INVESTMENT SUB-COMMITTEE – 24TH JANUARY 2020 – AGENDA ITEM 5 (1)

CAPITAL AND INVESTMENT STRATEGY 2020/21 to 2022/23

1. Introduction

1.1 This capital strategy gives a high-level overview of how capital expenditure, capital financing and other investments contribute to the delivery of the Council's Vision along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

1.2 The overarching aim of the 2019/20 to 2022/23 Capital Strategy is to provide a framework within which the Council's capital investment plans will be delivered. It has been prepared to cover a four year time-frame from 2019/20 to 2022/23. Recognising that there is some uncertainty, especially in relation to funding in later years, the Strategy therefore focuses on 2019/20 and 2020/21.

1.3 Capital investment plans are driven by the Council's Key Objectives. The Key Objectives form the Council's key strategic document and outlines the Council's contribution to achieving the vision and outcomes detailed in the Council's Vision, as well as priority areas of focus and delivery aimed at taking forward our vision of a co-operative future where everyone contributes to create a confident and ambitious district.

1.4 The Council's key objectives and priorities have been agreed by Strategy and Resources Committee. These are reviewed annually and these will be considered as part of the Council's review of the Corporate Plan in 2020/21. The current key objectives and key priorities are set out below

2. Council's Vision, Key Objectives and Key Priorities

2.1 The Council's Vision is to make Tandridge 'aspirational for our people, our place and ourselves'.

2.2 The Council's Key Objectives to achieve the Vision are:

- Providing high quality, customer focused services.
- Making a difference in our community by supporting those who need it most.
- Creating a thriving economy while protecting the local environment.
- Working in partnership with the community and other public services to create opportunities for all.
- Improving the quality of our residents' lives, including enabling access to decent and affordable homes.
- Being a proactive, flexible learning environment.

2.3 The top five priorities for achieving this are to:

- Implement the Customer First Strategy.
- Implement a strategy for investing in land and property in order for the Council to remain financially viable and to create more affordable housing.
- Progress the Local Plan process to adoption (i.e. to the Secretary of State for Examination).

- Enhance the vitality and viability of our town centres, including the adoption and implementation of regeneration schemes in Caterham and Oxted.
- Engage with multi-agency partners to facilitate flood prevention measures in Caterham, Smallfield and Whyteleafe.

2.4 The key objectives reflect the on-going commitment to ensure the Council works to serve the people of Tandridge in all that it does and provides strong leadership for the district. Such leadership is essential if the district is to be able to meet the immediate challenges faced in a way that means it is stronger and able to make the most of opportunities in the future.

2.5 Aligned to corporate and service priorities, individual scheme proposals are included within approved capital spending plans or are to be considered for a resource allocation over the period of the Capital Strategy having regard to the Commercial Property Investment Strategy.

2.6 The Capital Strategy therefore aligns to the Commercial Property Investment Strategy. The Commercial Property Investment Strategy presents a framework for strategic management of the Council's land and property portfolio, reflecting the Council's key priorities and driving transformational change in service delivery.

2.7 The Commercial Property Investment Strategy incorporates the statutory requirements and aligns to the Council's Key Priorities. The Commercial Investment Strategy will align with Council's wider priorities for revenue generation, site acquisition, site development, release of assets for disposal, affordable housing and regeneration within the District.

2.8 The Council is continuing to develop the Commercial Property Investment Strategy and this will regularly be refreshed to improve the way in which Commercial Property Investment objectives can be delivered. This will enable the Council to accelerate progress and realise benefits within a shorter timeframe, whilst maximising regeneration and investment opportunities.

2.9 The Council's intention in relation to capital investment is to take a strategic approach so capital investment can be directed to make a real and demonstrable impact on the economy of Tandridge by:

- Regenerating the district, by attracting and securing significant amounts of external investment to supplement Council resources and deliver an enhanced district-wide regeneration offer.
- Prioritising the regeneration investment to develop the local economy and to support job creation and promote local employment within the District.
- Using the regeneration investment to drive up the yield from business rates This will provide additional resources which can either be used to support the Council's budget or to pursue opportunities for further investment in Tandridge.

