

<b>Subject:</b>	Capital Programme 2023/24 – 2027/28 and Capital Strategy 2024/25	<b>Status:</b>	For Publication
<b>Report to:</b>	Overview & Scrutiny	<b>Date:</b>	5 <sup>th</sup> February 2024
<b>Report of:</b>	Chief Finance Officer	<b>Lead Member:</b>	Resources
<b>Key Decision:</b>	X      Forward Plan    X	<b>General Exception</b>	<input type="checkbox"/> <b>Special Urgency</b> <input type="checkbox"/>
<b>Equality Impact Assessment:</b>	Required:	Yes/No	Attached:    Yes/No
<b>Biodiversity Impact Assessment:</b>	Required:	Yes/No	Attached:    Yes/No
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## 1. RECOMMENDATION(S)

### The Overview & Scrutiny Committee considers:

- 1.1. The capital programme for 2023/24 – 2027/28 and associated capital expenditure of £11.064m.
- 1.2. The Capital Strategy 2024/25 attached at Appendix B

## 2. EXECUTIVE SUMMARY

- This report proposes a capital expenditure programme for 2024/25 and the medium term, including new capital projects approved during 2023/24 subject to further due diligence and legal contracts. The report also explores the 2024/25 Capital Strategy.

## 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 2024/25

- 4.1 In order to meet the council's strategic plans and operational requirements the Council has drawn up an affordable capital programme for five years.

4.2 The full detail capital programme is attached at Appendix A and totals £43,895m. 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 2023 and the proposed new additions on page 6:

**Table 1**

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Operations & Communities	1,694	2,229	749	321	949	5,942
Corporate Services & Buildings	884	411	130	206	100	1,731
Housing	5,036	1,500	1,000	1,000	1,000	9,536
Regeneration	4,344	6,125	15,168	-	-	25,637
Climate change	250	799	-	-	-	-
<b>Total</b>	<b>12,208</b>	<b>11,064</b>	<b>17,047</b>	<b>1,527</b>	<b>2,049</b>	<b>43,895</b>

4.3 Where possible 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 several major on-going capital projects, these include the Levelling Up funded Rawtenstall Gyrotory and Rossendale Town Centres Projects, UK Shared Prosperity Funded Football Pitches, Parks Improvements, Haslingden Market and Waterfoot projects and the Haslingden 2040 NLHF scheme.

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 2023/24, due to supply chain issues, these have been re-scheduled into 2024/25.

4.7 There are a number of smaller projects on-going including the Carbon Reduction Fund, the Futures Park infrastructure scheme and various parks schemes.

4.8 During 2023/24 there have been additions to the programme these are:-

- Stubblelee Tennis Courts
- Whitaker Park Tennis Courts

4.9 It is proposed to add four new schemes to the programme for 2024/25, these are listed on page 6.

## **5. FINANCING THE CAPITAL PROGRAMME**

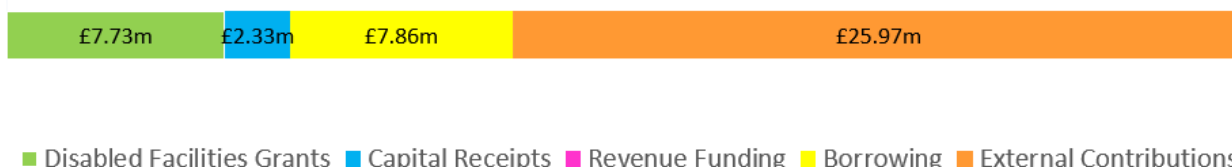
5.1 Capital resources come from three sources:

- 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:

- Regeneration projects at Futures Park
- Joint ventures with RTB Partnership
- 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 considerations 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. The Council owns or has liability for several culverts, cemeteries, properties and other assets throughout the valley which have the potential to lead to significant costs for the Council. For example, emergency works such as those required at Hareholme Viaduct.

