

<b>Subject:</b>	Capital Strategy 2022/23 - 2026/27 and Capital Programme 2023/24	<b>Status:</b>	For Publication
<b>Report to:</b>	Council	<b>Date:</b>	28 <sup>th</sup> February 2023
<b>Report of:</b>	Chief Finance Officer	<b>Lead Member:</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
<b>Contact Officer:</b>	Karen Spencer	<b>Telephone:</b>	01706 252409
<b>Email:</b>	karens pencer@rossendalebc.gov.uk		

## RECOMMENDATIONS

Cabinet recommends that Council approve:

- 1.1. The capital programme for 2023/24 and associated capital expenditure of £5.963m.
- 1.2. The Capital Strategy 2022/23 – 2026/27 attached at Appendix B

## 2. PURPOSE OF REPORT

To propose a capital expenditure programme for 2023/24 and the medium term, including new capital projects approved during 2022/23 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 2023/24

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- 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.
- 4.2 The full detail capital programme is attached at Appendix A and totals £23.029m. 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 2022 and the proposed new additions on page 6:

**Table 1**

Capital Expenditure	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total Expenditure £'000
Operations & Communities	2,219	594	937	525	421	4,696
Corporate Services & Buildings	992	524	130	206	100	1,952
Housing	3,711	1,500	1,500	1,000	1,000	8,711
Regeneration	2,713	3,095	866	-	-	6,674
Climate change	496	250	250	-	-	996
<b>Total</b>	<b>10,131</b>	<b>5,963</b>	<b>3,683</b>	<b>1,731</b>	<b>1,521</b>	<b>23,029</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.
- 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, with the UK Shared Prosperity (UKSP) Fund capital schemes commencing February/March 2023.
- 4.6 The council has 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 2022/23, due to supply chain issues, these have been re-scheduled into 2023/24.
- 4.7 There are a number of smaller projects on-going including the Rawtenstall Bus Station Lancashire Economic Recovery Grant scheme, the Futures Park infrastructure scheme and various parks schemes.
- 4.8 During 2022/23 there have been four additions to the programme these are:-
- Supported Housing
  - UK Shared Prosperity Fund
  - Weir Play Area
  - Moller Ring Play Area
- 4.9 The Council is still awaiting the outcome of its bid to the Levelling Up Fund (LUF), an announcement is expected late January. If the bid is successful the new projects will be added to the programme during 2023/24. In anticipation of a successful bid the Council's own funding contribution to the scheme has been added to the capital programme in 2023/24.
- 4.10 In addition to the LUF scheme it is proposed to include several new schemes for 2023/24,

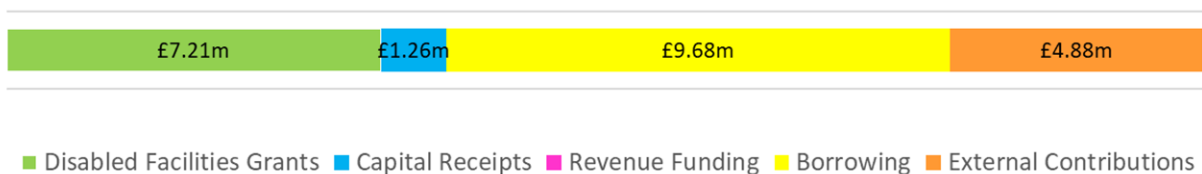
which are detailed in page 6.

## 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 include proposals for the redevelopment of Bacup town centre, Rawtenstall Market, The Bridge and the Gyratory.
  - Future Health and Leisure Facility improvements.
  - Improvement projects recommended within the Play Strategy.
  - Rossendale Valley Growth Corridor aimed at opening up new employment sites along the A56/M66 corridor.
- 6.2 Each of these proposals is either at feasibility stage or earlier. 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.

