

Report of the Director of Finance to the meeting of Executive to be held on 18 February 2020

BC

Subject:

Capital Investment Plan 2020-21 to 2023-24

Summary statement:

Section A of this report presents the Council's Capital Investment Plan 2020-21 to 2023-24.

Section B presents an updated Capital Strategy for 2020-21. This strategy underpins the spending proposals within the Capital Investment Plan.

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Portfolio:

Leader of the Council

Overview & Scrutiny Area:

Corporate

1. SUMMARY

1.1 This report proposes the Council's Capital Investment Plan (CIP) from 2020-21 to 2023-24. The report also includes the updated Capital Strategy in Section B.

1.2 This report is part of the overall 2020-21 budget proposal for the Council which includes:

- The Council's Revenue Estimates for 2020-21 (Document BA)
- Allocation of the Schools Budget 2020-21 Financial Year (Document BB)
- Section 151 Officer's Assessment of the proposed budgets (Document BC)

2. OVERVIEW

2.1 **SECTION A** of this report proposes the 2020-21 Capital Investment Plan (CIP). This will cover:

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

2.2 **SECTION B** of this report sets out the 2020-21 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
- Prudence, Affordability, Sustainability
- Skills & Knowledge

SECTION A: CAPITAL INVESTMENT PLAN

3. CAPITAL INVESTMENT PLAN; BACKGROUND

3.1 The Capital Investment Plan (CIP) is about spend on projects that have long-term benefits over many years. Examples would be spending on buildings, cars and infrastructure.

3.2 During the construction phase, project spend could be across multiple years. This means some budget commitments in the CIP roll forward each year, subject to review and revisions to annual profiles in respect of slippage.

3.3 The rules around the funding of the CIP are set out in the 2003 Capital Regulations. Key points regarding these rules are set out below (further details are set out in the Capital Strategy in Section B):

- Projects in the CIP are funded straight away from either: capital grants; property

sales (capital receipts), or a transfer from Revenue (Direct Revenue Financing).

- If the above funding sources are not available, this causes a borrowing requirement. The resulting borrowing then generates costs for revenue estimates in the future.
- Costs for the revenue estimates from borrowing comprise two elements: an interest charge; and an amount set aside to repay the borrowing principal. Collectively these two elements are called Capital Financing Costs.
- Interest falls due in the Revenue Estimates based on accounting rules that align costs to time periods.
- The amounts set aside to repay the borrowing principal are proportioned in tranches between future Revenue Estimate years. Such proportions are determined by Council policy. This policy sets a methodology by which borrowing is repaid based on the service benefit from the related asset.
- The above policy is known technically as the Minimum Revenue Provision (MRP). It is similar to a depreciation charge.
- All borrowing and capital financing costs are subject to additional regulatory guidance. These regulations require Full Council to have regard to a number of measures to assess prudence, sustainability and affordability. Such measures are called the Prudential Indicators. These are set out later in this report.

3.4 Regarding the Council's CIP, however, it should be noted that some schemes with a borrowing need, generate savings which mitigate the interest and debt payment. The Council's capital schemes which fall into this category are called Invest to Save schemes.

3.5 Further, as noted the amounts set aside to repay borrowing from the Revenue Estimates are aligned to the service benefit from the relevant schemes. This means they are not aligned to when actual loan repayments fall due. The management of loan repayments and other Council's cash flows from the overall budget proposal will be addressed in the Council's 2020-21 Treasury Management Strategy.

4. THE CAPITAL SCHEMES

4.1 The latest capital monitoring at quarter 3 is the starting point for the proposed 2020-21 CIP. This starting point is shown in Table 1 below:

Table 1: Quarter 3 2019-20 Capital Investment Plan

	Q2 Re profiled Budget 2019-20	Changes	Re profile Budget 2019- 20	Spend 31 Dec 2019	Budget 20-21	Budget 21-22	Budget 22-23 onward s	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Health and Wellbeing	3.8	0.8	4.6	3.4	3.8	3.4	0	11.8
Children's Services	28.0	0	28.0	12.8	15.9	2.3	0	46.2
Place - Economy & Development	17.5	0	17.5	8.2	30.5	8.8	6.5	63.3
Place - Planning, Transportation & Highways	27.1	0.8	27.9	14.3	24.6	50.3	116.5	219.3
Place - Other	13.6	1.2	14.8	7.9	9.7	4.4	12.4	41.3
Corp Service – Estates & Property Services	14.4	2.6	17.0	11.7	4.3	0.1	0	21.4
TOTAL - Services	104.4	5.4	109.8	58.3	88.8	69.3	135.4	403.3
Reserve Schemes & Contingencies	12.8	-1.9	10.9	0	37.8	45.3	56.8	150.8
TOTAL	117.2	3.5	120.7	58.3	126.6	114.6	192.2	554.1

4.2 As noted, the 2020-21 CIP rolls forward the position shown in Table 1, after:

- On going schemes continued for the additional 2023-24 year added to the CIP.
- New schemes for the CIP.

4.3 The first change is the on going schemes continued into 2023-24. These are detailed below:

- Replacement of Vehicles - £3m
- Property Programme - £2m
- General contingency for unforeseen capital expenditure - £1m
- Disabled Facility Grants - £2.028m (grant funded)
- Strategic Investment property acquisitions - £10m

4.4 The new schemes proposed for the CIP are substantial. These are set out and described in Table 2 below:

Table 2: New schemes

Proposed Scheme	Total Budget £000	Description / Benefit
Regeneration Projects		
PCS1 Transforming Cities Fund	66,000	The Bradford packages of transport related schemes form part of the Leeds City Region TCF. Strategic Outline Business cases have been submitted by WYCA to Government on 29 th November. If approved further development work will take place by March 2020 and detailed design and construction by 2023. The Bradford packages will deliver sustainable transport schemes that prioritise walking and

		cycling and encourage a shift away from car use to train travel.
PCS1b Clean Air Plan	53,370	Plan to improve air quality and achieve compliance with the EU Limit Value for No2 in the shortest possible timeframe. Measures include the introduction of a charging Clean Air Zone and support measures, including plans to encourage electric taxis, park and ride and electric bus routes and alternative energy re-fuelling facilities.
PCS2 One City Park	25,800	The scheme will provide Grade A offices. The scheme will encourage new businesses to move into the district, expand the range of office accommodation available within the City and provide employment opportunities. The scheme will be funded by grants from the West Yorkshire Combined Authority and office rentals from businesses. £9.2m is already included in the programme. Sustainability has been factored into the tender for the scheme and the design has been produced to ensure a high level of commitment to sustainable development including adoption of sustainable transport principles. The scheme will meet energy efficiency rating "A" and be able to accommodate any future city centre heating infrastructure.
PCS3 City Hall / RFL	2,000	The ambition is to develop City Hall in order to promote and celebrate the history and heritage of this iconic building. We will tell the 'Bradford Story' as a 'City of Firsts' as well as providing a home to the first Rugby League Museum in Europe and upgrading the existing Police Museum. This new Visitor Experience is expected to be open in 2022/23. The proposed refurbishments to City Hall will include an upgrade to the utilities, initially it will be to the ground floor only and then be undertaken on a phased floor by floor basis, to ensure that the building is operating as efficiently as possible
PCS4 Playgrounds	1,385	Additional works to playgrounds to be funded through Section 106 and Community Infrastructure Levy.
PCS5 Blight Sites	NIL	There is £1.167m within the Strategic Development Fund budget which will be utilised for the strategic development of blight sites. The investment will support the creation of opportunities for more sustainable and environmentally friendly uses of land in the future.
PCS6 Property Programme roll forward	950	Property Programme roll forward additional pressures.
PCS6b City Centre Regeneration Fund	9,500	Additional funds for regeneration infrastructure

