11.5 HUMAN RIGHTS ACT

None

11.6 TRADE UNION

None

11.7 WARD IMPLICATIONS

None.

11.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

None

11.9 IMPLICATIONS FOR CORPORATE PARENTING

None

11.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

None

11.11 NOT FOR PUBLICATION DOCUMENTS

None

11.12. OPTIONS

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 2021-22.

12.2 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 Delegated authority is given to Section 151 Officer to repay debt on an annuity basis, for chosen properties purchased during or after 2018-19. Delegated authority could only be exercised if two conditions are met:

1. the asset retains or increases its value;

2. the return from the capital scheme is sufficient to repay the capital sum invested.

12.4 The proposed 2021-22 MRP policy set out in Appendix 2 is approved

12.5 The Flexible Use of Capital Receipts Strategy is approved.

12.6 Specific approval be given for the following schemes previously approved by Executive to commence following a detailed review by Project Appraisal Group:

- The 2021-22 Property Programme has a proposed total cost of £2.5m and this will be funded by the £2m allocated and the movement of £0.5m from the Argus Chambers Property Scheme.
- IT Processes and Systems – End to End Review. The scheme is for a planned programme of improvement work to systems and processes in Children's Services. The cost of the capital spend is £0.330m and it will be funded by corporate borrowing.

13 APPENDICES

Appendix 1: The 2020-21 to 2023-24 Capital Investment Plan

Appendix 2: Proposed Minimum Revenue Policy and Prudential Indicators

Appendix 3: Supporting Tables for the Capital Strategy

Capital Strategy 2021-22

8 CAPITAL STRATEGY (BACKGROUND)

8.1 The Council's Capital Strategy is a policy framework for the development; management and monitoring of its capital investment plan.

8.2 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.

8.3 The strategy is the means by which the Council ensures compliance with mandatory statutory guidance contained in the Prudential Code for Capital Finance in Local Authorities issued in December 2017. 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.

8.4 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.

8.5 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.

8.6 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.

9 GUIDING PRINCIPLES

9.1 To ensure the efficient use of all of 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.

9.2 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 2021-22 to 2024-25).

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

10 LINKS TO COUNCIL POLICIES, STRATEGIES AND OBJECTIVES

10.1 The Council's **Capital Programme** covers a four-year period: the latest proposed in this report will cover 2021-2025. 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

11 GOVERNANCE FRAMEWORK FOR CAPITAL DECISIONS

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

12 CAPITAL RESOURCES TO SUPPORT CAPITAL EXPENDITURE

12.1 Proposed future schemes are set out in the **Capital Investment Plan 2021-22**, due to be considered by Full Council on 18 February 2021.

12.2 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 DE for 2021-22). 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.

12.3 **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.

12.4 **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.

13 COMMERCIAL PROPERTY INVESTMENTS

13.1 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.

13.2 Since 2017, the Ministry of Housing, Communities and Local Government (MHCLG) has announced a number of 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 2020-21 to 2021-25)

- 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. MHCLG will monitor compliance by reviewing capital plans; in Bradford's case, the Capital Investment Programme 2020-21 to 2024-25.

13.3 As a result, Bradford can no longer invest in commercial property to create long term income generation. The prior criteria for investment in commercial property (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, eg retail or warehouses

viii. The detailed business case for investment

14 LOANS TO EXTERNAL ORGANISATIONS

14.1 The Council may make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of 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.

14.2 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.

14.3 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.

14.4 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.

14.5 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.

15 ASSET MANAGEMENT PLANNING

15.1 The Council Estate Management Service manages its existing assets to reduce costs and maximise service benefit according to objectives listed in the Estates Strategy, which is due to be reviewed and updated to link to this Capital Strategy and to quantify the cost of repair and maintenance costs against the savings from extending the lives of Council buildings from 2021-22 onwards.

15.2 The review will also cover disposals of buildings. As noted, the receipt from such disposals are a regulated funding source for the Capital Investment Programme. The fact that the property has been sold, can also reduce the repair and maintenance on the Council's estate. Table 5 (in Appendix 3) summarises the Council's achievements in rationalising the estate between 2009-10 and 2019-20.

15.3 The Council's Estates Strategy, including disposals of buildings, has been delayed due to the pandemic. Further the pandemic has had a significant impact of estates usage, some of which will be temporary. This includes the closure of buildings, the repurposing of assets, changes in priorities and a reduction in the occupancy rates of office space. All the above will be considered as part of a comprehensive review of the Estates Strategy in 2021-22.

16 RISKS

16.1 In considering the Capital Investment Programme 2021-22 to 2024-25 and the Capital Strategy, there are a number of 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 out of the Revenue Estimates over a shorter period of time.

- **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.

16.2 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.