2.10 The Council will also:

- Work with Surrey County Council, Parish Councils, Health, Police and Fire as a co-operative and commissioning district particularly with regard to the integration of health and social care to promote joint investment opportunities, co-location and the release of surplus assets.
- Instigate further transformational approaches to the delivery of services with and by communities and staff, that maximise involvement and delivery at a more local level, working with residents to reset priorities, manage expectations and promote self-help.

- Get the basics right, drive improved business performance with more flexible customer focused ICT systems which enable web based self service and instigate new delivery models.
- Focus on effective service delivery, achieving social value and maximising the impact of the resources invested.

2.11 The Capital Strategy is focused on the achievement of the Council's Key Objectives and Key Priorities in order to deliver maximum benefit from the use of capital resources. A set of overarching principles, which apply to the Council's 2019/22 Capital Strategy, are set out in Appendix 1.

3. Key Priorities for Capital Investment

3.1 Priority investment areas for 2019/20 onwards will be taken forward subject to the availability of resources and the approval of a full business case. The priority investment areas identified for the 2019/20 to 2022/23 period are set out in Appendix 2 and 7.

4. Capital Expenditure and Financing

4.1 Capital expenditure investment 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 providing loans and grants to other bodies to enable them to buy assets.

4.2 The Council capitalises expenditure on the acquisition or creation of a *tangible and intangible assets,* where the expenditure adds to and not merely maintains the value of the asset.

4.3 In 2019/20, the Council is planning capital expenditure investment totalling over 4 years of £248.2m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2018/19 Actual £m	**2019/20 Forecast £m**	**2020/21 Budget £m**	**2021/22 Budget £m**	**2022/23 Budget £m**
General Fund services	4.671	5.930	2.928	1.426	1.176
Council Housing (HRA)	9.832	10.378	14.045	12.595	4.436
Capital Investments	5.565	66.000	65.000	64.375	0
TOTAL	**20.068**	**82.308**	**81.973**	**78.396**	**5.612**

4.4 The main General Fund capital projects in 2019/20 and 2020/21 includes the replacement of Waste Vehicles (£3.5m), the purchase for wheeled refuse bins (£0.6m) and the refurbishment of public conveniences (£0.55m). The Council also plans to incur £195.4m of capital expenditure on property investment as part of the Council's Commercial Property Investment Strategy.

4.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately. Details of the draft Capital Programme 2019-23 are attached at Appendix 7.

4.6 All capital expenditure must be financed, either from external resources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative).

The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2018/19 Actual £m	**2019/20 Forecast £m**	**2020/21 Budget £m**	**2021/22 Budget £m**	**2022/23 Budget £m**
External resources	0.596	0.744	1.191	0.676	0.725
Internal resources	7.607	10.768	10.194	7.465	4.446
Borrowing	11.865	70.796	70.588	70.255	0.441
TOTAL	**20.068**	**82.308**	**81.973**	**78.396**	**5.612**

4.7 Further details on the different funding sources for funding capital expenditure as set out in Appendix 3 & 8

4.8 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 and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £ millions

	2018/19 Actual £m	**2019/20 Forecast £m**	**2020/21 Budget £m**	**2021/22 Budget £m**	**2022/23 Budget £m**
Minimum Revenue Provision	0.035	0.213	0.295	0.359	0.368
Refinancing of HRA Debt	3.850	4.050	4.250	2.350	2.850

Minimum Revenue Provision (MRP)

4.9 Under regulations 27 and 28 of the 2003 Regulations, local authorities are required to charge a prudent MRP to their revenue account for each financial year to account for the cost of their debt in that financial year. The prudent amount should be determined with the broad aim of ensuring that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefit. The Secretary of State recommends that full Council should approve an MRP policy in respect of the financial year ahead.