7.4 The level of inflation is having a major impact on affordability of the capital programme. During 2022/23, on average vehicle replacement costs were c20% over and above the estimates included in the capital programme. The estimates have been refreshed to take this into account, however if inflation continues to rise we could see the same issue in 2023/24. Rising inflation is also having an impact on the construction industry - pushing up costs and increasing tender prices. The Council is already experiencing the impact of this on the Bacup HAZ and Haslingden NLHF projects. This could also be an issue for the UKSP and LUF projects, as whilst inflation was built into the bids it was not at the levels we are currently experiencing for building materials. The Government has stated that any shortfall on these projects must be covered by the Council. In addition, as interest rates rise, so does the cost of borrowing which presents a longer-term risk.

**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 2023/24 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 2026/27 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 2023/24 and the MTFS update being reported to Cabinet in Feb 2023	Financial Services working papers

Schemes in Progress	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000	£'000	£'000	£'000	£'000	2022/23 - 2026/27 inc slippage £'000
<b>Schemes</b>						
Vehicles / Equipment	1,353	329	655	465	361	3,163
Wheeled & Litter Bins	64	70	50	50	50	284
Playgrounds	10	10	10	-	-	30
Cemeteries	28	10	10	10	10	68
Pathways	71	20	20	-	-	111
CPO / Enforced Sales	5	-	-	-	-	5
Empty Homes Scheme	500	500	500	-	-	1,500
General Building Renovations & Maintenance	134	100	100	100	100	534
Whitworth Pool - Boilers	-	-	-	76	-	76
Carbon Reduction Fund	496	250	250	-	-	996
Digital Access	79	-	-	-	-	79
Various Digital Solutions	25	-	-	-	-	25
Stubbylee and Whitaker Parking	22	30	-	-	-	52
Henrietta Street Depot Improvements	132	-	-	-	-	132
Printer Replacement	30	-	-	-	-	30
Christmas Lighting Catenary	33	-	-	-	-	33
Stubbylee Skate Park	80	-	-	-	-	80
Victoria Park Improvements	45	40	-	-	-	85
Hareholme Viaduct	100	-	-	-	-	100
Car Parks General 22-26 MTFS	50	30	30	30	-	140
Rawtenstall Market Electrical Works	101	-	-	-	-	101
Edgeside Pump Track	34	-	-	-	-	34
Leisure Facilities upgrades	120	-	-	-	-	120
Legacy Liabilities	100	100	-	-	-	200
	<b>3,612</b>	<b>1,489</b>	<b>1,625</b>	<b>731</b>	<b>521</b>	<b>7,978</b>
<b>Schemes funded wholly/partly by External Finance or Government Grants</b>						<b>Total</b>
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2022/23 - 2026/27 inc slippage £'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Sports Playing Fields	-	-	192	-	-	192
DFG'S - Mandatory Grants	3,211	1,000	1,000	1,000	1,000	7,211
Plot 1 Futures Park	80	-	-	-	-	80
Plot 5 Futures Park	132	-	-	-	-	132
Futures Park Infrastructure	341	-	-	-	-	341
Whitaker Park Museum Refurb	246	-	-	-	-	246
Town Square Public Realm	56	-	-	-	-	56
LERG Lancs Ec Rec Grant - Rawtenstall Bus Station	82	-	-	-	-	82
Bacup Historic England	431	285	-	-	-	716
Haslingden 2040 NLHF	1,300	725	-	-	-	2,025
EV Charge Point Installation	5	-	-	-	-	5
Supported Accommodation	100	280	-	-	-	380
UKSP	45	285	866	-	-	1,196
Edenfield Play Area & Rec Ground	45	-	-	-	-	45
Weir Play Area	150	-	-	-	-	150
Moller Ring Play Area	160	-	-	-	-	160
	<b>6,384</b>	<b>2,575</b>	<b>2,058</b>	<b>1,000</b>	<b>1,000</b>	<b>13,017</b>
<b>Total of Schemes in Progress</b>	<b>9,996</b>	<b>4,064</b>	<b>3,683</b>	<b>1,731</b>	<b>1,521</b>	<b>20,995</b>

