

<b>Subject:</b>	Capital Strategy 2021/22 - 2024/25 and Capital Programme 2021/22	<b>Status:</b>	For Publication
<b>Report to:</b>	Overview & Scrutiny	<b>Date:</b>	1 <sup>st</sup> February 2022
<b>Report of:</b>	Chief Finance Officer	<b>Portfolio Holder:</b>	Resources
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required: No	<b>Attached:</b>	No
<b>Biodiversity Impact Assessment</b>	Required: No	<b>Attached:</b>	No
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## 1. RECOMMENDATIONS

- 1.1. **The Overview & Scrutiny Committee considers the council's Capital Strategy 2022/23 - 2025/26.**
- 1.2. **The Overview & Scrutiny Committee considers the council's capital programme for 2022/23 and associated capital expenditure of £5.02m.**

## 2. PURPOSE OF REPORT

To propose a capital expenditure programme for 2022/23 and the medium term, including new capital projects approved during 2021/22 subject to further due diligence and legal contracts. The report also explores a Capital Strategy for five years.

## 3. BACKGROUND

- 3.1 Capital expenditure refers to larger projects, typically over £10k in value, and those where the benefit will last for more than one year, such as vehicles and buildings.
- 3.2 The council has a five-year capital spending programme. The programme includes capital expenditure scheduled for the council's operational assets. The council ensures all capital expenditure is directly linked to the council's priorities, affordable and delivered through key corporate projects. Any spend on the council's operational assets is scheduled in line with the council's Major Asset Plan. Expenditure in respect of grants or financial assistance is included if the nature of expenditure, when incurred by the council, is classed as capital expenditure.
- 3.3 The capital programme is updated continually for agreed changes and reported to Cabinet on a quarterly basis and to Council as part of any financial forecast updates. A prudent approach is taken when preparing the programme to ensure that financing resources are only estimated for when there is relative certainty that they will be received.
- 3.4 In accordance with CIPFA's Prudential Code the council's Chief Finance Officer is required to have full regard for affordability, sustainability and prudence when making recommendations about the council's future capital programme. Such consideration includes the level of long-term revenue commitments. The Council considers the affordability of capital investment and the impact on revenue forecasts when formulating its capital

spending plans.

#### 4. AN AFFORDABLE CAPITAL PROGRAMME 2021/22

4.1 In order to meet the council's strategic plans and operational requirements the council have drawn up an affordable capital programme for five years. Please note for the ease of understanding the programme below excludes the implications of the International Financial Reporting Standard (IFRS) 16 (Leases), this is shown in the Capital Strategy.

4.2 The full detail capital programme is attached at Appendix A and totals £22.952m. The planned spend over the life of the programme is continuously reviewed and any scheme profiling changes are reflected in quarterly monitoring reports. The table, below, sets out the latest capital programme summary. This has been updated for agreed changes up to the end of December 2021 and the proposed new additions on page 6:

**Table 1**

Capital Expenditure	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total Expenditure £'000
Operations & Communities	1,470	1,530	837	674	464	4,975
Corporate Services & Buildings	352	518	230	130	206	1,436
Housing	3,764	1,500	1,500	1,500	1,000	9,264
Regeneration	3,983	1,284	1,010	-	-	6,277
Climate change	250	250	250	250	-	1,000
Estimated Expenditure	9,819	5,082	3,827	2,554	1,670	<b>22,952</b>

4.3 The council carries out stock condition surveys to establish a rolling programme of improvement and refurbishment of its operational properties. The programme takes account of the need for efficiency and environmental impact issues. The council's properties include office accommodation, the depot and venues such as the markets and open space facilities.

4.4 The council has a small investment property portfolio managed to generate income to support the revenue budget and maximise opportunities for regeneration. Plot 1 Futures Park has been added during 2021/22.

4.5 The council currently has three major on-going capital projects, these are the Bacup Historic England Project, Haslingden 2040 NLHF scheme and the Carbon Reduction Fund.

4.6 The council have developed a comprehensive replacement plan for the operational vehicle fleet over the life of the Medium Term Financial Strategy (MTFS). There has been delays in the procurement of some vehicles in 2021/22, due to the Covid pandemic, these have been re-scheduled into 2022/23.

4.7 There are a number of smaller projects on-going including the Rawtenstall Town Square public realm scheme and the Futures Park infrastructure scheme.