7.4 The high level of inflation continues to have a major impact on affordability of the capital programme. During 2023/24, on average vehicle replacement costs were still c10% over and above the estimates included in the capital programme. The estimates have been refreshed to take this into account, however if inflation remains high we could see the same issue in 2024/25. High inflation is also having an impact on the construction industry - pushing up costs and increasing tender prices. The Council has experienced 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, higher interest rates impacts on 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 2024/25 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 2023/24 and up to 2027/28 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 2024/25 and the MTFS update being reported to Cabinet in Feb 2024	Cabinet papers February 2024

Schemes in Progress	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£'000	£'000	£'000	£'000	£'000	2023/24 - 2027/28 inc slippage £'000
<b>Schemes</b>						
Vehicles / Equipment	529	740	467	261	889	2,886
Wheeled & Litter Bins	70	50	50	50	50	270
Playgrounds	15	10	10	-	-	35
Cemeteries	25	10	10	10	10	65
Pathways	54	20	20	-	-	94
Empty Homes Scheme	500	500	-	-	-	1,000
General Building Renovations & Maintenance	165	100	100	100	100	565
Whitworth	-	-	-	76	-	76
Carbon Reduction Fund	250	627	-	-	-	877
Digital Access	73	-	-	-	-	73
Various Digital Solutions	55	-	-	-	-	55
Stubbylee and Whitaker Parking	30	-	-	-	-	30
Henrietta Street Depot Improvements	115	-	-	-	-	115
Christmas Lighting Catenary	33	-	-	-	-	33
Stubbylee Skate Park	42	-	-	-	-	42
Victoria Park Improvements	62	-	-	-	-	62
Hareholme Viaduct	400	-	-	-	-	400
Car Parks General 22-26 MTFs	20	30	30	30	-	110
Rawtenstall Market Electrical Works	-	101	-	-	-	101
Edgeside Pump Track	34	-	-	-	-	34
Leisure Facilities upgrades	28	80	-	-	-	108
Whitaker Park Improvements	110	-	-	-	-	110
Marl Pits Air Handling Unit	110	-	-	-	-	110
Legacy Liabilities	-	100	-	-	-	100
<b>Sub-total</b>	<b>2,720</b>	<b>2,368</b>	<b>687</b>	<b>527</b>	<b>1,049</b>	<b>7,351</b>
<b>Schemes funded wholly/partly by External Finance or Government Grants</b>						<b>Total 2023/24 - 2027/28 inc slippage £'000</b>
DFG'S - Mandatory Grants	3,727	1,000	1,000	1,000	1,000	7,727
Futures Park Infrastructure	525	-	-	-	-	525
Bacup Historic England	350	-	-	-	-	350
Haslingden 2040 NLHF	2,709	-	-	-	-	2,709
Supported Accommodation	809	-	-	-	-	809
UKSPF - Park Improvements	41	75	-	-	-	116
UKSPF - Haslingden Market	50	450	-	-	-	500
UKSPF - Waterfoot	-	300	-	-	-	300
UKSPF & S106 - Football Pitches	10	241	192	-	-	443
Weir Play Area	150	-	-	-	-	150
Moller Ring Play Area	160	-	-	-	-	160
Tennis Court Improvements	104	-	-	-	-	104
Fairview Rec	143	-	-	-	-	143
Rosendale Town Centres - (LUF)	460	2,886	10,606	-	-	13,952
Rawtenstall Gytratory - (LUF)	250	2,489	4,562	-	-	7,301
<b>Sub-total</b>	<b>9,488</b>	<b>7,441</b>	<b>16,360</b>	<b>1,000</b>	<b>1,000</b>	<b>35,289</b>
<b>Total of Schemes in Progress</b>	<b>12,208</b>	<b>9,809</b>	<b>17,047</b>	<b>1,527</b>	<b>2,049</b>	<b>42,640</b>