4.10 The guidance issued gives four options for making MRP which the Secretary of State considers prudent provision. The option chosen can be altered annually.

4.11 Tandridge District Council's MRP policy is follow the Asset Life – annuity method of calculating MRP. The Asset Life - annuity method allows MRP to increase gradually over the asset life, which better reflects the profile of the Council's borrowing requirement for its capital assets (and their benefits), rather than the equal instalment method which, simply provides MRP in equal instalments and is less accurate. The Council's full minimum revenue provision policy statement is attached at Appendix 5.

Borrowing

4.12 The Council will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing. This will be especially important when undertaking property acquisitions under the Commercial Property Investment Strategy (CPIS) where, in addition, a revenue income stream is required to support the revenue budget.

4.13 Where it is considered that Prudential Borrowing is the appropriate method of funding it will require additional revenue budget to finance the interest and minimum revenue provision.,

4.14 Strategy and Resources Committee will review the detailed capital expenditure plans before allocations of resources are committed to ensure that the costs of prudential borrowing are understood and affordable.

4.15 The Council is able to take advantage of the Public Works Loans Board (PWLB) certainty rate, whereby there is a 20 basis points discount on standard loans from the PWLB under the prudential borrowing regime for authorities which provide improved information on their long term borrowing and associated capital spending plans. The obvious benefit to the Council of the certainty rate is reflected in reduced Treasury Management borrowing costs in relation to any PWLB borrowing undertaken.

5. Capital Financing Requirement

5.1 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 used to replace debt. The CFR is anticipated to increase by £135.2m during 2019/20. 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 in £ millions

	31.3.2019 actual	**31.3.2020 forecast**	**31.3.2021 budget**	**31.3.2022 budget**	**31.3.2023 budget**
General Fund services	3.653	9.583	12.511	13.937	15.113
Council housing (HRA)	61.308	71.686	85.731	98.326	102.762
Commercial Investment	8.832	74.832	139.832	204.207	204.207
TOTAL CFR	**73.793**	**156.101**	**238.074**	**316.470**	**322.082**

6. Capital Programme Governance

6.1 The Council has specific arrangements for the management of capital expenditure. The principles for governance of the Capital Programme are detailed in in Appendix 4. The separate approval process for the acquisition of commercial investments in property is contained within the CPIS.

7. Asset Management & Asset Disposals

7.1 To ensure that the Council's capital assets continue to be of long-term use, the Asset Management Team is developing an asset management plan for the assets owned by the Council. When a capital asset is no longer needed for council purposes and surplus to requirements, it may be sold so that the proceeds, known as Capital Receipts, can be used to finance the acquisition of new assets or used to repay debt. The Council does not currently have a land disposal programme for the General Fund identifying assets for disposal, as the Council's current policy is to use any surplus land and property which is identified, for Housing purposes. Therefore it is unlikely that any General Fund Capital Receipts will be received in the future.

7.2 There are specific regulations about the extent to which Capital Receipts from sales of Council Houses can be used to finance new capital expenditure. Repayments of capital grants, loans and investments also generate capital receipts. The Council does not anticipate any General Fund capital receipts in the coming financial year. The estimate of Capital Receipts is set out below:

Table 5: Capital receipts in £ millions

	2018/19 Actual £m	**2019/20 Forecast £m**	**2020/21 Budget £m**	**2021/22 Budget £m**	**2022/23 Budget £m**
HRA Disposals	1.843	1.325	1.429	1.461	1.493
GF Disposals	0.973	0	0	0	0
Loans repaid	0.318	0.634	0.329	0.318	0.318
TOTAL	**3,134**	**1.959**	**1.758**	**1.779**	**1.811**

8. Treasury Management

8.1 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. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

8.2 Due to decisions taken in the past, the Council currently has borrowing of £105m at an average interest rate of 2.7 % and treasury investments totalling £26.1m at an average rate of 2.4%.