4.8 During 2021/22 there have been three additions to the programme these are:-

- Marl Pits running track
- Electric Vehicle Charging Points a (Futures Park)
- Futures Park Building Works, which has been added to the General Buildings and Maintenance scheme for presentation purposes

4.9 The Council is currently compiling a bid for submission to the Levelling Up Fund, in 2021/22 the Council received £125k capacity funding to develop the bid for submission in early

2022/23, the final date is yet to be announced. If the bid is successful the new projects will be added to the programme during 2022/23.

From 2022/23 it is proposed to include several new schemes which are detailed in page 6

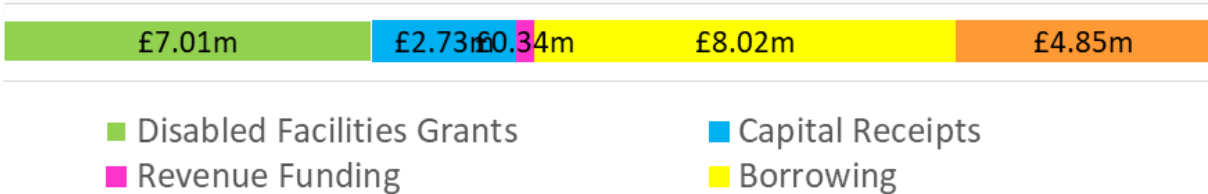
**5. FINANCING THE CAPITAL PROGRAMME**

5.1 Capital resources come from three sources:

- Capital receipts from sales of land or other assets
- Capital grants or contributions from outside agencies, organisations or community groups or from property developers through s106 agreements
- Revenue Contributions to Capital Outlay (RCCO) from either the council’s own budgets, or from property developers through s106 agreements.

The council has estimated the following financing sources will be available to fund the capital investment programme:

**Table 2**



**6. FUTURE PLANS**

6.1 The council has an ambitious agenda for improving Rossendale. Projects requiring capital funding must be financial sustainable. Other potential future schemes could include:

- Projects included within a successful Levelling Up fund bid, which would include proposals for the redevelopment of Bacup town centre
- Future Health and Leisure Facilities improvements arising from the feasibility study which is due to conclude Spring 2022
- Improvement projects recommended within the Play Strategy.
- Rossendale Valley Growth Corridor aimed at opening up new employment sites along the A56/M66 corridor.
- Regeneration scheme for a future Cockerill Square in Haslingden.
- An ‘Outdoor Rossendale’ project.

6.3 Each of these proposals is either at feasibility stage or earlier. Each proposal will be considered for approval by members in 2022/23. If the above projects are approved by Members they will require capital funding. If this is funded using the council’s own resources or prudential borrowing it will impact on the councils revenue budget and the capital programme would need to be reviewed and adjusted.

**7. RISK**

All the issues raised and the recommendations in this report involve risk as set out below.

7.1 The council needs to ensure that it is able to generate adequate sources of capital funding to support its capital commitments over the medium term and that it does not over stretch itself in terms of borrowing exposure. This risk is mitigated by the on-going monitoring of the capital programme and the agreement of any additions to the programme only following

member approval, which will include considerations of the implications for the council's capital and revenue position.

7.2 In the current economic climate there is some uncertainty surrounding the council's ability to generate resources from the disposal of its surplus assets. Regular reporting will continue to be made to members to explain any additional resources achieved and account for their allocation to the programme as and when they become available.

7.3 The potential for unforeseen events or liability. For example, emergency works such as those to culverts, properties and other council assets.

## 8. FINANCE

The financial implications are contained within the body of the report.

## 9. LEGAL

None.

## 10. POLICY AND EQUALITIES IMPLICATIONS

The capital programme forms part of the council's 2021/22 MTFS proposals and has been included as part of the MTFS equality considerations and consultation process.

## 11. CONCLUSIONS

11.1 The proposed capital programme for 2022/23 and up to 2025/26 represents an affordable plan, as indicated by the prudential borrowing performance indicators the Capital Strategy (Appendix B).

11.2 The deficit between capital resources and requirements over the future years looks set to continue. With severe pressures on the council's revenue resources throughout the MTFS it is likely that the council will need to take out further external borrowing, as reflected in the capital programme financing estimates. This will lead to interest costs which will need to be included within the business case for each investment. When approving new schemes it is important that consideration is given to the impact they will have on the Councils revenue budget through the Minimum Revenue Provision (MRP) charge.