17. PRUDENCE, AFFORDABILITY, SUSTAINABILITY

17.1 As noted, the Prudential Code for Capital Finance in Local Authorities issued in December 2017 requires the Council to consider the key judgement criteria of Prudence, Affordability and Sustainability when considering the Capital Programme.

17.2 Some considerations around this are:

- At 1 April 2020, the Council had £1,000m of long-term assets, when valued according to their potential to provide service provision to the Council. Outstanding debt on these assets is £711m.
- The CIP 2020-21 to 2024-25 proposes £763m of new capital expenditure: funded by £396m of capital grants and miscellaneous items; £190m of Invest to Save borrowing; and £167m of corporate borrowing. Individual schemes are detailed in Appendix 1 by department and analysed according their individual funding requirements.
- Current interest rates are very low by historical standards. For example, the current interest rate from the PWLB on a 50-year loan repaid at maturity, is lower than the Bank of England inflation target (2% as measured by the consumer price index). However, these interest rates fluctuate and can be volatile.
- Other potential risks are outlined in the Risk section above (see 16 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 14.5% to 18.5% between 2020-1 to 2024-25.
- The increase in the ratio of capital financing costs is mitigated within the Medium Term Financial Strategy by: savings and income generation from the Invest to Save schemes; some technical accounting adjustments impacting on the profile of the repayments of debt for the Public Finance Initiative.

17.3 Overall the Capital Financing Requirement (CFR) of £711m and will be paid for from Capital Financing Costs charged to future revenue estimates. The proposed CIP 2020-21 to 2024-25 requires substantial new borrowing, increasing the CFR and the amount of funding set aside from future revenue estimates.

17.4 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.

17.5 Most of the Council’s long-term borrowing is from the PWLB; which was £375m at 1 April 2020. A further £161.7m of borrowing relates to the private finance initiative with a private company and will be repaid from future contracted lease payments.

17.6 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 that the interest the Council received on its investments. However, the relationship between the CFR, earmarked reserves and other assets and liabilities is summarised in Table 4, Appendix 3.

18 SKILLS AND KNOWLEDGE

18.1 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 from across the Council as and when required.

18.2 The Council uses external advisors where necessary in order 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.

18.3 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.

19. CAPITAL STRATEGY ACTIONS

19.1 These are intended to align the Council’s operations with the CFR, and are listed in Schedule 2 of the Capital Strategy. 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 2021-22

INVESTMENT STRATEGY

20. BACKGROUND:

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 2021-22 onwards. The overall objective of the strategy is to provide high-level guidance on acquiring and managing investments in order 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 in order 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 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.

21. 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 investments in recent times. At 1 April 2020, this commercial property portfolio was valued at £54.5m (2019-20 audited statement of accounts), a small proportion of overall long-term assets of £1000.2m.

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.

22. 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

22.1 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.

22.2 Contribution to Council's overall purposes:

Investments made by local authorities can 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 authority are commercial 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, eg 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 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.

The Council's Housing Revenue Account (HRA), which aims to increase affordable housing in the district, meets criteria A.

22.3 Investment indicators:
The Council proposes to adopt a system of quantitative indicators to guide and inform investment decisions relating to Other Investments. The Council proposes to initially adopt the indicators proposed within the Guidance (see the Annex to this Investment Strategy). These indicators will be reported upon and reviewed annually.

The Council's proposed range of indicators 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.

22.4 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.

22.5 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 has the ability to fix interest over the long-term which removes the risk of interest rate volatility.

Provision of £40 million has been included in the capital programme, phased across the programme and funded by prudential borrowing. A small £0.7m budget is also included, as part of the Leeds City Region Revolving Investment Fund.

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

- Leader of the Council – (Chair)
- Cllr Alex Ross Shaw – portfolio holder for Regeneration, Planning & Transportation
- A representative nominated by the Leader of the Conservatives
- Cllr Jeanette Sunderland – Leader of 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.

24. 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. 17 of the Council's Contracts 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.

25. 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.

26 PRUDENTIAL INDICATORS

As noted above, the Council has a historic portfolio of commercial property. This has been expanded recently, with just two investments.

Overall Return

	2019-20 £m
Rental income	-2.74
Service charges	-0.12
Repairs and Maintenance	0.95
Capital Financing costs & other	0.27
Total return	**-2.48**
Source 2019-20 Statement of Accounts	

The value of the Council's investment property as at 31 March 2019 was £54.5m, making a return of 4.5%. 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.

The Council also recently completed an additional two investments in the Bradford area.

Debt to Net Service Expenditure (NSE) Ratio

This indicator measures the gross debt associated with 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.

	2020/21 Actual £000	2021/22 Actual £000	2022/23 Actual £000
Gross Debt	11,177	10,902	11,037

Net Service Expenditure	391,300	391,300	391,300
Debt to NSE Ratio	2.9	2.8%	2.8%

The indicator shows the proposed debt level arising from the Council's two recent investments. This shows that the debt ratio from investment in a property portfolio will be approximately less than 3% of the Council's net revenue budget if the investment in commercial 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 the MHCLG guidance.