<b>New Schemes or Schemes awaiting external funder approval</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>Total 2023/24 - 2027/28 inc</b>
Stubbylee Park Drainage	-	40	-	-	-	40
Tree Maintenance Equipment	-	100	-	-	-	100
Waste Transfer Station	-	75	-	-	-	75
Trickett's Memorial Ground	-	129	-	-	-	129
Food Waste Collections	-	739	-	-	-	739
Electric Vehicle Charge Points	-	172	-	-	-	172
<b>Total New Schemes</b>	<b>-</b>	<b>1,255</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,255</b>
<b>Grand Total</b>	<b>12,208</b>	<b>11,064</b>	<b>17,047</b>	<b>1,527</b>	<b>2,049</b>	<b>43,895</b>
<b>Description</b>						
Stubbylee Park Drainage	The drainage has failed in two locations in Stubbylee Park - this scheme is to relay the drainage					
Tree Maintenance Equipment	Purchase of specialist tree felling machinery to assist the safe and efficient removal of diseased/dead trees on the Councils maintained land.					
Waste Transfer Station	This budget is for the preliminary works for the Waste Transfer Station, designs, plans and costings will be worked up in 2024/25 with a view to the build commencing in 2025/26					
Trickett's Memorial Ground	This is a fully funded scheme that has been developed with local community groups to improve the physical features and celebrate the history behind the gardens					
Food Waste Collections	This scheme is for the purchase of the capital equipment(vehicles & caddies) required to implement food waste collections in 2025/26. The project is fully funded by DEFRA.					
Electric Vehicle Charge Points	The Council is partnering with Connected Kerb to install electric vehicle charge points on several car parks across the Borough. The scheme is fully funded by OZEV.					

### MTFS Forecast 2024/25 Rossendale Borough Council Capital Financing Statement

	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>Total Estimate 2023/24 - 2027/27 £000</b>
<b>Estimated Expenditure</b>						
Schemes in Progress	12,208	9,809	17,047	1,527	2,049	42,640
New Schemes	0	1,255	0	0	0	1,255
<b>Total Estimated Capital Payments</b>	<b>12,208</b>	<b>11,064</b>	<b>17,047</b>	<b>1,527</b>	<b>2,049</b>	<b>43,895</b>
<b>Estimated Resources</b>						
Direct Revenue Finance	0	0	0	0	0	0
Disabled Facilities Grant	3,727	1,000	1,000	1,000	1,000	7,727
Other External Finance (see below)	5,127	7,281	13,560	0	0	25,968
Prudential Borrowing	3,097	2,783	487	451	1,049	7,867
Earmarked Reserves	0	0	0	0	0	0
Capital Receipts	257	0	2,000	76	0	2,333
<b>Total Resources</b>	<b>12,208</b>	<b>11,064</b>	<b>17,047</b>	<b>1,527</b>	<b>2,049</b>	<b>43,895</b>
<b>Total surplus(-)/shortfall in year</b>	<b>0</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 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000	Estimate 2027/28 £'000
Futures Park Infrastructure	Lancashire Enterprise Partnership	152	-	-	-	-
Bacup Historic England	Historic England	336	-	-	-	-
Haslingden 2040 NLHF	NLHF	2,462	-	-	-	-
Supported Accommodation	S106 & LAHF	809	-	-	-	-
UKSPF - Park Improvements	UKSPF	41	75	-	-	-
UKSPF - Haslingden Market	UKSPF	50	250	-	-	-
UKSPF - Waterfoot	UKSPF	-	300	-	-	-
UKSPF & S106 - Football Pitches	UKSPF & S106	10	241	192	-	-
Wier Play Area	Various	150	-	-	-	-
Moller Ring Play Area	Various	160	-	-	-	-
Tennis Court Improvements	Lawn Tennis Association	104	-	-	-	-
Fairview Rec	Various	143	-	-	-	-
Rosendale Town Centres - (LUF)	Capital Regeneration Fund	460	2,886	9,256	-	-
Rawtenstall Gyratory - (LUF)	Capital Regeneration Fund & LCC	250	2,489	4,112	-	-
Tricketts Memorial Ground	Various	-	129	-	-	-
Food Waste Collections	DEFRA	-	739	-	-	-
Electric Vehicle Charge Points	OZEV	-	172	-	-	-
<b>Sub-total External Funding :</b>		<b>5,127</b>	<b>7,281</b>	<b>13,560</b>	<b>-</b>	<b>-</b>
DFG's		3,727	1,000	1,000	1,000	1,000
<b>Total External Funding</b>		<b>8,854</b>	<b>8,281</b>	<b>14,560</b>	<b>1,000</b>	<b>1,000</b>



# The 2024/25 Capital Strategy



# The Capital Strategy, including Prudential Indicators & Limits

## Capital Strategy Report 2024/25

### 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 2024/25, the Council is planning capital expenditure of £11.064m summarised in Table 1.