Background Papers	
Document	Place of Inspection
Revenue Budget 2022/23 and the MTFS update being reported to this committee and Cabinet in Feb 2022	Financial Services working papers

## Appendix A

<b>Schemes in Progress</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>Total 2021/22 - 2025/26 inc slippage £'000</b>
<b>Schemes</b>						
Vehicles / Equipment	1,055	977	471	614	404	3,521
Wheeled & Litter Bins	-	70	70	50	50	240
Playgrounds	25	10	10	-	-	45
Cemeteries	40	10	10	10	10	80
Pathways	80	20	-	-	-	100
CPO / Enforced Sales	81	-	-	-	-	81
Empty Homes Scheme	675	500	500	500	-	2,175
General Building Renovations & Maintenance	226	100	100	100	100	626
Whitworth pool - Boilers	-	-	-	-	76	76
Waterside Mill Emergency Works	25	-	-	-	-	25
Spinning Point - Building Phase1	33	-	-	-	-	33
Waste Transfer Station Henrietta St	22	-	-	-	-	22
Carbon Reduction Fund	250	250	250	250	-	1,000
	<b>2,512</b>	<b>1,937</b>	<b>1,411</b>	<b>1,524</b>	<b>640</b>	<b>8,024</b>
<b>Schemes funded wholly/partly by External Finance or Government Grants</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>Total 2021/22 - 2025/26 inc slippage £'000</b>
Whitworth wild play	23	-	-	-	-	23
Sports Playing Fields	-	-	157	-	-	157
Haslingden Sports Centre playing fields	-	-	49	-	-	49
DFG'S - Mandatory Grants	3,008	1,000	1,000	1,000	1,000	7,008
Plot 1 Futures Park	1,183	-	-	-	-	1,183
Plot 5 Futures Park	191	-	-	-	-	191
Futures Park Infrastructure	350	-	-	-	-	350
Whittaker Park Museum Refurb	787	-	-	-	-	787
Spinning Point - Town Square	366	-	-	-	-	366
Bacup Historic England	472	484	285	-	-	1,241
Haslingden 2040 NLHF	500	800	725	-	-	2,025
Marl Pits Running Track	225	-	-	-	-	225
EV Charge Point Installation	101	-	-	-	-	101
	<b>7,206</b>	<b>2,284</b>	<b>2,216</b>	<b>1,000</b>	<b>1,000</b>	<b>13,706</b>
<b>Total of Schemes in Progress</b>	<b>9,718</b>	<b>4,221</b>	<b>3,627</b>	<b>2,524</b>	<b>1,640</b>	<b>21,730</b>

<b>New Schemes or Schemes awaiting external funder approval</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>Total 2021/22 - 2025/26 £'000</b>
Digital Access		80				80
Various Digital Solutions		25				25
Stubbylee and Whitaker Parking		22	30			52
Henrietta Street Depot Improvements		206				206
Printer Replacement		30				30
Christmas Lighting Catenary		33				33
Stubbylee Skate Park		21				21
Victoria Park		40	40			80
Hareholme Viaduct		100				100
Car Parks		50	30	30	30	140
Rawtenstall Market Electrical Works	101					101
Edgeside Tennis Courts		34				34
Leisure Facilities upgrades		120				120
Legacy Liabilities		100	100			200
<b>Total</b>	<b>101</b>	<b>861</b>	<b>200</b>	<b>30</b>	<b>30</b>	<b>1,222</b>
<b>Grand Total</b>	<b>9,819</b>	<b>5,082</b>	<b>3,827</b>	<b>2,554</b>	<b>1,670</b>	<b>22,952</b>
<b>Description</b>						
Digital Access	Improving the accessibility of the Councils website					
Various Digital Solutions	Includes Customer GIS Map info, Customer Citizens Access, and staff management system					
Stubbylee and Whitaker Parking	Review and upgrade to the parking facilities at Stubbylee and Whitaker parks					
Henrietta Street Depot Improvements	Various improvements including increasing wall height, roof works, culvert works and resurfacing					
Printer Replacement	Replacing printers at Futures Park and Henrietta Street as existing printers at their end of the useful life					
Christmas Lighting Catenary	Replacing the end of life across street Christmas lighting catenary in areas across the Borough					
Stubbylee Skate Park	Replacing the existing end of life steel skate park with improved concrete structure - this is the Councils anticipated contribution to an externally funded scheme					
Victoria Park	To fund improvements arising out of the masterplan					
Hareholme Viaduct	Health and Safety works required to Hareholme Viaduct.					
Car Parks	Improvements to car parks across the Borough					
Rawtenstall Market Electrical Works	Upgrade to the Rawtenstall market electrical system and installation of sub-meters to market stalls					
Edgeside Tennis Courts	Refurbishing the derelict tennis courts as per the masterplan - this is the Councils anticipated contribution to an externally funded scheme					
Leisure Facilities upgrades	Implementing the proposals arising from the leisure feasibility study - this is the Councils anticipated contribution to an externally funded scheme					
Legacy Liabilities	A fund to support potential future liabilities arising from Council assets					