New Climate Change projects

PCS7 Feasibility study into renewables	5,000	Identification of viable renewable energy projects to reduce carbon emissions, energy costs and air pollution.
PCS8 Fleet / EV Programme	1,804	Expansion of the Councils electric fleet and charging infrastructure including its street cleansing operations will cut carbon. The promotion of electric vehicle use in the district and the provision of EV charge points was a priority for the council under the January Climate Emergency declaration. The council maintains a large fleet of vehicles and this budget will support converting our own fleet, where practical, to electrical. It will also provide capital resource to expanding our own EV charging infrastructure to support the expanded EV fleet.
PCS9 District Heat Programme	14,315	The Civic Quarter District Heat Scheme was identified as a priority for the council under the January Climate Emergency declaration. This scheme is designed to provide lower carbon heat and electricity to buildings across the city centre and is primarily focussed on public sector assets. Once complete it will act as a regeneration tool allowing local developments to access lower carbon heat and can support local energy resilience as well as providing a single point of conversion in the transition to zero carbon heat in the future.
PCS10 Climate Change Building Controls	500 p.a. (5 years)	<p>This is a continuation of the programme of works that the energy team has been delivering for the last 9 years and that has resulted in significant carbon savings throughout that time. The funding is used not only to deliver heating controls that directly deliver gas savings but also supports the consolidation of the control system into a single remotely operable system allowing a very small team to control a very large estate whilst minimising travel across the district. As well as this the programme pays for insulation, draft-proofing, window improvements, led lighting schemes, regenerative lift motors, drive invertors and innumerable other small projects that contribute to the zero carbon ambitions of the Council.</p> <p>This programme of work has underpinned the Council's strong performance in energy reduction over the last 9 years where a 40% reduction in carbon emissions by 2020 was</p>

		achieved ahead of target by the end of the 2017/18 financial year. The carbon reductions obtained by reducing the amount of energy needed to run our buildings forms the basis of the energy hierarchy and best practice dictates a building portfolio that does not undermine savings made elsewhere through senseless waste. Efficient heating systems that are kept under control, insulation, draught-proofing and efficient lighting are not headline-grabbing greenwash but instead simple common sense.
PCS11 Flood Alleviation	200	To support additional moorland schemes that alleviates flooding and absorbs carbon.
Infrastructure Projects		
PCS12 Bereavement Strategy	7,000	Additional funding to deliver the Bereavement Strategy. The additional costs will be funded through service prudential borrowing and funded through increased revenue. The scheme will deliver cleaner infrastructure and reduce the need to meet mercury abatement costs.
PCS13 ICT Core Infrastructure	3,700	The IT infrastructure is reaching end of life and critical updates to servers, networks, telephony (mobile and landline), and Wi-Fi are needed, plus investment in dark fibre enabling further improvements and potential efficiencies.
PCS14 CCTV	975	There are circa 300 cameras that are at end of life. There is the possibility of securing Salix funding for the energy savings which would accrue from the upgrade of analogue cameras and replacement of IT servers with new units which may offset some of this cost.
PCS15 Office moves / Relocation	108	A relocation programme to support the new management arrangements that has brought together the Parks and the Street Cleansing Service. During office moves the team will work closely with the energy unit to identify practical measures that can be taken to maximise the potential benefits of energy reduction and carbon mitigation that may not be otherwise possible outside of a major refurbishment. Consolidating budgets can act as a force multiplier during these projects and can also improve staff comfort.
PCS16 Flytipping Prevention	100 p.a. (3 years)	A three year capital programme of £100k per year on cameras and 'hot spot site prevention'.

4.5 The proposed new schemes above are at different stages as regards the development of the relevant business cases. Points to note are:

- Works to Parks and Street Cleansing Depots and the 2020-21 Property Programme have already been subject to a detailed business case and approved by the Project Advisory Group.
 - The additional £7m for the Bereavement Strategy has previously been approved by Executive and Project Advisory Group.
 - The remaining schemes are all 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 until further approval from Executive.
- 4.6 A detailed analysis of the 2020-21 Capital schemes is shown in Appendix 1, along with the funding.

5 MINIMUM REVENUE PROVISION (MRP) POLICY

- 5.1 As noted, the Minimum Revenue Provision (MRP) policy determines how much debt repayment is charged to the Revenue Estimates in each year. Setting the amount repaid in each year, also has a significant impact on the level of the Council's outstanding debt.
- 5.2 Of course, though, the level of outstanding debt is also impacted by the borrowing need from new capital schemes – as set out in the section above.
- 5.3 As noted, one of the key considerations around setting the MRP policy is how best to match Revenue Estimate charges to the service benefit of the related asset. Another consideration is that the higher the proportion of debt repaid in earlier years, the lower will be total interest costs. The Council's interest on its debt is higher than its return from investments.
- 5.4 The Council's proposed MRP policy for 2020-21 is set out in Appendix 1b. Compared to the current MRP policy, the proposed changes are:
- 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 were met: the asset retains or increases its value; the return from the capital scheme is sufficient to repay the capital sum invested.
 - Repayment of debt from giving loans to external organisations can be aligned with the loan repayment schedule. This is dependent on two conditions: that the capital scheme is self-financing; there is reasonable assurance that the loan repayment schedule will be followed.
- 5.5 The first proposed change relates to the MRP charge on Investment Properties purchases from the Council's Strategic Acquisitions Budget. Subject to the conditions set out, an annuity MRP charge reduces charges in earlier years, compared to the equal instalment method - equal amounts charged in each year.
- 5.6 The Section 151 Officer will exercise judgement around an annuity MRP charge for

one of the new Capital Schemes - the District Heating Network. Considerations in forming this judgement will include an assessment of future development potential arising after the construction of the initial infrastructure.

- 5.7 The second change relates to loans given to external organisations. The Council is authorised to fund such loans from capital sources - which means the Council can borrow. The proposed change will enable the related MRP charge from the borrowing to be mitigated by a receipt from the loan repayment from the relevant external organisation.
- 5.8 Overall the proposed MRP policy means the following, in respect to the repayment of outstanding debt:
- 1) Pre 2008 debt, which cannot be distinguished against specific assets, is being repaid over 50 years.
 - 2) Some debt taken out between 2008 and 2012 is currently being repaid on an annuity basis. The proposed changes are that some additional new debt would also be repaid on an annuity basis.
 - 3) All other debt will be paid on an equal life basis.
- 5.9 Regarding 2 and 3 above, the MRP charge is also determined by the expected lifespan of each individual asset.