Commercial 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 property investments will fund 0.6% of the Council's' net service expenditure over the medium term. This shows that the Council's reliance on income from property investments is low.

	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000
Commercial Income	2,500	2,500	2,500
Net Service Expenditure	391,300	391,300	391,300
Commercial Income to NSE Ratio	0.6%	0.6%	0.6%

Investment Cover Ratio

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

	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Investment Cover Ratio	0.59	0.43	0.38

The indicator shows that net income from property investments is lower than the interest expense. However, interest rates have since reduced.

Loan to Value Ratio

This indicator measure 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.

	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Loan to value Ratio	1.01	0.99	0.96

Target Income Returns

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

	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Target Income Returns	1.8%	1.5%	1.4%

Gross and Net Income

The net income targets are included in the Councils 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 investments being made.

	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Gross Income	800	800	800
Net Income	200	200	200

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 as a result 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 once investments are made.

	2020/21	2021/22	2022/23

	Estimate £000	Estimate £000	Estimate £000
Operating Costs	400	400	400

Vacancy Levels and Tenant Exposures

	2020/21 Actual £000	2021/22 Estimate £000	2022/23 Estimate £000
Void periods	0%	0%	0%

The target of 0% reflects the strong tenant covenant strengths that will be required under the commercial property investment strategy. Void periods will be factored into financial appraisals as part of the assessment criteria where relevant, therefore this indicator may be revised once investments have been made.

Appendix 1

Scheme No	Scheme Description	2020-21 Budget as at Q3 February 2021	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25 onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Funding Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Health and Wellbeing											
CS0237a	Great Places to Grow Old	500	3,000	1,500	0	0	5,000	0	0	5,000	5,000
CS0237c	Keighley Rd Residential Care Valley View	350	0	0	0	0	350	350	0	0	350
CS0373	BACES DFG	465	443	0	0	0	908	0	0	908	908
CS0239	Community Capacity Grant	202	750	0	0	0	952	952	0	0	952
CS0311	Autism Innovation Capital Grant	19	0	0	0	0	19	19	0	0	19
CS0312	Integrated IT system	90	0	0	0	0	90	90	0	0	90
Total - Health and Wellbeing		**1,626**	**4,193**	**1,500**	**0**	**0**	**7,319**	**1,411**	**0**	**5,908**	**7,319**
Children's Services											
CS0249	Schools DRF	0	0	0	0	0	0	0	0	0	0
CS0022	Devolved Formula Capital	1,868	0	0	0	0	1,868	1,868	0	0	1,868
CS0030	Capital Improvement Work	484	0	0	0	0	484	484	0	0	484
CS0240	Capital Maintenance Grant	4,014	2,869	0	0	0	6,883	6,883	0	0	6,883
CS0244a	Primary Schools Expansion Programme	2,358	1,298	0	0	0	3,656	3,656	0	0	3,656
CS0244b	Silsden School	7,207	2,000	465	0	0	9,672	9,672	0	0	9,672
CS0244c	SEN School Expansions	3,628	1,000	0	0	0	4,628	4,628	0	0	4,628
CS0362	Secondary School Expansion	2,401	2,500	1,798	0	0	6,699	6,699	0	0	6,699
CS0421	Healthy Pupil Capital Grant	65	120	0	0	0	185	185	0	0	185
CS0436	Children’s Home (A) & (B)	900	0	0	0	0	900	250	0	650	900
CS0488	Digital Strategy	1,200	0	0	0	0	1,200	0	0	1,200	1,200
CS0314	Foster Homes Adaptation	25	0	0	0	0	25	25	0	0	25
CS0500	TFD new scheme	200	1,200	0	0	0	1,400	0	0	1,400	1,400
Total - Children's Services		**24,350**	**10,987**	**2,263**	**0**	**0**	**37,600**	**34,350**	**0**	**3,250**	**37,600**
HRA											
CS0237b	Keighley Rd Extra Care Fletcher Court	196	0	0	0	0	196	0	0	196	196
CS0160	Repayment of Grant	51	0	0	0	0	51	51	0	0	51
CS0308	Afford Housing Programme 15 -18	979	0	0	0	0	979	1,075	-96	0	979
Reserve Schemes & Contingencies											
CS0407z	Affordable Housing	500	2,000	8,000	10,724	8,000	29,224	14,430	14,794	0	29,224