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

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Operations & Communities	1,694	2,229	749	321	949	5,942
Corporate Services & Buildings	884	411	130	206	100	1,731
Housing	5,036	1,500	1,000	1,000	1,000	9,536
Regeneration	4,344	6,125	15,168	-	-	25,637
Climate change	250	799	-	-	-	-
<b>Total</b>	<b>12,208</b>	<b>11,064</b>	<b>17,047</b>	<b>1,527</b>	<b>2,049</b>	<b>43,895</b>

**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

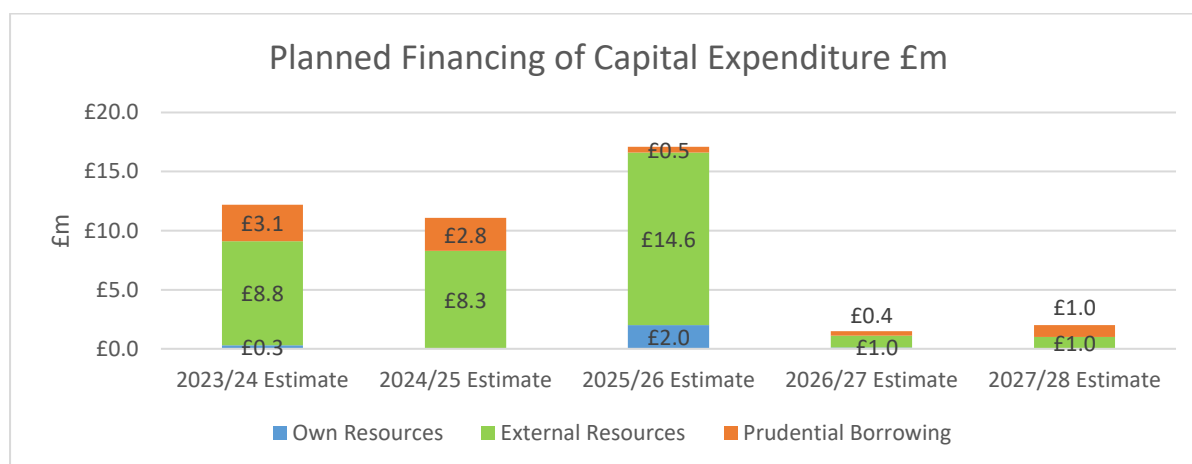
<b>Responsible Section/Team</b>	Finance	<b>Version/Status</b>	2024/25
<b>Responsible Author</b>	Chief Finance Officer	<b>Report submitted to</b>	Full Council
<b>Date Amended now</b>	Feb 2024	<b>Meeting date</b>	28 Feb 2024
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projects for inclusion in 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.

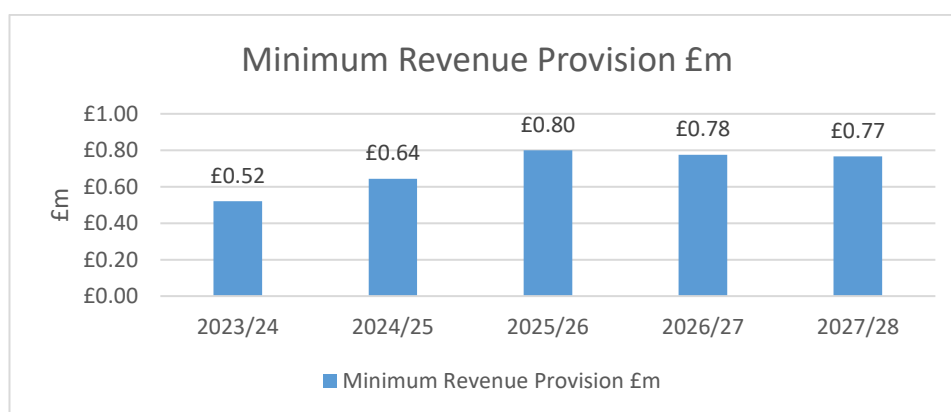
All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council’s own resources (revenue, reserves and capital receipts) or debt (borrowing or leasing). The planned financing of the expenditure in Table 1 is as follows:

**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**



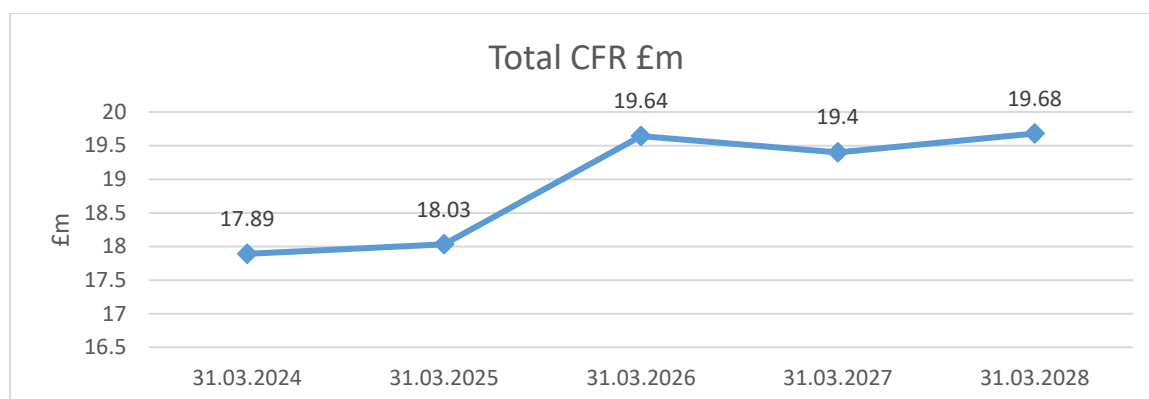
- The Council’s Minimum Revenue Provision statement is available in the Treasury Strategy

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

<b>Responsible Section/Team</b>	Finance	<b>Version/Status</b>	2024/25
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and capital receipts. The CFR is expected to increase by £0.14m during 2024/25. 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 is currently estimating it will receive £2m of capital receipts in the coming financial years as follows:

**Table 5: Capital Receipts**

<b>Responsible Section/Team</b>	Finance	<b>Version/Status</b>	2024/25
<b>Responsible Author</b>	Chief Finance Officer	<b>Report submitted to</b>	Full Council
<b>Date Amended now</b>	Feb 2024	<b>Meeting date</b>	28 Feb 2024
<b>Due for Review</b>	Feb 2025	<b>Page</b>	4

	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	Total Estimate £'000
Asset Sales	40	0	2,000	0	0	2,040