## MTFS Forecast 2022/23

### Rossendale Borough Council Capital Financing Statement

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'0002	Total Estimate 2021/22 - 2025/246 £000
<b>Estimated Expenditure</b>						
Schemes in Progress	9,718	4,221	3,627	2,524	1,640	21,730
New Schemes	101	861	200	30	30	1,222
<b>Total Estimated Capital Payments</b>	<b>9,819</b>	<b>5,082</b>	<b>3,827</b>	<b>2,554</b>	<b>1,670</b>	<b>22,952</b>
<b>Estimated Resources</b>						
Direct Revenue Finance	0	0	0	0	0	0
Disabled Facilities Grant	3,008	1,000	1,000	1,000	1,000	7,008
Other External Finance (see below)	2,504	1,190	1,154	0	0	4,848
Prudential Borrowing	1,581	2,585	1,632	1,554	670	8,022
Earmarked Reserves	189	107	41	0	0	337
Capital Receipts	2,537	200	0	0	0	2,737
<b>Total Resources</b>	<b>9,819</b>	<b>5,082</b>	<b>3,827</b>	<b>2,554</b>	<b>1,670</b>	<b>22,952</b>

#### ANALYSIS OF OTHER EXTERNAL FINANCE

	Funder	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000
Plot 1 & 5 Futures Park Futures Park Infrastructure	Lancashire Enterprise Partnership	465	-	-	-	-
Whittaker Park Museum Refurb	NLHF	682	-	-	-	-
Spinning Point - Town Square	Lancashire County Council & Bequest	216	-	-	-	-
Bacup Historic England	Historic England	438	463	289	-	-
Haslingden 2040 NLHF	NLHF	454	727	659	-	-
Whitworth Wild Play	Section 106	23	-	-	-	-
EV Charge Point Installation	Lancaster Council	101	-	-	-	-
Marl Pits Running Track	Various	125	-	-	-	-
Sports Playing Fields	S106	-	-	157	-	-
Haslingden Sports Centre playing fields		-	-	49	-	-
<b>Total External Funding :</b>		<b>2,504</b>	<b>1,190</b>	<b>1,154</b>	-	-

# The 2022/23 Capital Strategy



# The Capital Strategy, including Prudential Indicators & Limits

## Capital Strategy Report 2022/23

### 1. Introduction

The capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The development of the Corporate Capital Strategy is an iterative process insofar as it will be updated as new issues arise, for example, during the development and updating of the Council's Corporate Priorities or as new issues that have an impact on the Council emerge. At the present time, the Strategy is updated on an annual basis.

A sound capital programme must be driven by the Corporate Priorities and capital decisions must balance the long-term gains with the initial capital costs and the ongoing revenue implications in terms of running costs and potential income generation opportunities. Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future, therefore they are subject to both a national regulatory framework and to local policy framework. The Prudential Code recognises that in making its capital investment decisions the council must have explicit regard to option appraisal, asset management planning, strategic planning for the council and achievability of the capital programme.

### 2. Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2022/23, the Council is planning capital expenditure of £5.461m summarised in Table 1.

**Table 1 - Prudential Indicator: Estimates of Capital Expenditure**

Capital Expenditure	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total Expenditure £'000
Operations & Communities	1,470	1,530	837	674	464	4,975
Corporate Services & Buildings	352	518	230	130	206	1,436
Housing	3,764	1,500	1,500	1,500	1,000	9,264
Regeneration	3,983	1,284	1,010	-	-	6,277
Climate change	250	250	250	250	-	1,000
Sub Total	9,819	5,082	3,827	2,554	1,670	22,952
IFRS16 Leases	-	379	300	3	-	682
Estimated Expenditure	9,819	5,461	4,127	2,557	1,670	23,634