New Schemes or Schemes awaiting external funder approval	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£'000	£'000	£'000	£'000	£'000	2022/23 - 2026/27 £'000
LUF - Council Contribution	-	1,800	-	-	-	1,800
Citizens Access	-	14	-	-	-	14
Whitaker Park Improvements	25	85	-	-	-	110
Marl Pits Air Handling Unit	110	-	-	-	-	110
<b>Total New Schemes</b>	<b>135</b>	<b>1,899</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,034</b>
<b>Grand Total</b>	<b>10,131</b>	<b>5,963</b>	<b>3,683</b>	<b>1,731</b>	<b>1,521</b>	<b>23,029</b>
<b>Description</b>						
LUF	Council Contribution in anticipation of a successful outcome					
Citizen Access	Citizen Access will enable customers to access their council tax account online, They will be able to make changes, submit information online and view resal time information about their account					
Whitaker Park Improvements	Renewal of the land drainage system at Whitaker Park					
Marl Pits Air Handling Unit	Replacement of the air handling unit at Marl Pits Swimming Pool, due to the existing unit being obsolete and beyond repair					

## MTFS Forecast 2023/24

### Rossendale Borough Council Capital Financing Statement

	2022/23	2023/24	2024/25	2025/26	2026/27	Total Estimate
	£'000	£'000	£'000	£'000	£'000	2022/23 - 2026/27 £000
<b>Estimated Expenditure</b>						
Schemes in Progress	9,996	4,064	3,683	1,731	1,521	20,995
New Schemes	135	1,899	0	0	0	2,034
<b>Total Estimated Capital Payments</b>	<b>10,131</b>	<b>5,963</b>	<b>3,683</b>	<b>1,731</b>	<b>1,521</b>	<b>23,029</b>
<b>Estimated Resources</b>						
Direct Revenue Finance	0	0	0	0	0	0
Disabled Facilities Grant	3,211	1,000	1,000	1,000	1,000	7,211
Other External Finance (see below)	2,525	1,297	1,058	0	0	4,880
Prudential Borrowing	3,413	3,466	1,625	655	521	9,680
Earmarked Reserves	0	0	0	0	0	0
Capital Receipts	982	200	0	76	0	1,258
<b>Total Resources</b>	<b>10,131</b>	<b>5,963</b>	<b>3,683</b>	<b>1,731</b>	<b>1,521</b>	<b>23,029</b>
<b>Total surplus(-)/shortfall in year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Cumulative total surplus(-)/shortfall</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### ANALYSIS OF OTHER EXTERNAL FINANCE

	Funder	Estimate	Estimate	Estimate	Estimate	Estimate
		2022/23	2023/24	2024/25	2025/26	2026/27
		£'000	£'000	£'000	£'000	£'000
Sports Playing Fields	S106	-	-	192	-	-
Futures Park Infrastructure	Lancashire Enterprise Partnership	157	-	-	-	-
Whittaker Park Museum Refurb	NLHF	215	-	-	-	-
LERG Lancs Ec Rec Grant - Rawtenstall Bus Static	Lancashire County Council	74	-	-	-	-
Bacup Historic England	Historic England	413	273	-	-	-
Haslingden 2040 NLHF	NLHF	1,181	659	-	-	-
UK Shared Prosperity	UKSP	45	85	866	-	-
Moller Ring	Various	160	-	-	-	-
Wier Play Area	Various	143	-	-	-	-
Edenfield Pump Track	Various	37	-	-	-	-
Supported Accomodation	S106	100	280	-	-	-
<b>Total External Funding :</b>		<b>2,525</b>	<b>1,297</b>	<b>1,058</b>	<b>-</b>	<b>-</b>

# The 2023/24 Capital Strategy

# Capital Strategy Report 2023/24

## 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 typically assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2023/24, the Council is planning capital expenditure of £5.963m summarised in Table 1.

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

Capital Expenditure	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total Expenditure £'000
Operations & Communities	2,219	594	937	525	421	4,696
Corporate Services & Buildings	992	524	130	206	100	1,952
Housing	3,711	1,500	1,500	1,000	1,000	8,711
Regeneration	2,713	3,095	866	-	-	6,674
Climate change	496	250	250	-	-	996
<b>Total</b>	<b>10,131</b>	<b>5,963</b>	<b>3,683</b>	<b>1,731</b>	<b>1,521</b>	<b>23,029</b>

**Note** – The previous Capital Strategy included provision for the treatment of 'IFRS 16 leases' (change in the accounting treatment for leases). The implementation of IFRS 16 has been deferred until 1 April 2024.