8.3 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. These objectives are often conflicting, and the Council therefore will aim to strike a balance between cheap short-term loans (currently available at around 0.70%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

Table 6: Prudential Indicator: Forecast Gross Debt and the Capital Financing Requirement in £ millions

	31.3.2019 Actual £m	**31.3.2020 Forecast £m**	**31.3.2021 Budget £m**	**31.3.2022 Budget £m**	**31.3.2023 Budget £m**
HRA Debt	61.189	61.189	64.803	69.953	69.953
General Fund Debt	26.099	81,555	148.529	213.633	214.075
Total Debt	**87.288**	**142.744**	**213.332**	**283.586**	**284.028**
Capital Financing Requirement	73.793	156.101	238.074	316.470	322,082
CFR not funded by Borrowing	(13,495)	13.357	24.742	32.884	38.054

8.4 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. The CFR not funded by Borrowing is funded principally from the HRA Revenue Budget, HRA Capital Receipts and DFG Grant.

8.5 Borrowing in advance of need

8.5.1 Government Guidance is that local authorities must not borrow in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Authority has chosen not to follow this guidance and has plans to borrow to invest in property assets to support the economic development of the District and to deliver a financial return to support the provision of services.

8.6 **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. In order to determine whether the proposed borrowing as set out in the CFR is affordable. The Council has considered the extent to which borrowing can be funded by the General Fund and HRA revenues as determined by the Medium Term Financial Strategy and HRA Business Plan. The Council has also assessed the anticipated commercial property investment income which directly offsets the cost of borrowing. The Council will only engage in borrowing to support commercial property investment where the target return receivable significantly exceeds the cost of borrowing. Future returns are secured on the appropriate use of fixed rate borrowing.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £m

	2019/20 limit £m	**2020/21 limit £m**	**2021/22 limit £m**	**2022/23 limit £m**
Authorised limit – borrowing	201	215	285	285
Authorised limit – PFI and leases	0	0	0	0
Authorised limit – total external debt	201	215	285	285
Operational boundary – borrowing	196	210	280	280
Operational boundary – PFI and leases	0	0	0	0
Operational boundary – total external debt	196	210	280	280

8.7 Further details on borrowing are set out in Para 5.5 of the Treasury Management Strategy

8.8 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.

8.9 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 that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both short term and medium term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury management investments in £millions

	31.3.2019 Actual £m	**31.3.2020 Forecast £m**	**31.3.2021 Budget £m**	**31.3.2022 Budget £m**	**31.3.2023 Budget £m**
Short Term Investments*	20.0	6.0	6.0	6.0	6.0
Medium Term investments	5.8	5.8	5.8	5.8	5.8
Long Term Investments	11.6	28.5	45.0	45.0	45.0
TOTAL	**37.4**	**40.3**	**56.8**	**56.8**	**56.8**

* 31.3.19 actual includes a PWLB loan of £15.34m for the purchase of Quadrant House which was purchased in the following financial year

8.10 Further details on treasury investments are contained within the Treasury Management Strategy.

8.11 Governance- Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Finance and staff, who must act in line with the treasury management strategy approved by Council. Regular reports on treasury management activity are presented to the Finance Committee.

9. Service Investments-Loans and Shares

9.1 Loans- the Council makes investments to assist local public services; including making loans to local service providers, local small businesses to promote economic growth and the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to generate a profit after all costs.

9.2 Security- the main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 9: Loans for service purposes in £ millions

Category of borrower	**31.3.2020 Forecast**			**2020/21**
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Subsidiaries	19.293	0	19.293	19.3
Suppliers	1.589	0	1.589	2.6
TOTAL	**20.882**	**0**	**20.882**	**21.9**

9.3 Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018/19 onwards are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments. At the end of 2017/18 there were no reasons to make a provision this will be kept under review in 2018/19

9.4 Risk assessment- The Council assesses the risks of loans before entering into and whilst holding service loans. The loan to the supplier is partly secured on a fixed asset and the balance is secured against a cash deposit.