Scheme No	Scheme Description	2020-21 Budget as at Q3 February 2021	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25 onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Funding Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total - HRA		**1,726**	**2,000**	**8,000**	**10,724**	**8,000**	**30,450**	**15,556**	**14,698**	**196**	**30,450**
Place - Economy & Development Services											
CS0136	Disabled Housing Facilities Grant	4,098	4,000	4,392	2,028	5,753	20,271	14,518	0	5,753	20,271
CS0137	Development of Equity Loans	800	1,195	1,211	451	0	3,657	1,727	0	1,930	3,657
CS0144	Empty Private Sector Homes Strat	1,151	825	831	0	0	2,807	0	0	2,807	2,807
CS0250	Goitside	0	178	0	0	0	178	0	0	178	178
CS0280	Temp Housing Clergy House	46	0	0	0	0	46	0	0	46	46
CS0496	Town Fund Keighley & Shipley	1,500	0	0	0	0	1,500	1,500	0	0	1,500
CS0084	City Park	192	0	0	0	0	192	0	0	192	192
CS0085	City Centre Growth Zone	883	600	0	0	0	1,483	0	0	1,483	1,483
CS0228	Canal Road	0	100	0	0	0	100	0	0	100	100
CS0241	Re-use of Forrmer College Builds Kghly	356	0	0	0	0	356	0	0	356	356
CS0266	Superconnected Cities	329	500	0	0	0	829	0	0	829	829
CS0446	Staithgate La Enterprise Zone site Site Investigation works	13	0	0	0	0	13	13	0	0	13
CS0291	One City Park	800	23,900	10,300	0	0	35,000	7,500	15,300	12,200	35,000
CS0265	LCR Revolving Econ Invest Fund	658	0	0	0	0	658	658	0	0	658
CS0345	Develop Land at Crag Rd, Shply	43	0	0	0	0	43	0	0	43	43
CS0107	Markets	21	0	0	0	0	21	0	0	21	21
CS0363	Markets Red'mnt - City Cntr	3,001	9,160	4,900	400	0	17,461	800	5,824	10,837	17,461
CS0363b	Markets Red'mnt - City Cntr Public Realm	596	1,000	0	0	0	1,596	0	0	1,596	1,596
Total - Place - Economy & Development Services		**14,487**	**41,458**	**21,634**	**2,879**	**5,753**	**86,211**	**26,716**	**21,124**	**38,371**	**86,211**
Place - Planning, Transportation & Highways											
CS0131	Kghly Town Centre Heritage Initiative	151	0	0	0	0	151	151	0	0	151
CS0178	Ilkley Moor	14	0	0	0	0	14	14	0	0	14
CS0285	Blight Sites	517	650	0	0	0	1,167	0	0	1,167	1,167
CS0071	Highways S106 Projects	528	0	0	0	0	528	528	0	0	528
CS0372	Countryside S106 Projects	564	0	0	0	0	564	564	0	0	564
CS0091	Capital Highway Maintenance	4,952	0	0	0	0	4,952	4,952	0	0	4,952
CS0095	Bridges	201	0	0	0	0	201	201	0	0	201
CS0096	Street Lighting	132	0	0	0	0	132	132	0	0	132
CS0099	Integrated Transport	73	0	0	0	0	73	73	0	0	73
CS0168	Connecting the City (Westfield)	9	0	0	0	0	9	9	0	0	9
CS0172	Saltaire R/bout Cong& Safety Works	279	0	0	0	0	279	279	0	0	279
CS0282	Highways Strategic Acquisitions	176	0	0	0	0	176	176	0	0	176
CS0289	Local Pinch Point Fund	495	0	0	0	0	495	495	0	0	495