6. PRUDENTIAL INDICATORS

- 6.1 The Prudential Indicators are calculated on the basis that the CIP 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.
- 6.3 One key Prudential Indicator, therefore, is a measure of outstanding debt due to the funding of capital schemes. Outstanding debt is total borrowing less debt repayments made through the Revenue Estimates. The Prudential Indicator is called the Capital Financing Requirement (CFR). The indicator is shown in Table 2a below:

Table 2a: Capital Financing Requirement (CFR)

	31/03/19 <i>Actual</i> <i>£m</i>	31/03/20 <i>Estimate</i> <i>£m</i>	31/03/21 <i>Estimate</i> <i>£m</i>	31/03/22 <i>Estimate</i> <i>£m</i>	31/03/23 <i>Estimate</i> <i>£m</i>	31/03/24 <i>Estimate</i> <i>£m</i>
Opening Capital Financing Requirement	669	700	731	802	867	914
Increase in borrowing	32	51	96	93	78	36
Less MRP and other financing movements	-1	-20	-25	-28	-31	-34
Closing Capital Financing Requirement	700	731	802	867	914	916

6.4 Regarding the above CFR Prudential Indicator:

- Outstanding debt increases each year until it reaches £916m at 31 March 2024.
- Outstanding debt increases when new borrowing is higher than the principal payments charged to the Revenue Estimates.
- Outstanding debt will reduce when the increase in borrowing is less than the amount of debt repaid back in the Revenue Estimates.

6.5 A large part of the CFR is in the form of loans, mostly taken out with the Public Works Loan Board. The relationship between the CFR and the Council's loans is shown below in the Prudential Indicator for the external debt projection:

Table 2b: External Debt Analysis

	31/03/19 <i>Actual</i> <i>£m</i>	31/03/20 <i>Estimate</i> <i>£m</i>	31/03/21 <i>Estimate</i> <i>£m</i>	31/03/22 <i>Estimate</i> <i>£m</i>	31/03/23 <i>Estimate</i> <i>£m</i>	31/03/24 <i>Estimate</i> <i>£m</i>
Opening Capital Financing Requirement	669	700	732	803	868	916
Private Finance Initiative	-178	-174	-169	-165	-161	-156
Earmarked Reserves	-202	-256	-256	-256	-256	-256
Investments	35	53	10	10	10	10
Working Capital	2	-9	-9	-9	-9	-9
(ii) Opening External Debt 1 April	326	314	308	383	452	505
<i>Underborrowing</i>	<i>343</i>	<i>386</i>	<i>424</i>	<i>420</i>	<i>416</i>	<i>411</i>

6.6 Key points regarding the above External Debt Prudential Indicator:

- External debt increases roughly in line with the CFR increases.
- The amount by which External debt is lower than the CFR is called Underborrowing.
- Underborrowing occurs because:
 - i. Some past items of past capital expenditure were funded with finance leases (Private finance initiative). Finance lease liabilities are funded by a contract to make periodic payments to a third party, rather than a loan.
 - ii. The Council borrows internally against its own earmarked reserves.
 - iii. The requirement for external loans is impacted by the balance of the Council's investments and working capital.

6.7 Also the 2020-24 CIP, which drives the increase in the CFR, is analysed in the Prudential Indicator below:

Table 2c: Analysis of Capital Spend Requiring Borrowing

	31/03/19 <i>Actual</i> £m	31/03/20 <i>Estimate</i> £m	31/03/21 <i>Estimate</i> £m	31/03/22 <i>Estimate</i> £m	31/03/23 <i>Estimate</i> £m	31/03/24 <i>Estimate</i> £m
Total Capital Spend	84	121	209	205	190	42
Capital Spend not funded from borrowing	53	70	113	112	112	6
Capital spend funded from borrowing	31	51	96	93	78	36

6.8 A projection of new loans is shown in Table 2d below. This shows how the capital spend funded from borrowing (see Table 2c) generates a requirement to take out new loans – after adjusting for the refinancing of past borrowing and other balance sheet changes.

Table 2d: Projected New Borrowing

	31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m
Borrowing requirement for capital budget	51	96	93	78	36
Maturing loans	17	2	6	16	6
Investment/working capital changes	7	-43	0	0	0
MRP (excluding PFI)	-15	-21	-23	-26	-30
External Loan requirement	60	34	76	68	12

6.9 A key Prudential Indicator measures the impact of the Capital Financing Costs (debt repayments and interest) in the Revenue Estimates. This impact measures the annual costs as a ratio of the Net Expenditure Requirement shown in the 2020-21 Revenue Estimates (Document BA).

6.10 This Indicator is called the ratio of capital financing costs to the Net Revenue Stream. The indicator is shown in Table 3 below, together with a separate analysis for Invest to Save schemes:

Table 3: Ratio of Capital Financing costs to the Net Revenue Stream

	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m
Total Capital Financing Costs	52.0	58.3	62.6	68.0	73.7
Projected Net Revenue Stream	377.6	377.6	377.6	377.6	377.6
Ratio to Net Revenue Stream	13.8%	15.4%	16.6%	18.0%	19.5%

Invest to Save element of Total Capital Financing Costs	5.7	7.1	8.8	12.5	17.5
Invest to Save contribution to Ratio to Net Revenue Stream	1.5%	1.9%	2.3%	3.3%	4.6%

6.11 Key points about the above Prudential Indicator are:

- The ratio of capital financing costs to the Net Expenditure Requirement increases between 2019-20 and 2023-24.
- 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 £5.2m credit in 2019-20 is the final years of the adjustment for the overprovision for old debt identified in previous years. The removal of this credit in future years, also causes an increase to the ratio.
- The Prudential Indicator reflects a number of assumptions including: that interest rates are 3.0% in 2020-21, climbing to 4% by 2023-24; and that the CIP is delivered in full. 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 4: Capital Financing Costs in the Revenue Estimates Budget

	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m
Total Capital Financing Costs	52.0	58.2	62.5	67.8	73.6
Exclude PFI interest	-16.0	-15.4	-14.8	-14.2	-13.6
Miscellaneous	-6.8	-4.3	-5.5	-5.8	-7.4
Capital Financing Cost	29.2	38.5	42.2	47.8	52.6
Budgeted Capital Financing Costs	29.4	38.5	42.2	47.8	52.6
2019-20 Projected Saving	(0.2)				

6.12 Items of expenditure such as PFI interest 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.

6.13 All the Prudential Indicators, including additional analysis, are set out in Appendix 2.

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 is 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 proposed option above would be a contingency and is in the context that the 2020-21 funding settlement was for one year only. The Council is also awaiting the introduction of a new funding regime for Local Government from 2021-22.

SECTION B: CAPITAL STRATEGY 2020/2021

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 programme over the next financial year. It describes how planned capital expenditure, capital financing and treasury management activity will contribute to the provision of Council services during this period.
- 8.2 Importantly, the Capital Strategy also provides guidance on the management of any financial risk that may arise in the course of these activities and a framework for investment and capital decisions that may be taken over the next ten financial years.
- 8.3 The Council is required to use the Capital Strategy as the means by which it 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.