Shares

9.5 Security- One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 10: Shares held for service purposes in £ millions

Category of company	**31.3.2020 Forecast**			**2020/21**
	Amounts invested £m	**Gains or losses £m**	**Value in accounts £m**	**Approved Limit £m**
Subsidiaries	5.318	0	5.318	11.000
TOTAL	**5.318**	**0**	**5.318**	**11.000**

9.6 The Council has provided two Service Loans one to a supplier (Freedom Leisure £2.225m) who provides the Council's outsourced leisure services. The other loan £15.002m is favour of the Council's subsidiary Gryllus Property Ltd. The Council plans to set aside a reserve of £150,000 to finance any diminution in value of the investment and loan to Gryllus or any non-repayment of the Freedom Leisure Loan in 2019/20. The provision for loss will be reviewed annually.

9.7 Risk assessment- The investment in shares totalling £5.318m is within the Council's subsidiary Gryllus Property Ltd. The Authority assesses the risk of loss before entering into and whilst holding shares by assessing the current and future return achievable and the level of security provided by the assets of the company, and the level of control which the Council can exert over the strategy of the company. Gryllus is 100% owned and controlled by the Council. The Council also takes independent financial advice on investments. The Council plans to set aside a reserve of £150,000 to finance any diminution in value of the investment and loan to Gryllus or any non-repayment of the Freedom Leisure Loan in 2019/20. The provision for loss will be reviewed annually.

9.8 Liquidity- The funding of long term investments in the Council's subsidiary are financed by fixed long term borrowing, so that there is no short or medium term risk to the liquidity of the Council, which would require the Council to be forced to liquidate its asset in the company.

9.9 Non-specified Investments- Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

9.10 Governance- Decisions on service investments are agreed by Corporate Management Team led by the Chief Executive in consultation with the Director of Finance and must meet the criteria and limits laid down in the Commercial Property investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

10. Commercial Property Investment

10.1 With central government financial support for local public services declining, the Council invests in commercial and residential property principally within the local area in pursuit of economic development objectives and financial gain and also lends to its subsidiary Gryllus Property Ltd.

Table 11: Property held for investment purposes in £ millions

Property	Actual	31.3.2019 Actual		31.3.2020 expected	
	Purchase cost £m	Gains or (losses) £m	Value in accounts £m	Gains or (losses) £m	Value in accounts £m
Redstone House	0.120	0.350	0.470	0.036	0.506
Linden House	4.434	0	4.434	0.155	4.589
Village Health Cub	0.860	0.064	0.924	0.010	0.937
Quadrant House	15.164	-	-	0	15.164
TOTAL	**20.578**	**0.414**	**5.828**	**0.201**	**21.196**

10.2 Security- In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

10.3 A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2019/20 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

10.4 **Risk assessment:** With financial return being a core objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include near-term and longer-term risks, e.g. vacancies, fall in capital value, etc. These risks are managed by ensuring leases are with tenants of good financial standing and there is considerable before break clauses apply and the properties are of good quality in good locations. A varied portfolio will be acquired in diverse sectors thus spreading the risk. In order that commercial investments remain proportionate to the size of the authority, the Council has set an overall maximum investment limit of £200m. The Authority assesses the risk of loss before entering into and whilst holding property investments through independent advice sought from advisers. The Council has a risk matrix for assessing the quality of the investment to measure the suitability and risk of the investment, this is contained within the CPIS. To further mitigate risk, a provision will be set aside from rental income to mitigate the risks of voids and only properties with a significant period before the next break clause.

10.5 Liquidity- Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. The funding of long term investments in the Council's subsidiary are financed by fixed long term borrowing, so that there is no short or medium term risk to the liquidity of the Council, which would require the Council to be forced to liquidate its asset and suffer a loss nor impact upon the Council's provision of services. As these long term investments are matched by long term borrowing, it will not be necessary to access the invested funds in an emergency. Investments in property are not undertaken unless they are secure over the medium term and the target rate of return significantly exceeds the annual cost of borrowing.

10.6 The Council's strategy for these Commercial Property Investments is covered by the Commercial Property Investment Strategy.