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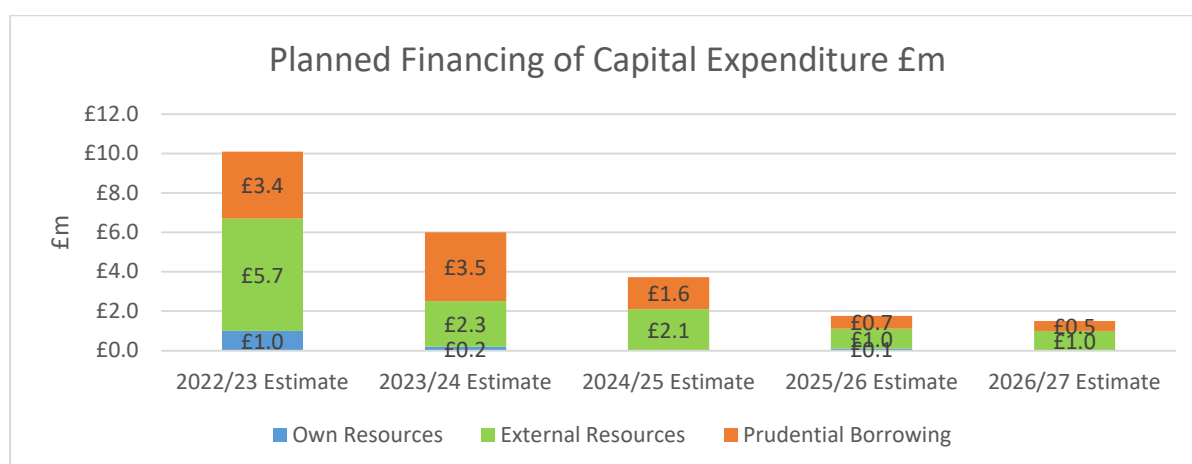


**Governance:** A strategic review of the Capital Programme including a review of the Council’s investment assets and operational assets is carried out annually. The reviews take into consideration works identified from stock condition surveys and investments/capital expenditure resulting from the Council’s 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.

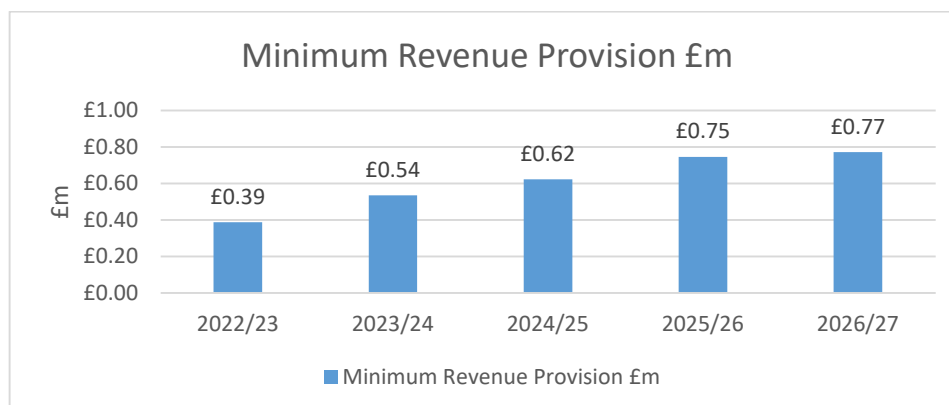
All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council’s own resources (revenue, reserves and capital receipts) or debt (borrowing or leasing). The planned financing of the expenditure in Table 1 is as follows:

**Table 2: Capital financing**



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**

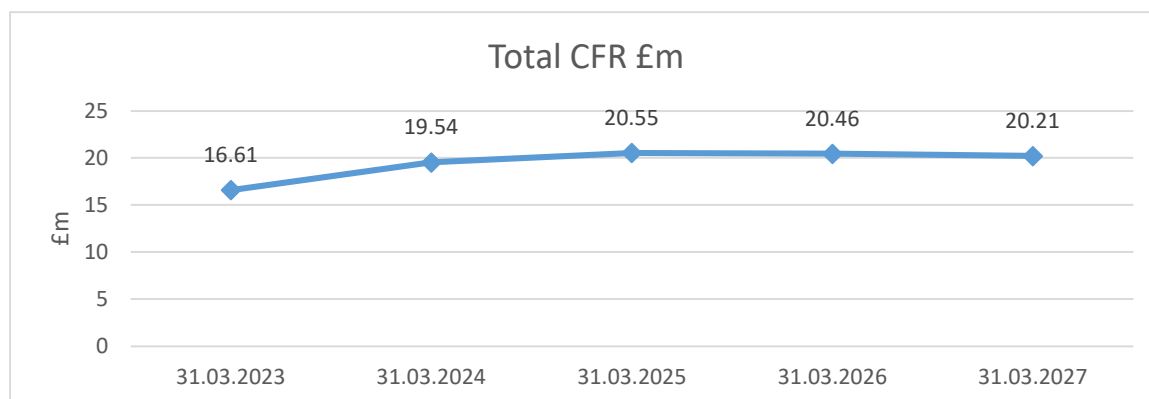


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- The Council’s Minimum Revenue Provision statement is available in the Treasury Strategy

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 £2.93m during 2023/24. 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 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. The Council currently has several sites available for sale.

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 £3.748m of capital receipts in the coming financial years as follows:

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**Table 5: Capital Receipts**

	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	Total Estimate £'000
Asset Sales	48	200	3,500	0	0	3,748

Note. The £3.5m estimated in 2024/25 is not yet included in the capital programme calculations, as it is assumed this will be set aside for future leisure investment. Details of planned asset disposals are included within the capital programme.

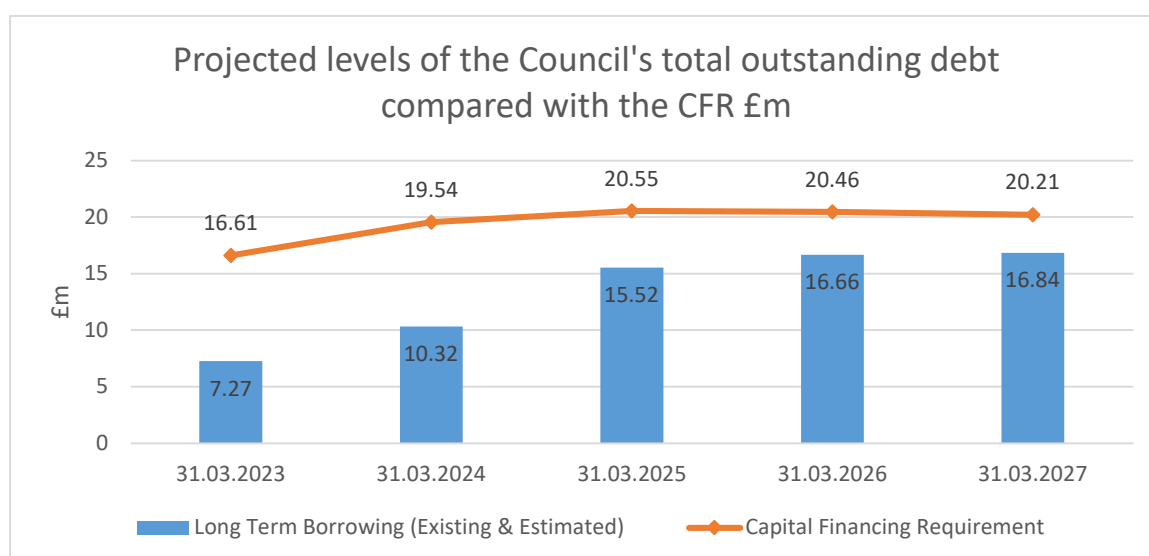
### 3. Treasury Management

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.