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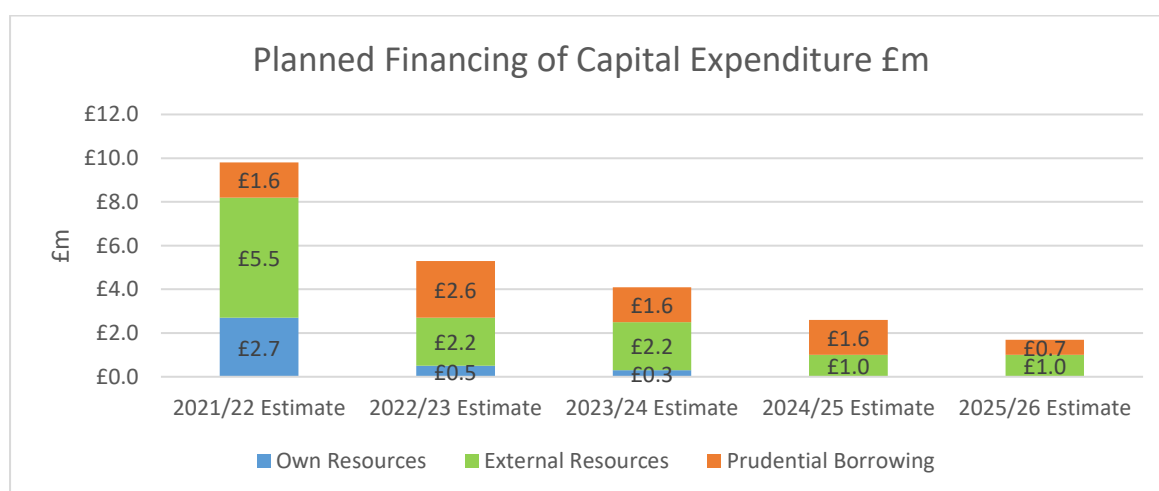
**Note** – The capital expenditure shown in the table above against ‘IFRS16 leases’ arises from a change in the accounting treatment for leases and does not represent cash expenditure.

**Governance:** A strategic review of the Capital Programme including a review of the Council’s investment assets and operational assets is carried out annually. The reviews take into consideration works identified from stock condition surveys and investments/capital expenditure resulting from the Council’s Corporate Priorities. Bids are formulated based on the outcome of reviews and recommend projects for inclusion in the Council’s capital programme. Bids are reviewed by Finance who calculate the financing cost (which can be nil if the project is fully externally financed). Cabinet Members and Corporate Management Team appraise all bids based on a comparison of service priorities against financing costs. The final capital programme is then presented along with the Cabinet budget proposals in January and to Council in February each year.

- Full details of the Council’s capital programme are shown in Appendix A of the Capital Programme report to Council each February.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council’s own resources (revenue, reserves and capital receipts) or debt (borrowing or leasing). The planned financing of the expenditure in Table 1 is as follows:

**Table 2: Capital financing**

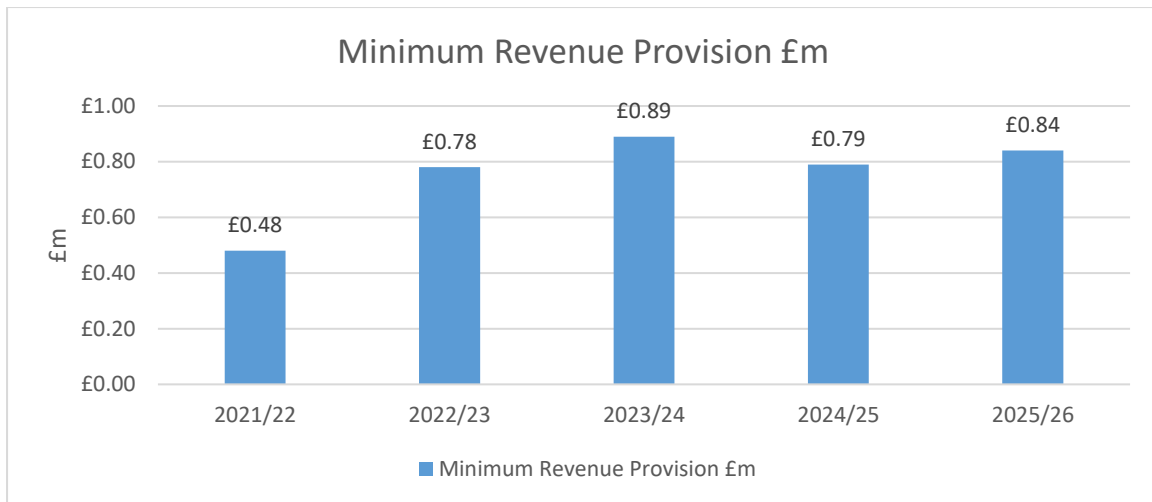


Note. £379k of debt financing in 2022/23 arises from a change in the accounting for leases and does not represent new payments.

Prudential Borrowing is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP repayments are as follows.