10.7 Governance- Decisions on commercial investments are made by the Chief Executive and Strategy and Resources Committee in line with the criteria and limits approved by Council in the CPIS. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

10.8 Further details on commercial property investments and limits on their use are set out in the CPIS.

11. Liabilities

11.1 In addition to debt of £67.8m at 31st March 2018 detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £45.8m). This is revalued on a triennial basis, with the next valuation due in 2019. Payments are made based on a calculated contribution rate. The initial report of the actuary indicates that the current contribution rates will be maintained until the next valuation in 2022.

11.2 Governance- Decisions on incurring new discretional liabilities are taken by Corporate Management Team in consultation with the Acting Section 151 Officer. The risk of liabilities crystallising and requiring payment is monitored by Corporate Finance and reported as and when they are identified as part of regular financial monitoring.

11.3 Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has changed hands yet, loan commitments and financial guarantees carry similar risks. The Council has given no further formal loan commitments or guarantees to Gryllus Property Limited, Freedom Leisure or any other organisation. However the Council would consider any request for funding from its Gryllus Property Limited if required, subject to a suitable business case.

12. Proportionality

12.1 The Authority does not plan to be dependent on profit generating investment activity to achieve a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Authority's contingency plans for continuing to provide these services will be to set side rental income in an income equalisation reserve and income will only be released from the reserve when earned. Income will only be used to support expenditure initiatives which by nature represent one off spending or are easily curtailed. Income from rental income will not be used to support statutory responsibilities.

Table 12: Proportionality of Investments

	2018/19 Actual £m	**2019/20 Forecast £m**	**2020/21 Budget £m**	**2021/22 Budget £m**
Net service expenditure	9.917	11.642	10.589	10.802
Investment rental income	0.216	1.143	1.143	1.143
Proportion	2.2 %	9.8%	10.8%	10.6%

13. Revenue Budget Implications

13.1 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 13: Prudential Indicator: Proportion of financing costs to net revenue stream

	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m
Net service expenditure	9.917	11.642	10.589	10.802
General Fund- Financing costs	0.191	0.583	0.665	0.831
Proportion of General Fund net revenue stream	1.9%	5.0%	6.3%	7.7%

13.2 Further details on the revenue implications of capital expenditure are set out in the 2019/20 revenue budget.

13.3 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 will extend for up to 50 years into the future. The Acting Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable. The proportion that financing costs represent of the General Fund net revenue stream is negative. The most significant investments in waste vehicles and Ellice Road car park deliver a return equal to the financing costs. Property investments are determined on the basis of return. Unless the target rate of return is achieved Property Investments are not undertaken. The financing costs above exclude the cost of borrowing for property investments as these generate a return greater than the financing costs.

14. Knowledge, Skills, Capacity and Culture

14.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Interim Section 151 Officer is a qualified accountant with 20 years' experience, The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, ACT (Treasury), where required.

14.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Link Asset Services as treasury management advisers and property advisers, 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. Senior staff maintain their skills and knowledge up to date by attending technical briefings, circulars from treasury advisers and CIPFA treasury workshops. The Council also provides training for Councillors who are involved with Treasury and Pension matters.

CAPITAL STRATEGY PRINCIPLES

Corporate Management Team led by the Chief Executive lead the strategic direction of capital investment for the Council.

All schemes already approved in the 2018/21 Continuing Capital Programme or contractually committed will be supported and sufficient resources will be provided to enable them to proceed or complete. These schemes are presented in Appendix 3, Current Capital Priorities.

A capital project sponsor for a new bid must also be able to demonstrate that a rigorous process of options appraisal has been followed, requiring evidence of need, cost, risk, outcomes and methods of financing. Capital investment proposals which will result in a revenue cost saving, income generation or efficiency are encouraged. The Corporate Management Team has a clear role in ensuring that all the key questions have been asked at the initiation stage of a project.