Scheme No	Scheme Description	2020-21 Budget as at Q3 February 2021	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25 onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Funding Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0293	West Yorks & York Transport Fund	4,807	34,448	93,147	0	0	132,402	132,402	0	0	132,402
CS0396	WYTF Corridor Imp Projects	2,720	5,077	3,000	0	0	10,797	10,797	0	0	10,797
CS0296	Pothole Funds	3,536	400	0	0	0	3,936	3,936	0	0	3,936
CS0306a	Strategic Transport Infrastructure Priorities	780	2,000	0	0	0	2,780	0	0	2,780	2,780
CS0302	Highways Prop Liab Redn Strat	59	0	0	0	0	59	59	0	0	59
CS0319	Challenge Fund	1,092	800	0	0	0	1,892	1,892	0	0	1,892
CS0323	Flood Risk Mgmt	177	0	0	0	0	177	177	0	0	177
CS0329	Damens County Park	106	0	0	0	0	106	0	0	106	106
CS0370	LTP IP3 Safer Roads	29	500	0	0	0	529	529	0	0	529
CS0386	Cycling & Walking Schemes LTP3	17	0	0	0	0	17	17	0	0	17
CS0414	LTP IP3 Safer Rds	10	0	0	0	0	10	10	0	0	10
CS0398	Bfd City Ctre Townscape Heritage	560	845	290	1,000	0	2,695	2,445	0	250	2,695
CS0430	Hwys Maint Fund Oct18	382	0	0	0	0	382	382	0	0	382
CS0432	Steeton/Silsden Crossing	90	0	0	0	0	90	90	0	0	90
CS0423	Highways IT upgrade	50	0	0	0	0	50	0	50	0	50
CS0433	Gain Lane / Leeds Rd Jct	29	0	0	0	0	29	29	0	0	29
CS0450	CILS payments	180	0	0	0	0	180	180	0	0	180
CS0453	IP3 Safer Rds 1920	196	0	0	0	0	196	196	0	0	196
CS0454	Area Comm ITS 1920	72	0	0	0	0	72	72	0	0	72
CS0434	Smart Street Lighting	670	14,399	14,852	14,128	1,370	45,419	0	45,419	0	45,419
CS0455	IP4 projects	1,389	1,201	0	0	0	2,590	2,590	0	0	2,590
CS0456	WY Integrated UTMC Centre	432	0	0	0	0	432	432	0	0	432
CS0464	Ben Rhydding Railway Station Car Park	845	500	750	0	0	2,095	2,095	0	0	2,095
CS0467	Transforming Cities Fund (TCF)	261	0	0	0	0	261	261	0	0	261
CS0469	IP4 Safer Roads 20-21	932	0	0	0	0	932	932	0	0	932
CS0470	IP4 Safer Roads 21-22	0	932	0	0	0	932	932	0	0	932
CS0471	Clean Air Zone	747	2,132	0	0	0	2,879	2,879	0	0	2,879
CS0483	LTP grant 2021	40	0	0	0	0	40	40	0	0	40
CS0486	Active Travel Fund Programme	1,238	1,000	0	0	0	2,238	2,238	0	0	2,238
CS0494	City Centre Bollards	210	0	0	0	0	210	0	0	210	210
CS0502	Corridor Improvement Programme (CIP2)	200	470	0	0	0	670	670	0	0	670
CS0499	Buck Mill Footbridge	40	0	0	0	0	40	0	0	40	40
Total Place - Planning, Transportation & Highways		**29,987**	**65,354**	**112,039**	**15,128**	**1,370**	**223,878**	**173,856**	**45,469**	**4,553**	**223,878**
Dept of Place - Waste, Fleet & Transport											
CS0060	Replacement of Vehicles	4,356	3,000	3,000	0	0	10,356	0	10,356	0	10,356

Scheme No	Scheme Description	2020-21 Budget as at Q3 February 2021	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25 onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Funding Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0435	Sugden End Landfill Site	1,145	500	0	0	0	1,645	0	0	1,645	1,645
CS0415	Shearbridge Depot Security	89	0	0	0	0	89	0	0	89	89
CS0359	Community Resilience Grant	13	0	0	0	0	13	13	0	0	13
CS0463	Waste Trommel	115	0	0	0	0	115	0	115	0	115
CS0497	Climate Change Initiatives – Vehicles	25	0	0	0	0	25	25	0	0	25
CS0503	Environmental Delivery Works	50	125	125	0	0	300	0	0	300	300
Total Place - Waste, Fleet & Transport		**5,793**	**3,625**	**3,125**	**0**	**0**	**12,543**	**38**	**10,471**	**2,034**	**12,543**
Dept of Place - Neighbourhoods & Customer Services											
CS0066	Ward Investment Fund	0	35	0	0	0	35	0	0	35	35
CS0466	Parks Depots	203	0	0	0	0	203	0	0	203	203
CS0378	Cust Services Strategy	158	0	0	0	0	158	0	0	158	158
Total Place - Neighbourhoods & Customer Services		**361**	**35**	**0**	**0**	**0**	**396**	**0**	**0**	**396**	**396**
Dept of Place - Sports & Culture											
CS0151	Building Safer Communities	26	0	0	0	0	26	26	0	0	26
CS0328	Cliffe Castle Various	15	0	0	0	0	15	15	0	0	15
CS0340	St George's Hall	33	0	0	0	0	33	0	0	33	33
CS0487	Alhambra Theatre Lift	90	0	0	0	0	90	0	0	90	90
CS0129	Scholemoor Project	0	0	0	83	0	83	83	0	0	83
CS0162	Capital Projects - Recreation	1,346	10	0	0	0	1,356	1,356	0	0	1,356
CS0229	Cliffe Castle Restoration	88	0	0	0	0	88	88	0	0	88
CS0004	S106 Recreation	100	0	0	0	0	100	100	0	0	100
CS0501	Parks Development Fund	250	250	0	0	0	500	500	0	0	500
CS0367	King George V Playing Fields	200	820	0	0	0	1,020	700	0	320	1,020
CS0403	Bereavement Strategy	7,086	4,750	8,100	3,245	0	23,181	0	7,000	16,181	23,181
CS0277	Wyke Community Sport Hub	2,613	2,665	523	0	0	5,801	2,474	0	3,327	5,801
CS0245	Doe Park	37	0	0	0	0	37	37	0	0	37
CS0459	Ilkley Lido Tank	374	0	0	0	0	374	0	115	259	374
CS0461	Shipley Gym extension & equipment	163	0	0	0	0	163	0	0	163	163
CS0458	Doe Park Drainage	40	0	0	0	0	40	0	0	40	40
CS0468	Bowling Pool extension	483	0	0	0	0	483	0	433	50	483
CS0356	Sedbergh SFIP	758	0	0	0	0	758	0	0	758	758
CS0354	Squire Lane Sports Facility	0	0	2,300	5,400	1,700	9,400	0	0	9,400	9,400
CS0482	Marley Replacement Pitch	329	0	0	0	0	329	329	0	0	329
CS0489	Lister Park Playable Spaces	650	0	0	0	0	650	0	0	650	650
CS0498	Libraries IT Infrastructure	50	170	0	0	0	220	0	60	160	220