**Table 3: Replacement of Debt Finance**

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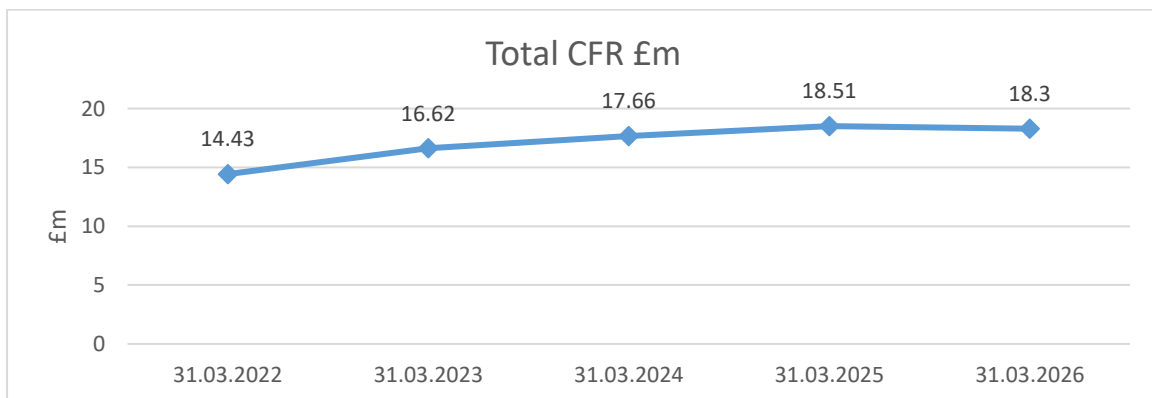


**Note.** The MRP for 2022/23, 2023/24 and 2024/25 includes the impact arising from the change in the accounting for leases and does not represent new payments.

- The Council’s Minimum Revenue Provision statement is available in the Treasury Strategy

The Council’s cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts. The CFR is expected to increase by £2.2m during 2022/23. Based on the above figures for expenditure and financing, the Council’s estimated CFR is as follows:

**Table 4 - Prudential Indicator: Estimates of Capital Financing Requirement**



**Asset management:** To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy. Also wherever possible the Council investigates opportunities to dispose of property assets for development, and explores other opportunities to maximise the return on the investment property portfolio income or increase financial receipts. As well as future investments, Members must also consider the costs of holding onto some assets compared with their contribution towards the Corporate Priorities. Holding costs include revenue running costs and general maintenance, but often capital maintenance costs are overlooked and these can mount up over time if not addressed. The last comprehensive stock condition survey was undertaken in 2013 and since

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then the Council has only had the resources to deal with the highest priority capital maintenance works in a rolling programme of around £100k per annum. That said, the Facilities Management Team is confident that all the Council's assets are being adequately maintained. The Property Service team are currently carrying out a review of all the Council's assets on a ward by ward basis, this is to enable the Council to better understand the scope of its property and land assets portfolio i.e. location, suitability, condition and value.

**Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council's ability to raise capital receipts from land sales is dependent upon the current property market and its appetite to dispose of non-operational assets. The opening value of capital receipts from sale of assets is forecast to be £200k.

Housing capital receipts in the future are only expected from the sale of CPO properties and these are dependent upon, and directly related to, any CPO costs.

Regular reporting will continue to be made to Members to explain any additional resources achieved and account for their allocation to the programme as and when they become available. The Council estimates it will receive £0.6m of capital receipts in the coming financial years as follows:

**Table 5: Capital Receipts**

	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	Total Estimate £m
Asset Sales	0.40	0.20	0.00	0.00	0.00	0.60

Further details of planned asset disposals are included within the capital programme.