All capital investment decisions will be made with reference to Council objectives and regional strategies and, only after a positive contribution to one or more of the objectives has been demonstrated, is a project to be considered for resource allocation. There will be no ring-fencing of capital receipts to specific projects.

The capital strategy will support the implementation of the approved Commercial Property Investment Strategy (CPIS) by the allocation of resources and facilitating the introduction of activities required to promote the objectives of the strategy which include providing a sustainable income stream to support the Council's revenue budget from the acquisition of property assets.

For the purposes of preparing the Capital Strategy and Capital Programme for 2019/20, an assumption has been made that any funding relating to slippage in capital projects at the end of 2018/19 will be carried forward into 2019/20 to fund the completion of the projects. Where an underspend occurs this will be returned to the Council Capital resources and will be used to fund new capital priorities. Funding for any overspends will be taken from the Council's uncommitted capital resources.

As well as using traditional funding mechanisms to finance capital schemes, the Council will also consider the use of new initiatives and develop these options if it is considered financially advantageous in the context of the Council achieving its capital investment objectives.

The Council is conscious that the Government could in the future introduce a range of grant funding opportunities for which bids must be submitted at short notice, some of which may have a matched funding requirement. The Council will respond as it considers appropriate to bidding opportunities, ensuring that bids are submitted which align with its objectives and capital investment priorities and that matched funding requirements are considered on a scheme by scheme basis with resource requirements prioritised accordingly.

The Council will work in a collaborative manner with Surrey County Council, Surrey Police & NHS.

Regard will be given during the appraisal process to ensure that the Council's Key Objectives and capital investment priorities are achieved.

- The Council will seek to make best use of opportunities offered by the Government to invigorate the housing market, empower first time buyers and to reduce homelessness by a comprehensive package of new policies to raise housing supply.

- The Council will have a number of capital investment priorities. Whilst these are initially set on an annual basis, it will review and update the priorities in accordance with in-year developments, responding to local and national emerging issues. The draft Capital Programme 2018-2022 set out at Appendix 7 reflects the Council's current Strategies and Priorities.

Appendix 2 **Appendix 2**

CAPITAL STRATEGIC PRIORITIES

Existing Programmes 2019/20

There is a requirement for continued funding of existing programmes of work on:

Council Offices Maintenance Programme this covers; Corporate Major Repairs, Disability Discrimination Act (DDA) Adaptations, Legionella and Health and Safety projects (Corporate Landlord Function)
Council Houses - Works to maintain dwellings to a Decent Homes Standard
Council House Building Programme
Housing Management Software
Disabled Facilities Improvements
Affordable Housing/Housing Enabling
Children's Playgrounds
Parks, Pavilions & Open Spaces
Vehicle Fleet Renewals
Waste Collection Containers
Information Technology
Car Parks
Commercial Property Investment Fund

Additions to existing Programmes and New Projects 2019/20-2021/22

In addition to the projects specifically referred to above, the following is a list of additions to funding to extending existing programmes or new projects for which funding may be required:

Extension to the Council House Building Programme
Extension to HRA Business Plan works to maintain dwellings to a Decent Homes Standard
Extension to the Disabled Facilities Improvements
Extension to the Affordable Housing Programme
Extension to the Playground Improvements Programme
Extension to the Parks, Pavilions & Open Spaces Programme
Extension to Vehicle Fleet Renewals
Extension to Car Park Equipment
Extension to Commercial Property Investment Fund
Public Conveniences
Litter Bins
Cemetery-Roads & Paths
Land Drainage
Plant & Machinery Replacement Programme
Replacement of Waste Vehicles
Garden Waste Bins
IT – Hardware, Infrastructure. Customer First Projects

SOURCES OF CAPITAL FUNDING

External Resources

External resources from Central Government and other public sector bodies can be split into two categories:

Un ring-fenced – resources which are delivered through grant that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose). This now encompasses the vast majority of Government grant funding.