Scheme No	Scheme Description	2020-21 Budget as at Q3 February 2021	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25 onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Funding Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total - Dept of Place - Sports & Culture		**14,731**	**8,665**	**10,923**	**8,728**	**1,700**	**44,747**	**5,708**	**7,608**	**31,431**	**44,747**
Corp Resources - Estates & Property Services											
CS0094	Museum Store	500	0	0	0	0	500	0	0	500	500
CS0333	Argus Chambers / Britannia House	689	0	0	0	0	689	0	0	689	689
CS0443	Property Programme 19-20	643	0	0	0	0	643	0	0	643	643
CS0460	Mitre Court CPU Property & Equip	1,690	0	0	0	0	1,690	250	0	1,440	1,690
CS0475	Property Programme 20-21	1,755	525	0	0	0	2,280	0	0	2,280	2,280
CS0230	Beechgrove Allotments	0	148	0	0	0	148	148	0	0	148
CS0408	Top of Town - purchase 21 St Johns St	325	0	0	0	0	325	0	0	325	325
CS0050	Carbon Management	544	250	0	0	0	794	0	0	794	794
CS0420	Electric vehicle charging Infr (Taxi Scheme)	436	93	0	0	0	529	529	0	0	529
CS0495	Bradford LAD1 Scheme	421	1,000	0	0	0	1,421	1,421	0	0	1,421
CS2000	DDA	50	62	59	50	0	221	0	0	221	221
CS0381	Godwin St	1,559	0	0	0	0	1,559	1,559	0	0	1,559
CS0409	Coroner's Court and Accommodation	1,898	1,778	0	0	0	3,676	0	0	3,676	3,676
CS0383	Jacobs Well demolition	87	0	0	0	0	87	0	0	87	87
CS0427	Coroner's Equipment	285	0	0	0	0	285	0	0	285	285
CS0457	Simpson Green - roof	41	0	0	0	0	41	0	0	41	41
CS0445	Core IT Infrastructure	2,064	1,194	0	0	0	3,258	64	0	3,194	3,258
Total Corp Resources – Estates & Property Services		**12,987**	**5,050**	**59**	**50**	**0**	**18,146**	**3,971**	**0**	**14,175**	**18,146**
Reserve Schemes & Contingencies											
CS0395z	General Contingency	429	1,000	1,000	1,000	0	3,429	0	0	3,429	3,429
CS0397z	Property Programme	0	2,000	2,000	2,000	0	6,000	0	0	6,000	6,000
CS0399z	Strategic Acquisition	13,460	10,000	10,000	10,000	0	43,460	0	43,460	0	43,460
CS0400z	Keighley One Public Sector Est	500	4,000	9,500	4,000	0	18,000	0	18,000	0	18,000
CS0402z	Canal Road Land Assembly	0	450	0	0	0	450	0	0	450	450
CS0401z	Depots	0	3,000	0	0	0	3,000	0	0	3,000	3,000
	2018-19 Schemes										
CS0404z	Sports Pitches	0	1,068	4,248	4,250	0	9,566	2,400	0	7,166	9,566
CS0404zb	Playgrounds	85	2,900	2,750	0	0	5,735	1,385	0	4,350	5,735
CS0405z	City Hall / RFL	0	4,000	5,000	3,000	0	12,000	2,000	5,000	5,000	12,000
CS0408z	Top of town	0	0	2,675	0	0	2,675	0	0	2,675	2,675
CS0381z	Godwin St (fmr Odeon)	4,000	5,500	2,000	0	0	11,500	0	11,500	0	11,500
	2020-21 Schemes										