9 CAPITAL EXPENDITURE

- 9.1 Capital expenditure is expenditure on the acquisition, creation or enhancement of assets that have a useful life of more than one year.
- 9.2 Appendix 3, Table (i) provides details of the Council's assets.

10 GUIDING PRINCIPLES

- 10.1 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.
- 10.2 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.
 - V. Commissioning and procuring for capital schemes will be legally compliant, which will be established by early and appropriate due diligence.

11 LINKS TO COUNCIL POLICIES, STRATEGIES AND OBJECTIVES

- 11.1 The Council's proposed **Capital Programme** (Section A) cover a four-year period 2020-2024. The proposed commitments in the programme reflect the Council Plan:

- i. A Great Start and Good Schools for All Our Children
- ii. Better Health, Better Lives
- iii. Better Skills, More Good Jobs and a Growing Economy
- iv. Decent Homes That People Can Afford To Live in
- v. Safe, Clean and Active Communities
- vi. A Well Run Council
- vii. Leeds City Region Revolving Investment Fund

12 GOVERNANCE FRAMEWORK FOR CAPITAL DECISIONS

- 12.1 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 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 **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.
 - 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 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. 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.
 - vii. Investment assets are subject to specific approval processes, involving the Investment Advisory Group, discussed below.

13 CAPITAL RESOURCES TO SUPPORT CAPITAL EXPENDITURE

- 13.1 Proposed future projects are set out in the **Capital Investment Plan 2020-21**, due to be considered by Full Council on 20 February 2020.
- 13.2 Invest to Save:** as noted, capital financing costs are mitigated by equivalent savings or additional income in the approved revenue estimates.
- 13.3 Capital financing costs** include the effect of previous years' capital investment, as

it comes into use and provides service benefit.

14 COMMERCIAL PROPERTY INVESTMENTS

- 14.1 A commercial property investment strategy was approved by Executive on 4 April 2017, and permits investments in commercial property linked to economic development and regeneration within the District, or to create long term income generation to support service delivery or a mixture of both. The Strategic Director of Corporate Services in consultation with the Portfolio Holder and Leader may make investments under the strategy.
- 14.2 Investments will consider factors including:-
- i. Risks associated with the investment
 - ii. The likelihood of being able to sell the investment in extreme circumstances
 - 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
- 14.3 The Ministry of Housing, Communities and Local Government (MHCLG) has issued guidance on commercial property investments, and this will be considered within the Council's Investment's Strategy.

15 LOANS TO EXTERNAL ORGANISATIONS

- 15.1 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. In such cases an expected credit loss model in line with IFRS 9 (financial instruments) would be required.

16 ASSET MANAGEMENT PLANNING

- 16.1 The Council's 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 2020/21 onwards. The review will also cover disposals of buildings, which has already realised considerable savings. Receipt from such disposals may be recycled as funding for the Capital Investment Plan, and may significantly reduce the repair and maintenance on the Council's estate. Table (iv) (Appendix 3) summarises the Council's recent achievements in this area.

17. **PRUDENCE, AFFORDABILITY, SUSTAINABILITY**

- 17.1 As at 31 March 2019, the Council's Capital Financing Requirement (CFR), which represents its total borrowing for capital investment, was £700 million. The CFR figure will be paid off from the Council's Capital Financing Costs in its future revenue estimates. The majority of the CFR figure involves borrowing from the Council's Public Works Loan Board Prudential Lending facility, although £169 million relates to a private finance initiative with a private company and will be repaid from future contracted lease payments.
- 17.2 The relationship between the CFR and other assets and liabilities is summarised in Table 6. The CFR is due to increase because of the future borrowing required to finance the proposed 2020-24 Capital Investment Plan. The projected increase is set out in Table ii (Appendix 3). The Capital Strategy includes measures to test the affordability of the proposed borrowing in the Capital Investment Plan (CIP), and these are set out in Table (v) (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 on going 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, equal 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 FINANCIAL & RESOURCE APPRAISAL

19.1 Finance and resource implications are set out in the report.

20 RISK MANAGEMENT AND GOVERNANCE ISSUES

20.1 Risk management and governance issues are set out in the report.

21 LEGAL APPRAISAL

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

22 OTHER IMPLICATIONS

22.1 Equality and Diversity

None

23 SUSTAINABILITY IMPLICATIONS

Included in report

23.1 GREENHOUSE GAS EMISSIONS IMPACTS

Included in the report

23.2 COMMUNITY SAFETY IMPLICATIONS

Included in the report

23.3 HUMAN RIGHTS ACT

None

23.4 TRADE UNION

None

23.5 WARD IMPLICATIONS

None

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

None

23.7 IMPLICATIONS FOR CORPORATE PARENTING

None

23.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

None

24. NOT FOR PUBLICATION DOCUMENTS

None

25. OPTIONS

None

26. RECOMMENDATIONS

26.1 The 2020-24 Capital Investment Plan is approved. 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.

26.2 Specific approval is given regarding the 2020-21 Capital Strategy set out in Section B of this report.

26.3 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: the asset retains or increases its value; the return from the capital scheme is sufficient to repay the capital sum invested.

26.4 Repayment of debt from giving loans to external organisations can be aligned with the loan repayment schedule. This is dependent on two conditions: that the capital scheme is self-financing; there is reasonable assurance that the loan repayment schedule will be followed.

26.5 The proposed 2020-21 MRP policy set out in Appendix 1b is approved, including the specific changes compared to the current policy (as set out in 27.3 and 27.4).

26.6 The Flexible Use of Capital Receipts Strategy is approved.

26.7 Specific approval be given for the following capital expenditure schemes:

- £2m 2020-21 Property Programme to maintain Council assets.
- £0.203m for works to Depots to allow a relocation of Parks and Street Cleansing Staff.