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

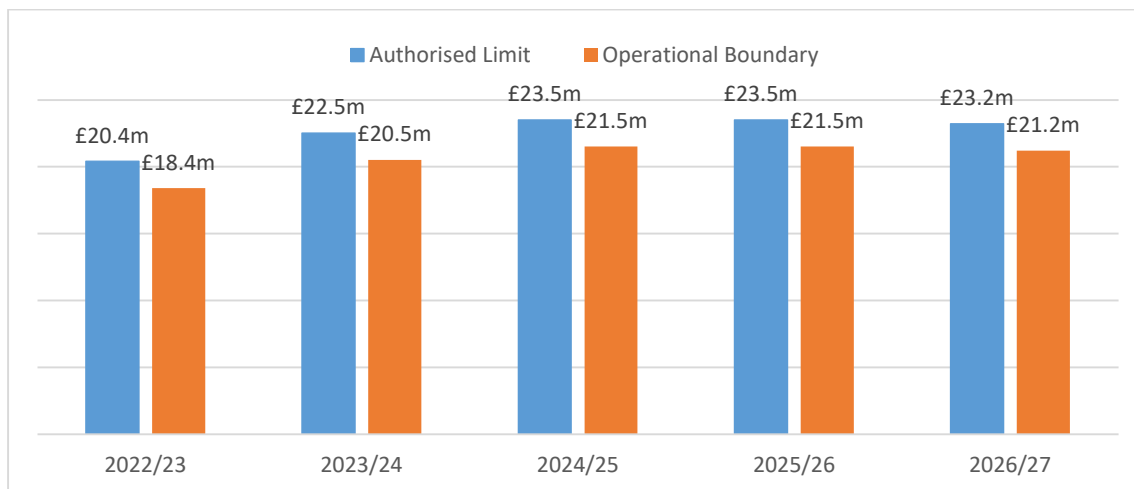


Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

**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.

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

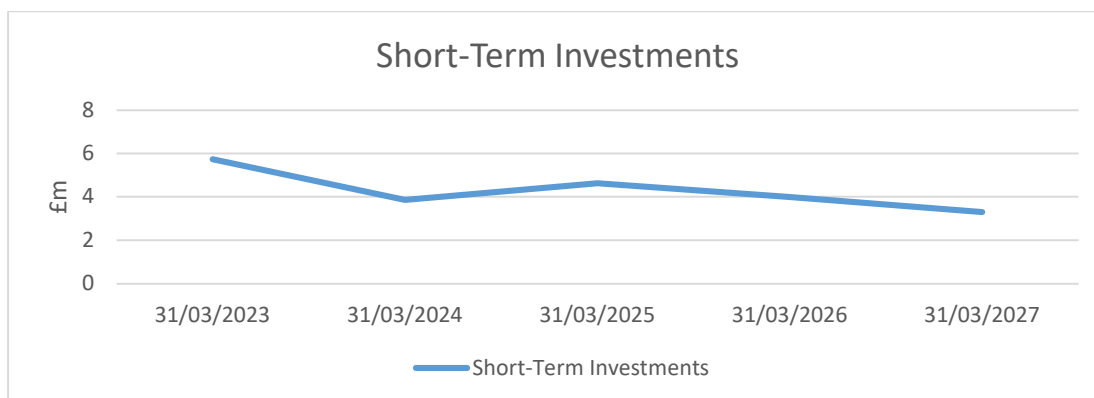


Further details on borrowing are in the Treasury Management Strategy

**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 31/03/23 is still slightly higher than normal due to the amount of Government NNDR funds still 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

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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 Leisure 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.

#### 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 31/03/22 the Council’s investment properties were valued at c£550k providing a net return after all costs of 4.55%.

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. 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, thus 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 has set aside c£4.1m (as at 31st March 2022) in a Business Rates Appeal Provision to cover risks arising from the costs of Business Rates appeals as a

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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 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

	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000
Financing Costs	130	23	154	254	279	266
Proportion of net revenue stream	1.58%	0.22%	1.51%	2.41%	2.59%	2.42%

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 Chief Finance Officer 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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