Scheme No	Scheme Description	2020-21 Budget as at Q3 February 2021	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25 onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Funding Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0060z	Vehicles	0	0	0	3,000	0	3,000	0	3,000	0	3,000
CS0060zb	Electric vehicles/ New street cleansing	1,804	0	0	0	0	1,804	0	1,804	0	1,804
CS0472z	District Heating	250	250	4,752	6,702	2,361	14,315	6,459	2,871	4,985	14,315
CS0473z	Renewable Energy	500	3,000	1,500	0	0	5,000	2,000	3,000	0	5,000
CS0476z	Additional Building controls	250	1,000	500	750	0	2,500	0	0	2,500	2,500
CS0477z	CCTV	500	475	0	0	0	975	0	0	975	975
CS0474z	Transforming cities fund	2,250	33,000	30,750	0	0	66,000	66,000	0	0	66,000
CS0480z	Flood Alleviation	200	0	0	0	0	200	200	0	0	200
CS0481z	City Centre Regeneration Fund	500	9,000	0	0	0	9,500	0	9,500	0	9,500
CS0471z	Clean Air Zone	2,943	26,026	24,400	0	0	53,369	53,369	0	0	53,369
CS0445z	Core IT Infrastructure 20-21	0	506	0	0	0	506	0	0	506	506
CS0484z	New Reserve	1,000	1,000	0	0	0	2,000	0	0	2,000	2,000
CS0485z	Alternative Fuel Centre	1,813	2,114	120	60	1,440	5,547	795	4,752	0	5,547
CS0485z	Alternative Fuel Centre - additional	0	0	483	0	0	483	0	0	483	483
	2021-22 Schemes										
	Great Places to Grow Old - Saltaire	0	0	2,400	0	0	2,400	0	0	2,400	2,400
CS0060z	Vehicles	0	0	0	0	3,000	3,000	0	3,000	0	3,000
CS0397z	Property Programme	0	0	0	0	2,000	2,000	0	0	2,000	2,000
CS0395z	General Contingency	0	0	0	0	1,000	1,000	0	0	1,000	1,000
	BACES	0	300	750	750	1,500	3,300	0	0	3,300	3,300
	IT – End to End	0	330	0	0	0	330	0	0	330	330
	Lap tops for Children	0	1,100	1,100	0	0	2,200	0	0	2,200	2,200
	SEND	0	1,000	2,000	3,000	0	6,000	0	0	6,000	6,000
	Marley Playing Field	0	500	0	0	0	500	0	0	500	500
	IT	0	0	1,220	0	0	1,220	200	0	1,020	1,220
Total - Reserve Schemes & Contingencies		30,484	113,519	109,148	38,512	11,301	302,964	134,808	105,887	62,269	302,964
TOTAL - All Services		**136,532**	**254,886**	**268,691**	**76,021**	**28,124**	**764,254**	**396,414**	**205,257**	**162,583**	**764,254**

Appendix 2: Minimum Revenue Policy (Proposed 2021-22)

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 The Council is required to state as part of its budget process the policy for determining its MRP. The method for calculating the MRP on each category of debt is outlined below:

a) The policy for charging MRP on historic supported borrowing is on the asset life method calculated on an equal instalment basis over 50 years.

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. For schemes funded before 31st March 2012 the MRP is calculated on the annuity basis and for schemes funded after 1st April 2012 the MRP is calculated on an equal instalment basis. This means no change to existing policy.

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.

d) 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.

e) Where the Council has made property investments [or an invest to save investment] during or after 2018-19, the Section 151 Officer may choose to repay debt over the asset life using the annuity method. This is subject to an in house valuation that the investment property has retained or increased in value. Further it is subject to the condition that the in-year yield is above that average for Treasury Investments and this is expected to continue into the future.

1.4 The CFR represents the amount of capital expenditure that has been financed from borrowing, less any amounts that the Council has set aside to repay that debt through the MRP. Borrowing may come from loans taken from the Public Works Loan Board (PWLB) or commercial banks, finance leases (including PFI) or from the use of the Council's own cash balances.

1.5 External debt can be less than the CFR. External debt cannot exceed the CFR (other than for short term cash flow purposes or cash flow management.)

1.6 There is an International Financial Reporting Standards requirement that assets funded from finance leases (including PFI deals) are brought onto the balance sheet. This also includes the liability as well as the asset. Therefore, the term borrowing does not just include loans from the Public Works Loan Board and banks, but also the liability implicit in PFI and other finance leases.

1.7 The CIP will need to be reviewed through the planning cycle to ensure it remains affordable within revenue resources and to take account of the actual implementation of capital schemes.

1.8 Loans to third parties for a capital purpose can be repaid with the repayments providing the following conditions are met: the capital scheme is self-financing; that there is overall confidence that the loan will be repaid; that the third party adheres to the agreed repayment schedule.

1.9 The funding to be set aside for the repayment of debt within the Housing Revenue Account will be equal to the depreciation charge, as calculated over 60 years. Further an amount equal to the set-aside will be used to fund capital expenditure on the housing stock.