### 3. Treasury Management

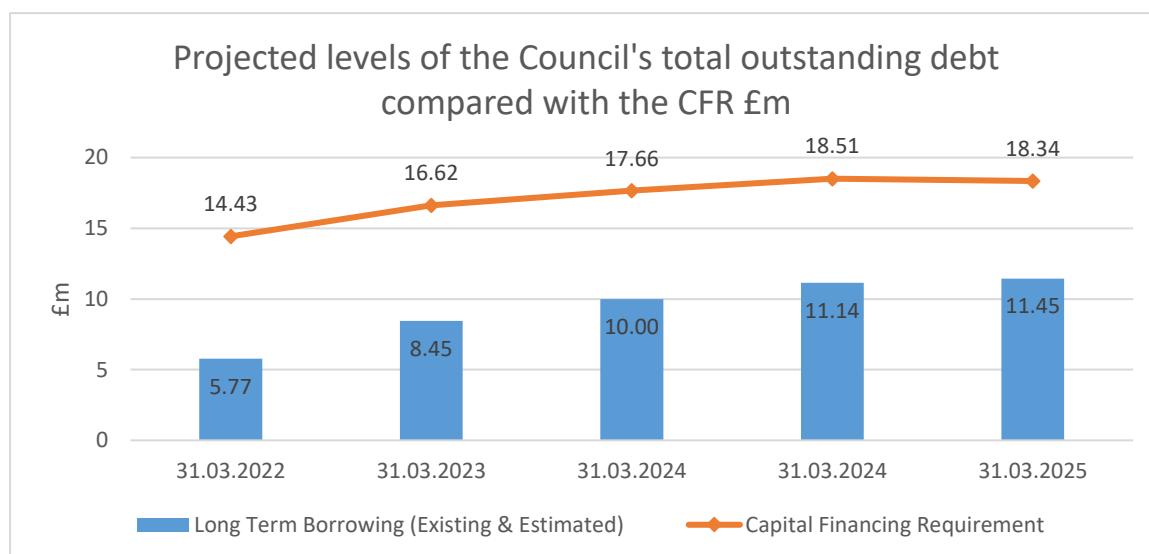
Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

**Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future.

Projected levels of the Council's total outstanding debt are shown below, compared with the capital financing requirement.

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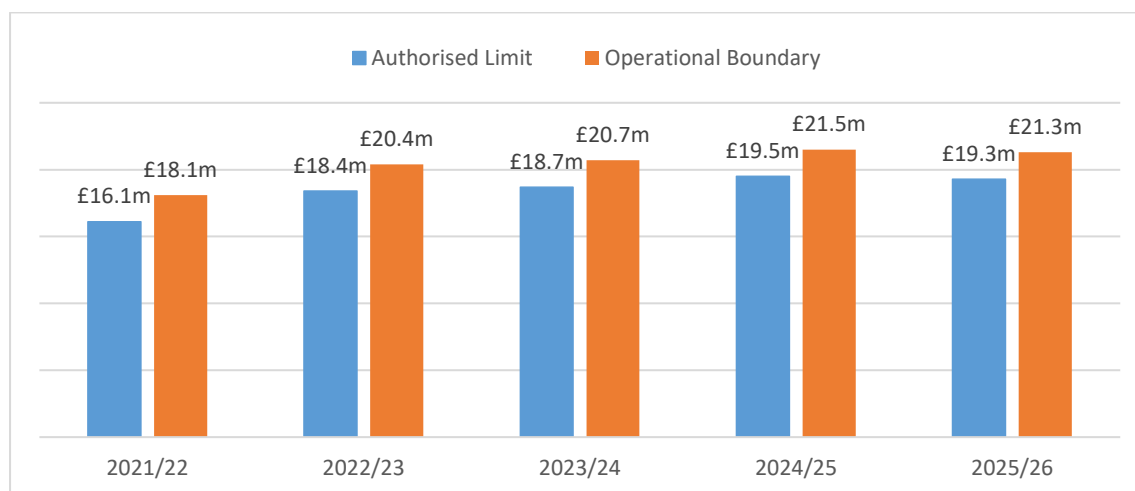
**Table 6: Prudential Indicator Gross Debt and the Capital Financing Requirement**



Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

**Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

**Table 7 - Prudential Indicators: Authorised limit and Operational Boundary for External Debt**



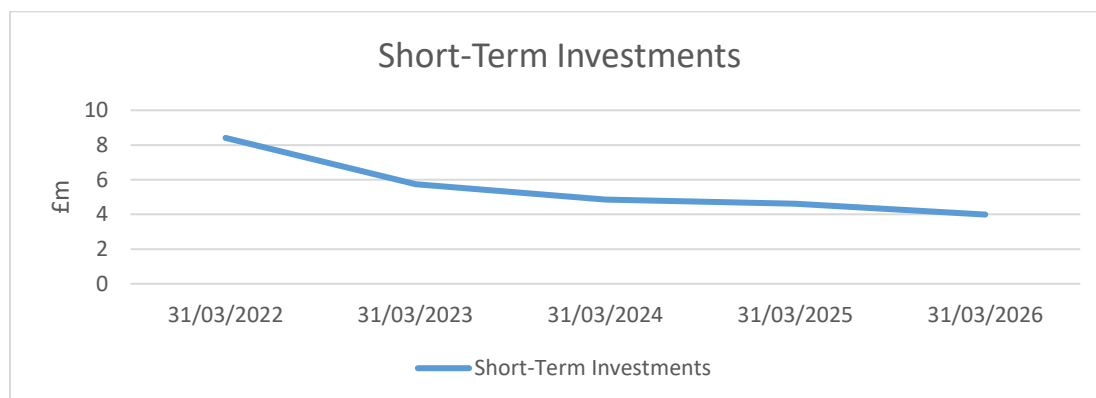
Further details on borrowing are in the Treasury Management Strategy