27. APPENDICES

Appendix 1: The 2020-21 Capital Investment Plan

Appendix 1b: The proposed 2020-21 Minimum Revenue Policy

Appendix 2: Prudential Indicators

Appendix 3: Supporting Tables for the Capital Strategy

Appendix 1: Capital Investment Plan 2020-2024

Scheme No	Scheme Description	2019-20 Budget as at Q3 Feb 2020	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24 & onwards	Budget Total	Funding			Grand Total
								Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Health and Wellbeing											
CS0237a	Great Places to Grow Old	0	2,000	3,000	0	0	5,000	0	0	5,000	5,000
CS0237b	Keighley Rd Extra Care Fletcher Court	2,202	200	0	0	0	2,402	800	528	1,074	2,402
CS0237c	Keighley Rd Residential Care Valley View	988	200	0	0	0	1,188	400	0	788	1,188
CS0373	BACES DFG	980	443	443	0	0	1,866	1,866	0	0	1,866
CS0239	Community Capacity Grant	50	936	0	0	0	986	986	0	0	986
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
CS0352	Electric vehicle charging infrastructure	1	0	0	0	0	1	1	0	0	1
CS0451	The Third Place	250	0	0	0	0	250	250	0	0	250
Total - Health and Wellbeing		4,580	3,779	3,443	0	0	11,802	4,412	528	6,862	11,802
Children's Services											
CS0249	Schools DRF	0	0	0	0	0	0	0	0	0	0
CS0278	Targeted Basic Needs	33	0	0	0	0	33	33	0	0	33
CS0286	Outdoor Learning Centres	0	0	0	0	0	0	0	0	0	0
CS0022	Devolved Formula Capital	2,685	0	0	0	0	2,685	2,685	0	0	2,685
CS0030	Capital Improvement Work	626	0	0	0	0	626	626	0	0	626
CS0240	Capital Maintenance Grant	1,000	0	0	0	0	1,000	1,000	0	0	1,000
CS0240b	Capital Maintenance Grant	3,870	0	0	0	0	3,870	3,870	0	0	3,870
CS0240c	School Cap Inv Prog 19-20	2,002	1,002	0	0	0	3,004	3,004	0	0	3,004
CS0244a	Primary Schools Expansion Progr	5,600	1,429	0	0	0	7,029	7,029	0	0	7,029
CS0244b	Silsden Sch £7.265m Exec 12/04/16	3,424	6,337	465	0	0	10,226	10,226	0	0	10,226
CS0244c	SEN School Expansions	2,363	3,600	0	0	0	5,963	5,963	0	0	5,963
CS0362	Secondary School Expansion	6,198	3,500	1,798	0	0	11,496	11,496	0	0	11,496
CS0377	LA SEN Free School	0	0	0	0	0	0	0	0	0	0
CS0421	Healthy Pupil Capital Grant	227	0	0	0	0	227	227	0	0	227

		Funding									
Scheme No	Scheme Description	2019-20 Budget as at Q3 Feb 2020	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24 & onwards	Budget Total	Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	Grand Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total - Children's Services		28,028	15,868	2,263	0	0	46,159	46,159	0	0	46,159
Place - Economy & Development Services											
CS0134	Computerisation of Records	10	0	0	0	0	10	10	0	0	10
CS0136	Disabled Housing Facilities Grant	5,575	5,753	2,028	4,392	0	17,748	12,748	0	5,000	17,748
CS0137	Development of Equity Loans	1,000	1,200	1,195	1,211	0	4,606	2,576	0	2,030	4,606
CS0144	Empty Private Sector Homes Strat	1,206	825	825	831	0	3,687	0	0	3,687	3,687
CS0225	Afford Housing Prog 11-15	0	0	0	0	0	0	0	0	0	0
CS0308	Afford Housing Prog 15 -18	2,021	500	0	0	0	2,521	0	2,521	0	2,521
CS0250	Goitside	1	177	0	0	0	178	0	0	178	178
CS0280	Temp Housing Clergy House	55	0	0	0	0	55	0	0	55	55
CS0335	Bfd Cyrenians 255-257 Mngm Ln	9	0	0	0	0	9	0	0	9	9
CS0084	City Park	192	0	0	0	0	192	0	0	192	192
CS0085	City Centre Growth Zone	1,720	4,400	0	0	0	6,120	0	0	6,120	6,120
CS0189	Buck Lane	53	0	0	0	0	53	0	0	53	53
CS0228	Canal Road	100	0	0	0	0	100	0	0	100	100
CS0241	Re-use of Frmr College Builds Kghly	570	0	0	0	0	570	0	0	570	570
CS0266	Superconnected Cities	846	0	0	0	0	846	0	0	846	846
CS0446	Staithgate La Enterprise Zone site Investigation works	85	0	0	0	0	85	85	0	0	85
CS0291	One City Park (fmr Tyrls)	0	4,800	0	0	0	4,800	4,800	0	0	4,800
CS0265	LCR Revolving Econ Invest Fund	625	0	0	0	0	625	625	0	0	625
CS0345	Develop Land at Crag Rd, Shply	43	0	0	0	0	43	0	0	43	43
CS0107	Markets	26	0	0	0	0	26	0	0	26	26
CS0363	Markets - City Cntr	2,779	11,850	4,760	0	0	19,389	1,260	4,371	13,758	19,389
CS0363b	Markets - City Cntr Public Realm	596	1,000	0	0	0	1,596	0	0	1,596	1,596
Total - Place - Economy & Development Services		17,512	30,505	8,808	6,434	0	63,259	22,104	6,892	34,263	63,259
Place - Planning, Transportation & Highways											
CS0131	Kghly Town Cntr Heritage Initi	151	0	0	0	0	151	151	0	0	151
CS0178	Ilkley Moor	14	0	0	0	0	14	14	0	0	14
CS0179	Landscape Environ Imp	21	0	0	0	0	21	21	0	0	21
CS0285	Strategic Development Fund	1,167	0	0	0	0	1,167	0	0	1,167	1,167

		Funding									
Scheme No	Scheme Description	2019-20	Budget	Budget	Budget	Budget	Budget Total	Specific	Invest to	Corporate	Grand Total
		Budget as at Q3 Feb 2020	2020-21	2021-22	2022-23	2023-24 & onwards		Grants, cap receipts, reserves	Save Funding	Borrowing	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0071	Highways S106 Projects	249	300	0	0	0	549	549	0	0	549
CS0372	Countryside S106 Projects	226	300	0	0	0	526	526	0	0	526
CS0091	Capital Highway Maint	5,006	0	0	0	0	5,006	5,006	0	0	5,006
CS0095	Bridges	200	0	0	0	0	200	200	0	0	200
CS0096	Street Lighting	132	0	0	0	0	132	132	0	0	132
CS0099	Integrated Transport	140	0	0	0	0	140	140	0	0	140
CS0164	Local Intgrtd Transp Area Com	0	0	0	0	0	0	0	0	0	0
CS0168	Connecting the City (Westfield)	15	0	0	0	0	15	15	0	0	15
CS0172	Saltaire R/bout Cong& Safety Works	279	0	0	0	0	279	279	0	0	279
CS0252	Measures to Support Hubs	45	0	0	0	0	45	45	0	0	45
CS0264	Highway to Health	0	0	0	0	0	0	0	0	0	0
CS0282	Highways Strategic Acquisi	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
CS0293	West Yorks & York Transport Fund	7,529	4,273	30,386	93,147	0	135,335	135,335	0	0	135,335
CS0396	WYTF Corr Imp Projects	768	5,720	5,077	0	0	11,565	11,015	0	550	11,565
CS0296	Pothole Funds	431	0	0	0	0	431	431	0	0	431
CS0306a	Strategic Transp Infrastr Priority	1,090	1,690	0	0	0	2,780	0	0	2,780	2,780
CS0302	Highways Prop Liab Redn Strat	97	0	0	0	0	97	97	0	0	97
CS0310	Clean Vehicle Technology Fund	3	0	0	0	0	3	3	0	0	3
CS0317	VMS Signage	39	0	0	0	0	39	39	0	0	39
CS0319	Challenge Fund	425	0	0	0	0	425	425	0	0	425
CS0323	Flood Risk Mgmt	30	0	0	0	0	30	30	0	0	30
CS0325	Street Lighting Invest to Save	0	0	0	0	0	0	0	0	0	0
CS0329	Damens County Park	106	0	0	0	0	106	0	0	106	106
CS0332	Flood Funding	6	0	0	0	0	6	6	0	0	6
CS0334	Air Quality Monitoring Equip	9	0	0	0	0	9	9	0	0	9
CS0350	Street Lighting Invest to Save	312	0	0	0	0	312	0	312	0	312
CS0365	National Productivity Invest Fund	3	0	0	0	0	3	3	0	0	3
CS0370	LTP IP3 Safer Roads	1,619	0	0	0	0	1,619	1,619	0	0	1,619
CS0371	LTP IP3 Public Transport	247	0	0	0	0	247	247	0	0	247
CS0375	Sign Shop	19	0	0	0	0	19	0	19	0	19