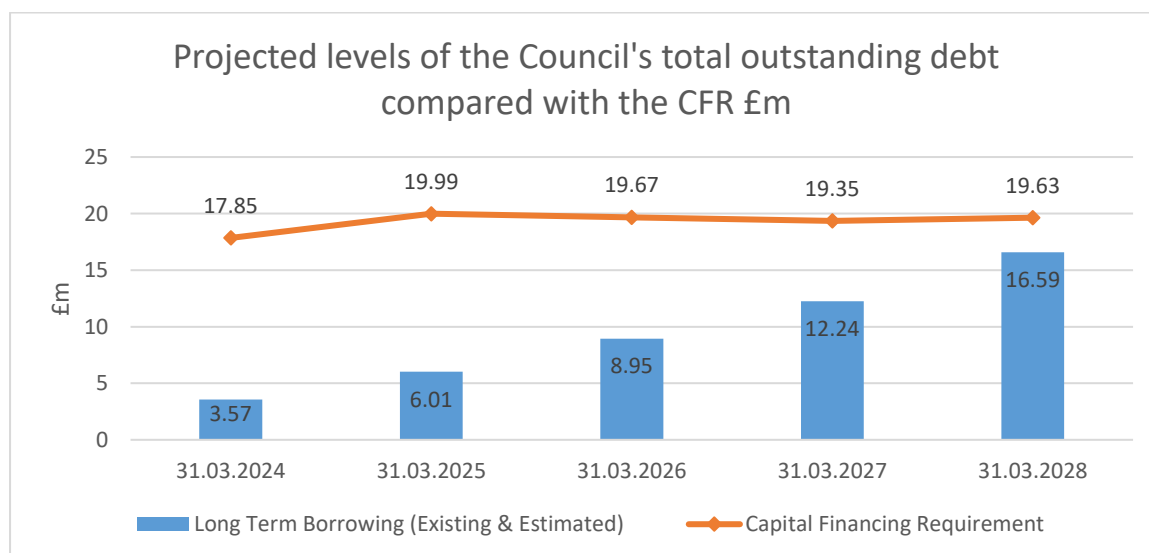
### 3. Treasury Management

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**

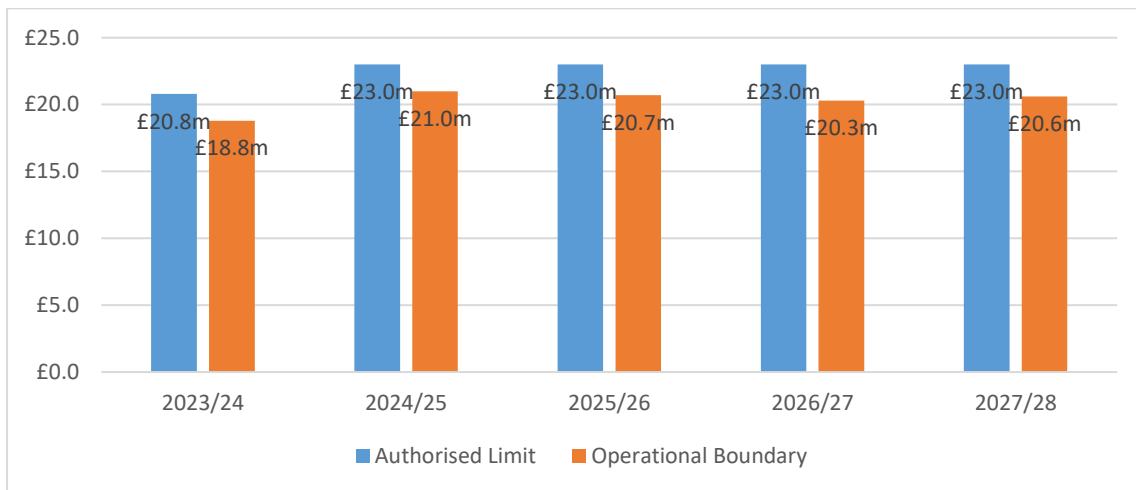


Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.

**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 and is based on the Authority's estimate of most likely but not worst-case scenario and should equate to the maximum level of external debt projected by this estimate. The Operational Boundary and the Authorised Limit are increasing to allow sufficient headroom for new external borrowing for the approved Capital Programme.

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

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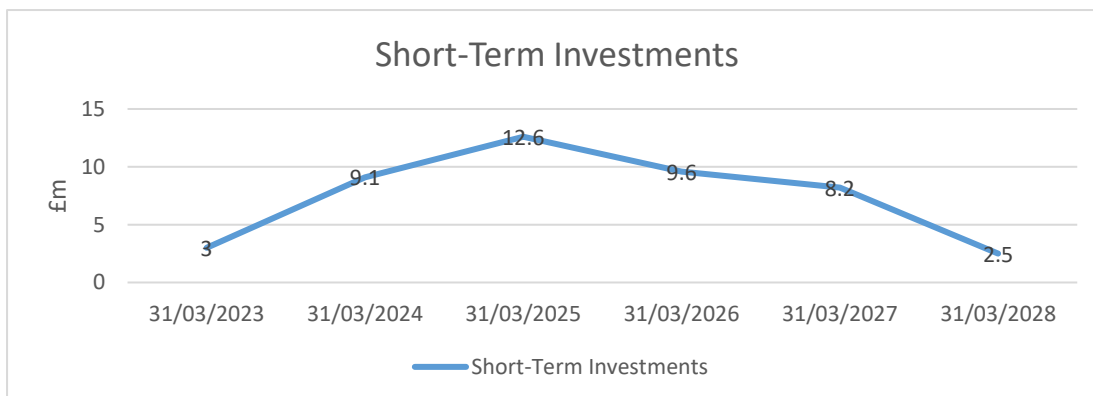


Further details on borrowing are in the Treasury Management Strategy

**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, other local authorities 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 is anticipated to peak in 2024/25 due to the Levelling Up Capital Projects grants received in advance, reducing to more normal levels by the end of the forecast.

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.

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## 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 31/03/23 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£877k (as at 31st March 2023) 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.

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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. A change in the Prudential Code 2021 means that investment income has been removed from the calculation of financing costs so the amounts in the Table below are higher as a result of this accounting change.

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

	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Financing Costs	546	649	762	1,022	1,060	1,047
Proportion of net revenue stream	6.64%	6.30%	7.19%	9.66%	10.32%	10.39%

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 Chief Finance Officer 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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