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**Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council’s policy on treasury investments is to prioritise security and liquidity over yield. That is to focus on minimising risk rather than maximising returns. Cash is invested securely, for example with the government or selected high-quality banks, to minimise the risk of loss. The Council does not make investments for period over 365 days.

**Table 8: Treasury Management Investments (cash balances)**



The estimated level of cash balances held at 31/03/22 is higher than normal due to the amount of Government funds held due to Covid.

Further details on treasury investments are in the Treasury Management Strategy.

**Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer who must act in line with the treasury management strategy approved by Council. Treasury Management Activity is included within the quarterly monitoring reports which are presented to the Cabinet. The Audit and Accounts Committee is responsible for scrutinising treasury management decisions.

#### 4. Investments for Service Purposes

These investments, including loans, are made for their contribution toward service delivery objectives. For example, the Council has provided loans to Rossendale Trust for equipment purchase and to the Whitaker to enable the delivery of the recent capital works. These loans are made to benefit the local community. In light of the public service objective, the Council is willing to take more risk in making service investments than it is with treasury investments, however it still aims for such investments to contribute to its corporate priorities.

**Governance:** Decisions on service investments are made by either Cabinet or the Council, in line with the Council’s constitution. Most loans are capital expenditure and purchases will therefore be approved as part of the capital programme.

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## 5. Investment Properties

With central government financial support for local public services declining, the Council invests in commercial property within Rossendale, mainly for the aim of regeneration of the Borough including job retention and creation, whilst seeking to achieve financial gain in order to produce a balanced overall financial budget and to minimise the charges to Council Tax payers. At 31/03/21 the Council's investment properties were valued at c£550k providing a net return after all costs of 4.55%.

With regeneration and financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include increased vacancies and potential fall in capital values. These risks are managed by the Property Services team monitoring and actively seeking to lease vacant premises and effective monitoring of performance of the investment portfolio. A programme of works was developed which to-date has included the development of Futures Park Plots 1 & 5, carrying out rent reviews and identifying surplus areas of land and property assets to maximise the rental returns and achieve future capital receipts. The Council's level of commercial investments are modest and considered relatively small in proportion to the size of the authority, however to ensure commercial investments remain in proportion they are subject to an overall maximum investment limit of £8m. The level of the commercial investment returns is not material to the Council's overall budget, however should expected yields not materialise the contingency would be to use earmarked reserves in the short term and review the assets future.

**Governance:** Decisions relating to capital expenditure for all purposes, including for the acquisition of property assets, are made in accordance with the Financial Regulations of the Council, this requiring the approval of Full Council/Cabinet as appropriate. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

## 6. Liabilities

In addition to the debt in Table 6 above, the Council is committed to making future payments to cover its pension fund deficit (valued at £30m at 31st March 2021). It has also set aside c£1.5m (as at 31st March 2021) in a Business Rates Appeal Provision to cover risks arising from the costs of Business Rates appeals as a consequence of the transference of such risks under the localisation of business rates arrangements introduced in 2013.

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

**Governance:** Decisions on incurring new discretionary liabilities are taken in consultation with the Section 151 Officer.

Revenue Budget Implications Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income

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receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream

	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Financing Costs	139	128	152	197	219	261
Proportion of net revenue stream	1.69%	1.44%	1.69%	2.15%	2.34%	2.77%

Further details on the revenue implications of capital expenditure are included within the Capital Programme.

**Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years may extend for up to 50 years into the future. The Head of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable.

## 7. Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Head of Finance is a qualified accountant with over 20 years' of Local Government experience. The Council pays for accountancy staff to study towards relevant professional accountancy qualifications and the staff involved in treasury management attend treasury seminars and workshops provided by CIPFA and other external service providers. Training is provided to Councillors as part of the financial management training delivered by the Section 151 Officer and more detailed treasury management training to Councillors on the Audit & Accounts Committee by treasury management advisors Link Asset Management Limited. Where appropriate the Council appoints external advisors and consultants that are specialists in their field. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

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