		Funding									
Scheme No	Scheme Description	2019-20	Budget	Budget	Budget	Budget	Budget Total	Specific	Invest to	Corporate	Grand Total
		Budget as at Q3 Feb 2020	2020-21	2021-22	2022-23	2023-24 & onwards		Grants, cap receipts, reserves	Save Funding	Borrowing	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0379	NPIF UTMC	1,247	0	0	0	0	1,247	1,247	0	0	1,247
CS0386	Cycling & Walking Schemes LTP3	18	0	0	0	0	18	18	0	0	18
CS0414	LTP IP3 Safer Rds	214	0	0	0	0	214	214	0	0	214
CS0398	Bfd City Ctre Townscape Herit	500	1,115	845	290	0	2,500	2,500	0	250	2,750
CS0430	Hwys Maint Fund Oct18	2,553	0	0	0	0	2,553	2,553	0	0	2,553
CS0432	Steeton/Silsden Crossing	189	0	0	0	0	189	189	0	0	189
CS0423	Highways IT upgrade	83	0	0	0	0	83	0	83	0	83
CS0433	Gain Lane / Leeds Rd Jct	30	0	0	0	0	30	30	0	0	30
CS0450	CILS payments	0	0	0	0	0	0	0	0	0	0
CS0453	IP3 Safer Rds 1920	120	0	0	0	0	120	120	0	0	120
CS0454	Area Comm ITS 1920	660	0	0	0	0	660	660	0	0	660
CS0434	Smart Street Lighting	209	9,595	12,760	11,940	11,080	45,584	0	45,584	0	45,584
CS0455	IP4 projects	828	1,258	1,201	0	0	3,287	3,287	0	0	3,287
CA0456	WY Integrated UTMC Centre	200	432	0	0	0	632	632	0	0	632
Total Place - Planning, Transportation & Highways		27,900	24,683	50,269	105,377	11,080	219,309	168,458	45,998	4,853	219,309
Dept of Place - Waste, Fleet & Transport											
CS0060	Replacement of Vehicles	3,000	3,000	3,000	3,000	0	12,000	0	12,000	0	12,000
CS0063	Waste Infrastructure & Recycling	26	0	0	0	0	26	26	0	0	26
CS0283	Above Ground Fuel Storage	22	0	0	0	0	22	0	0	22	22
CS0438	Harris St Fencing	59	0	0	0	0	59	0	0	59	59
CS0435	Sugden End Landfill Site	856	1,105	0	0	0	1,961	0	0	1,961	1,961
CS0415	Shearbridge Depot Security	100	0	0	0	0	100	0	0	100	100
CS0416	Fleet Management IT systems upgrade	39	0	0	0	0	39	0	0	39	39
CS0417	Keighley Transfer Loading Station electrical	34	0	0	0	0	34	0	0	34	34
Total Place - Waste, Fleet & Transport		4,136	4,105	3,000	3,000	0	14,241	26	12,000	2,215	14,241

Funding

Scheme No	Scheme Description	2019-20	Budget			Budget	Budget Total	Funding			Grand Total
		Budget as at Q3 Feb 2020	2020-21	2021-22	2022-23	2023-24 & onwards		Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0066	Ward Investment Fund	35	0	0	0	0	35	0	0	35	35
CS0132	Community Hubs	25	0	0	0	0	25	0	0	25	25
CS0378	Cust Serv Strategy	158	0	0	0	0	158	0	0	158	158
CS0359	Community Resilience Grant	18	0	0	0	0	18	18	0	0	18
CS0462	Ilkley Parking scheme £320k Invest to Save	100	220	0	0	0	320	0	320	0	320
Total Place - Neighbourhoods & Customer Services		336	220	0	0	0	556	18	320	218	556

Dept of Place - Sports & Culture											
Dept of Place - Sports & Culture											
CS0151	Building Safer Commun	47	0	0	0	0	47	47	0	0	47
CS0328	Cliffe Castle Various	15	0	0	0	0	15	15	0	0	15
CS0430	Cartwright Hall Café	105	0	0	0	0	105	0	105	0	105
CS0340	St George's Hall	-176	0	0	0	0	-176	0	0	-176	-176
CS0129	Scholemoor Project	0	0	83	0	0	83	83	0	0	83
CS0162	Capital Projects - Recreation	602	440	0	0	0	1,042	1,042	0	0	1,042
CS0229	Cliffe Castle Restoration	110	10	10	0	0	130	130	0	0	130
CS0347	Park Ave Cricket Ground	7	0	0	0	0	7	7	0	0	7
CS0004	S106 Recreation	0	0	0	0	0	0	0	0	0	0
CS0367	King George V Playing Fields	0	200	820	0	0	1,020	700	0	320	1,020
CS0403	Bereavement Strategy - Consultants Fees	400	341	0	0	0	741	91	0	650	741
CS0277	Wyke Manor Sports Dev - demolitn	177	0	0	0	0	177	177	0	0	177
CS0277b	Wyke Manor Ph2 Sports Dev	739	4,000	523	0	0	5,262	2,600	0	2,662	5,262
CS0245	Doe Park	37	0	0	0	0	37	37	0	0	37
CS0459	Ilkley Lido Tank	460	0	0	0	0	460	0	115	345	460
CS0461	Shipley Gym extension & equipment	305	0	0	0	0	305	0	305	0	305
CS0458	Doe Park Drainage	40	0	0	0	0	40	0	0	40	40
CS0356	Sedbergh SFIP	7,479	408	0	0	0	7,887	0	0	7,887	7,887
CS0354	Squire Lane Sports Facility	0	0	0	2,300	7,100	9,400	0	0	9,400	9,400
Total - Dept of Place - Sports & Culture		10,347	5,399	1,436	2,300	7,100	26,582	4,929	525	21,128	26,582