APPENDIX 3: CAPITAL STRATEGY TABLES

Table (i)

Asset Balance Sheet values as at 31 March 2020

Category	Value as at 31 March 2020 £'000
Council Dwellings	36,274
Land & Buildings	566,826
Vehicles, Plant, Furniture & Equipment	20,500
Infrastructure	232,086
Community Assets	54,278
Surplus Assets	12,640
Assets Under Construction	13,223
Heritage Assets	37,413
Investment Property	54,580
Intangible Assets	379
Total	**1,028,199**

Source: Statement of Accounts 2019-20

Table (ii)

Capital Investment Plan 2021-22

	2020-2021	2021-2022	2022-2023	2023-2024	2024-25	Total
Funding:	£m	£m	£m	£m		£m
Grants	67	125	132	37	13	374
Miscellaneous	6	10	11	3	1	31
Borrowing	66	121	127	35	10	359
Total Spend:	**137**	**256**	**269**	**76**	**24**	**763**

Table (iii)

Split of Invest to Save Borrowing

	2020-2021	2021-2022	2022-2023	2023-24	2024-25	Total
Funding:	£m	£m	£m	£m	£m	£m
Borrowing: Invest to Save	35	64	67	19	5	190
Borrowing: Other	31	57	60	16	5	169
Total borrowing	66	121	127	35	10	359

Table (iv)

Capital financing costs

	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
MRP overprovision	0	0	0	0	0
MRP, excluding PFI	19.7	23.9	28.9	33.7	35.9
MRP PFI, finance lease	4.5	4.5	4.5	4.5	4.5
Old West Yorkshire Waste debt	0.2	0.2	0.2	0.2	0.2
Interest on external borrowing	16.3	16.8	18.0	18.5	18.5
Interest on PFI	16.2	15.6	15.0	14.3	13.7
Premium on debt repayment	0.3	0.3	0.3	0.3	0.3
Investment income	-0.5	-0.5	-0.5	-0.5	-0.5
Total Capital Financing Costs	**56.6**	**60.8**	**66.4**	**71.0**	**72.5**
Projected Net Revenue Stream	391.3	391.3	391.3	391.3	391.3
Ratio to Net Revenue Stream	**14.5%**	**15.5%**	**17.0%**	**18.1%**	**18.5%**
Invest to Save element of Total Capital Financing Costs	6.7	8.1	11.3	13.9	15.3
Invest to Save contribution to Ratio to Net Revenue Stream	**2.1%**	**1.9%**	**1.5%**	**1.3%**	**1.2%**

Table (v)

Backlog maintenance

Backlog maintenance	**2009-10**	**2017-18**	**2019-20**
Operational Estate £ms	83	46	44
Non-Operational £ms	13	8	8
Total Backlog maintenance £ms	96	54	52
Operational Estate size GIAm2 000s	319	228	231
Non-Operational Estate size GIAm2 000s	27	37	33
Total	**346**	**265**	**267**

Table (vi):

Capital Financing Requirement 31 March 2020

Balance Sheet	31/03/2020 £m
Capital financing Requirement	**711**
Private finance Initiative	-161
Underlying Borrowing Requirement	**550**
Investments Held	96
Cash Reserves	-274
Less School Balances	31
Provisions/Collection Fund	-28
Borrowing from Public Works Loan Board	**375**
Under-Borrowing	175

Table vii:

Projected increased in Capital Financing Requirement

(see Prudential Indicators)

Table viii:

Affordability measures

Table ix

Capital Strategy Actions

Measure	Current Position	Potential Position
Total Borrowing related to long term assets	As at 31-03-2020 £375m total borrowing is 36% of long terms assets of £1,028m.	CIP2020-21 to 2024-25 has £169m of Corporate Borrowing and £190m of Invest to Save (self-financing borrowing), totalling an assumed increase of £359m in borrowing to £731m. Assuming this increases long term assets also by £359m to £1,387m, this is 53% of long term assets.
Total Borrowing costs as a percentage of net budget	For 2020-21 borrowing costs of £49.9m plus Invest to Save borrowing costs of £6.7m, totalling £56.6m are 14.5% of net budget	At 2022-23 borrowing costs of £52.7m plus invest to save of £8.1m total £60.8m. 15.5% 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 2021-22 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 calculative 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 requires 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 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 leases 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 during May and June 2021. iii. Key strategies are the Council Plan and the Invest in Bradford Economic Strategy. Project Appraisal Group will assign an officer to participate on refreshing these strategies. This will further improve linkages between the Capital Strategy and other Council strategies. iv. 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 2021-22 by the Business Advisor Capital. v. Project Appraisal Group will determine whether there are opportunities to share expertise in accessing capital grants across the Council. vi. The schemes in the 2021-22 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. vii. A representative from the Council's procurement section will attend Project Appraisal Group. viii. 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 by using fixed price contracts wherever possible. Further the Capital Investment Plan includes £2m annual contingency. 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.