		Funding									
Scheme No	Scheme Description	2019-20	Budget	Budget	Budget	Budget	Budget Total	Specific	Invest to	Corporate	Grand Total
		Budget as at Q3 Feb 2020	2020-21	2021-22	2022-23	2023-24 & onwards		Grants, cap receipts, reserves	Save Funding	Borrowing	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corp Resources - Estates & Property Services											
CS0094	Property Programme (bworks)	200	300	0	0	0	500	0	0	500	500
CS0333	Argus Chambers / Britannia Hse	218	500	0	0	0	718	0	0	718	718
CS0391	Property Programme 18-19	1,022	0	0	0	0	1,022	0	0	1,022	1,022
CS0443	Property Programme 19-20	630	424	0	0	0	1,054	0	0	1,054	1,054
CS0230	Beechgrove Allotments	148	0	0	0	0	148	148	0	0	148
CS0050	Carbon Management	900	261	0	0	0	1,161	0	0	1,161	1,161
CS0305	Healthy Heating Scheme	0	0	0	0	0	0	0	0	0	0
CS0420	Electric vehicle charging infrastructure	200	0	0	0	0	200	200	0	0	200
CS0385	ULEV Taxi scheme LTP3	50	0	0	0	0	50	50	0	0	50
CS2000	DDA	50	50	62	59	0	221	0	0	221	221
CS0361	Strategic Acquisitions	6,540	0	0	0	0	6,540	0	6,540	0	6,540
CS0381	Godwin St	1,964	1,000	0	0	0	2,964	2,964	0	0	2,964
CS0409	Coroner's Court and Accommodation	650	1,700	0	0	0	2,350	0	0	2,350	2,350
CS0383	Jacobs Well demolition	255	0	0	0	0	255	0	0	255	255
CS0427	Coroner's Equipment	600	0	0	0	0	600	0	0	600	600
CS0460	Mitre Court CPU Property & Equip	1,400	0	0	0	0	1,400	450	0	950	1,400
CS0457	Simpson Green - roof	25	30	0	0	0	55	0	0	55	55
CS0445	Core IT Infrastructure 1920	2,100	0	0	0	0	2,100	2,100	0	0	2,100
Total Corp Resources – Estates & Property Services		16,952	4,265	62	59	0	21,338	5,912	6,540	8,886	21,338

Reserve Schemes & Contingencies

CS0395	General Contingency	387	1,000	1,000	1,000	0	3,387	0	0	3,387	3,387
CS0397	Essential Maintenance Prov	0	2,000	2,000	2,000	0	6,000	0	0	6,000	6,000
CS0399	Strategic Acquisition	3,460	10,000	10,000	10,000	0	33,460	0	33,460	0	33,460
CS0403	Bereavement Strategy	0	1,755	10,845	0	0	12,600	0	0	12,600	12,600

		Funding									
Scheme No	Scheme Description	2019-20	Budget	Budget	Budget	Budget	Budget Total	Specific	Invest to	Corporate	Grand Total
		Budget as at Q3 Feb 2020	2020-21	2021-22	2022-23	2023-24 & onwards		Grants, cap receipts, reserves	Save Funding	Borrowing	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CS0403b	Muslim Burial Ground	0	500	500	0	0	1,000	0	0	1,000	1,000
CS0403c	Oakworth Crematorium	0	2,500	250	0	0	2,750	0	0	2,750	2,750
CS0403d	Heaton Crematorium	0	0	0	0	0	0	0	0	0	0
CS0403e	Brierley Crematorium	0	0	0	0	0	0	0	0	0	0
CS0306c	Strategic Acq - Highways	0	0	0	0	0	0	0	0	0	0
CS0400	Keighley One Public Sector Est	500	4,000	4,000	9,500	0	18,000	0	18,000	0	18,000
CS0402	Canal Road Land Assembly	450	0	0	0	0	450	0	0	450	450
CS0401	Depots	0	0	3,000	0	0	3,000	0	0	3,000	3,000
CS0404	Sports Pitches	0	0	1,733	4,248	4,250	10,231	2,400	0	7,831	10,231
CS0404b	Playgrounds	0	750	1,500	2,750	0	5,000	0	0	5,000	5,000
CS0405	City Hall / RFL	0	3,000	3,000	4,000	0	10,000	2,000	5,000	3,000	10,000
CS0407	Affordable Housing	3,845	3,803	5,500	16,076	0	29,224	14,430	14,794	0	29,224
CS0408	Top of town	0	0	0	3,000	0	3,000	0	0	3,000	3,000
CS0410	Godwin St (fmr Odeon)	2,000	7,500	2,000	0	0	11,500	0	11,500	0	11,500
CS0413	LD Home - Branshaw	0	0	0	0	0	0	0	0	0	0
CS0436	Childrens Home (A)	200	300	0	0	0	500	0	500	0	500
CS0437	Childrens Home (B)	100	400	0	0	0	500	250	0	250	500
CS0463	Waste Trommel	0	250	0	0	0	250	0	250	0	250
2020-21 Proposed new schemes											
	Disabled Facilities Grant	0	0	0	0	2,028	2,028	2,028	0	0	2,028
	Replacement of Vehicles	0	0	0	0	3,000	3,000	0	3,000	0	3,000
	Property Programme	0	0	0	0	2,000	2,000	0	0	2,000	2,000
	General contingency	0	0	0	0	1,000	1,000	0	0	1,000	1,000
	Strategic Investment Property acquisition	0	0	0	0	10,000	10,000	0	10,000	0	10,000
	Property Programme 2020-21	0	950	0	0	0	950	0	0	950	950
	One City Park	0	0	15,500	10,300	0	25,800	0	25,800	0	25,800
	Fleet / Electric vehicle Programme	0	1,804	0	0	0	1,804	0	1,804	0	1,804
	District Heating	0	750	5,002	6,702	1,861	14,315	6,459	2,871	4,985	14,315
	Feasibility study into renewables	0	2,000	3,000	0	0	5,000	2,000	3,000	0	5,000
	City Hall	0	1,000	1,000	0	0	2,000	0	0	2,000	2,000
	Climate change building controls	0	1,000	1,000	500	0	2,500	0	0	2,500	2,500

Scheme No	Scheme Description	2019-20 Budget as at Q3 Feb 2020	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24 & onwards	Budget Total	Funding			Grand Total
								Specific Grants, cap receipts, reserves	Invest to Save Funding	Corporate Borrowing	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Bereavement	0	0	4,000	3,000	0	7,000	0	7,000	0	7,000
	Playgrounds	0	1,385	0	0	0	1,385	1,385	0	0	1,385
	CCTV	0	500	475	0	0	975	0	487	488	975
	Fly tipping	0	300	0	0	0	300	0	0	300	300
	IT capital spend	0	2,700	1,000	0	0	3,700	0	0	3,700	3,700
	Parks & Depots reorganisation	0	108	0	0	0	108	0	0	108	108
	Transforming Cities Fund	0	33,000	33,000	0	0	66,000	66,000	0	0	66,000
	Flood Alleviation	0	200	0	0	0	200	200	0	0	200
	Clean Air Zone	0	27,343	26,026	0	0	53,369	53,369	0	0	53,369
	City Centre Regeneration Fund	0	9,500	0	0	0	9,500	0	9,500	0	9,500
	Total - Reserve Schemes & Contingencies	10,942	120,298	135,331	73,076	24,139	363,786	150,521	146,966	66,299	363,786
	TOTAL - All Services	120,733	209,122	204,612	190,246	42,319	767,032	402,539	*219,769	144,724	767,032

*Invest to Save and Corporate Borrowing has been reduced by a further £10m for assumed general capital receipts, as shown in the Prudential Indicators in Appendix 2.

Appendix 1b: Proposed 2020-21 MRP Policy

- 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 policy was changed last year for PFI assets generating savings in the current and future years. This year there is one proposed change to the policy adopted last year in relation to asset lives. 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.

Appendix 2: Prudential Indicators

Capital Financing Requirement (CFR)

	31/03/19 <i>Actual</i> <i>£m</i>	31/03/20 <i>Estimate</i> <i>£m</i>	31/03/21 <i>Estimate</i> <i>£m</i>	31/03/22 <i>Estimate</i> <i>£m</i>	31/03/23 <i>Estimate</i> <i>£m</i>	31/03/24 <i>Estimate</i> <i>£m</i>
Opening Capital Financing Requirement	669	700	731	802	867	914
Increase in borrowing Less MRP and other financing movements	32 -1	51 -20	96 -25	93 -28	78 -31	36 -34
Closing Capital Financing Requirement	700	731	802	867	914	916

External Debt Analysis

	31/03/19 <i>Actual</i> <i>£m</i>	31/03/20 <i>Estimate</i> <i>£m</i>	31/03/21 <i>Estimate</i> <i>£m</i>	31/03/22 <i>Estimate</i> <i>£m</i>	31/03/23 <i>Estimate</i> <i>£m</i>	31/03/24 <i>Estimate</i> <i>£m</i>
Opening Capital Financing Requirement	669	700	732	803	868	916
Private Finance Initiative	-178	-174	-169	-165	-161	-156
Earmarked Reserves	-202	-256	-256	-256	-256	-256
Investments	35	53	10	10	10	10
Working Capital	2	-9	-9	-9	-9	-9
(ii) Opening External Debt 1 April	326	314	308	383	452	505
<i>Underborrowing</i>	<i>343</i>	<i>386</i>	<i>424</i>	<i>420</i>	<i>416</i>	<i>411</i>

Analysis of Capital Spend Requiring Borrowing

	31/03/19 <i>Actual</i> <i>£m</i>	31/03/20 <i>Estimate</i> <i>£m</i>	31/03/21 <i>Estimate</i> <i>£m</i>	31/03/22 <i>Estimate</i> <i>£m</i>	31/03/23 <i>Estimate</i> <i>£m</i>	31/03/24 <i>Estimate</i> <i>£m</i>
Total Capital Spend	84	121	209	205	190	42
Capital Spend not funded from borrowing	53	70	113	112	112	6
Capital spend funded from borrowing	31	51	96	93	78	36

Projected New Borrowing

		31/03/20 Estimate £m	31/03/21 Estimate £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m
Borrowing requirement for capital budget		51	96	93	78	36
Maturing loans		17	2	6	16	6
Investment/working capital changes		7	-43	0	0	0
MRP (excluding PFI)		-15	-21	-23	-26	-30
External Loan requirement		60	34	76	68	12

Ratio of Capital Financing Costs to Net Revenue Stream

	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m
MRP overprovision	-5.2	0.0	0.0	0.0	0.0
MRP, excluding PFI	19.8	20.7	23.3	26.4	29.9
MRP PFI, finance lease	4.3	4.3	4.3	4.3	4.3
Old West Yorkshire Waste debt	0.2	0.2	0.2	0.2	0.2
Interest on external borrowing	17.0	17.8	20.1	22.9	25.9
Interest on PFI	16.1	15.5	15.0	14.4	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	52.0	58.3	62.6	68.0	73.7
Projected Net Revenue Stream	377.6	377.6	377.6	377.6	377.6
Ratio to Net Revenue Stream	13.8%	15.4%	16.6%	18.0%	19.5%
Invest to Save element of Total Capital Financing Costs	5.7	7.1	8.8	12.5	17.5
Invest to Save contribution to Ratio to Net Revenue Stream	1.5%	1.9%	2.3%	3.3%	4.6%

*Changes to accounting rules could an increase in total capital financing costs by causing additional contracts to fall within the definition of finance leases.

Operational Limit for external Debt

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	Proposed £m	Proposed £m	Proposed £m	Proposed £m
External Loans	400	410	540	605	655	655
Other Long term liabilities	200	180	180	180	180	180

Authorised Limit for external Debt

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
External Loans	420	430	550	615	665	665
Other Long term liabilities	220	200	180	180	180	180

The Section 151 Officer is authorised to amend the separately identified figures for borrowing and other long term liabilities for both the operational and the authorised limit.

APPENDIX 3: CAPITAL STRATEGY TABLES

Table (i)

Asset Balance Sheet values as at 31 March 2019

Category	Value as at 31 March 2019
	£'000
Council Dwellings	24,620
Land & Buildings	588,574
Vehicles, Plant, Furniture & Equipment	19,448
Infrastructure	222,673
Community Assets	54,211
Surplus Assets	16,996
Assets Under Construction	32,203
Heritage Assets	37,058
Investment Property	53,592
Intangible Assets	430
Total	1,049,805
<i>Source: Statement of Accounts 2018-19</i>	

Table (ii)

Capital Investment Plan 2020-21

	31/03/19	31/03/20	31/03/21	31/03/22	31/03/23	31/03/24
	<i>Actual</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Total Capital Spend	84	121	209	205	190	42
Capital Spend not funded from borrowing	53	70	113	112	112	6
Capital spend funded from borrowing	31	51	96	93	78	36

Table (iii)

Split of Invest to Save Borrowing

	31/03/19	31/03/20	31/03/21	31/03/22	31/03/23	31/03/24
	<i>Actual</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Invest to Save	19	31	58	56	47	22
Corporate Borrowing	12	20	38	37	31	14
Total borrowing	31	51	96	93	78	36

Table (iv)
Backlog maintenance

Backlog maintenance	2009-10	2018-19
Operational Estate £ms	83	50
Non-Operational £ms	13	8
Total Backlog maintenance £ms	96	58
Operational Estate size GIAm2 000s	319	238
Non-Operational Estate size GIAm2 000s	27	33
Total	346	271

Table (v):
Capital Financing Requirement 31 March 2019

Balance Sheet	31/03/2019
	£m
Capital financing Requirement	700
Private finance Initiative	-169
Underlying Borrowing Requirement	531
Investments Held	52
Cash Reserves	-256
Less School Balances	27
Provisions/Collection Fund	-36
Borrowing from Public Works Loan Board	318
Under-Borrowing	213

Table (vi):
Affordability measures

Measure	Current Position	Potential Position
Total Borrowing related to long term assets	As at 31-03-2019 £312m total borrowing is 30% of long terms assets of £1,050m.	CIP2020-21 has £145m of Corporate Borrowing and £219m of Invest to Save. Less £10m of general capital receipts, this assumes an increase of £354m in borrowing to £666m. Assuming this increases long term assets also by £666m to £1,716m, this is 39% of long term assets.
Total Borrowing costs as a percentage of net budget	For 2019-20 borrowing costs of £46.3m plus Invest to Save borrowing costs of £5.7m, totalling £52m are 13.8% of net budget	At 2023-24 borrowing costs of £56.2m plus invest to save of £17.5m total £73.7m. This is 19.5% of the net revenue budget.