Ring-fenced – resources which are ring-fenced to particular areas and therefore have restricted uses. e.g. Disabled Facilities Grant

Where there is a requirement to make an application to an external agency for external funding and, when appropriate, to commit Council resources as matched funding to any bid for external resources, a business case must be presented to the Corporate Management Team for approval. This must justify the bid for external resources and any Council matched funding prior to submission of the bid.

Examples of ring-fenced grants for which the Council can bid for capital projects include Arts Council Grants and Heritage Lottery Grants.

Additional Government grant funding notifications and these will be incorporated into the programme as appropriate.

Own Resources

Capital Receipts

Section 9 (1) of the Local Government Act 2003 defines a capital receipt as ‘’a sum received by the authority in respect of the disposal by it of an interest in a capital asset’’.
Section 9 (2) of the Act defines a capital asset as ‘’an asset is a capital asset if, at the time of the disposal, expenditure on the acquisition of the asset would be capital expenditure’’.

Capital receipts are usually restricted to use for:
i) Financing new capital investment.
ii) Reducing borrowing under the Prudential Framework.
iii) Paying a premium charged in relation to any amounts borrowed.
iv) Meeting any liability in respect of credit arrangements.
v) Meeting disposal costs (not exceeding 4% of the receipt).

Following the 2015 Spending Review, the DCLG published statutory guidance on the flexible use of capital receipts for a three year period covering 2016/17 to 2018/19. The guidance allows Local Authorities to use capital receipts to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings. As part of 2018/19 Provisional Local Government Finance Settlement, the Secretary of State announced an extension of this flexibility for a further three years to 2022.

In 2018/19, the Council intends to use up to £0.589m of capital receipts to fund elements of Tandridge’s Capital Programme, specifically:

- the Customer First programme;
- Investment in the modernisation of IT systems;

In general capital receipts arising from the disposal of housing assets and for which account is made in the Housing Revenue Account (HRA), are governed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. In summary the regulations require that receipts arising from:

Right to Buy (and similar) sales may be retained to cover the cost of transacting the sales and to cover the debt on the properties sold, but a proportion of the remainder must be surrendered to Central Government;

However exemptions from the regulations were published in 2012 which enable the Council to use Housing Capital receipts to part finance the replacement of homes for rent sold under the renewed Right to Buy, including purchasing, remodelling and new build

HRA disposals may be retained in full provided they are spent on affordable housing, regeneration or the paying of housing debt.

Ring-fencing of Capital Receipts

The Council will not ring-fence or earmark capital receipts to specific projects, projects will be considered on the costs and benefits of the individual project.

Capital Receipts will be retained to support the Capital Programme as a corporate resource.

<u>Availability of Capital Receipts</u>

In considering the 2018/19 capital programme, and given the position with regard to capital receipts, a prudent approach has been taken and there has been no assumption of any additional capital receipts to finance new expenditure over and above those already known amounts underpinning the programme.

No additional capital receipts have been anticipated in 2019/20 and 2020/21. However as advised above, the Council anticipates using up to £0.589m of capital receipts in 2018/19 to support projects.

The level of receipts upon which the programme relies to fund existing and new commitments has in the past been affected by the property market which has impacted on the:

i) Ability of the Council to sell assets within the timescale anticipated.

ii) Level of receipt actually generated, which has sometimes been less than originally expected.

Monitoring of capital receipts is undertaken through the CMT and the Corporate Property Board (CPB); follow-up actions are initiated to address any comments raised.

<u>Revenue Contributions</u>

A service or the Council may wish to offer some of its revenue budget or reserves to support the financing of a capital project.

<u>Leasing</u>

Some of the assets used by the Council are financed by a lease arrangement, for example vehicles. With the advent of Prudential Borrowing this source of financing is less attractive. As it is usually generally a more expensive form of borrowing and there are usually costs which arise when vehicles, plant and equipment is returned in poor condition. Therefore it is the Councils policy not to lease unless it can be demonstrated that leasing will offer value for money, when options are appraised.

Section 106 Agreements

In considering an application for planning permission, the Council may seek to secure benefits to an area or restrict uses or activities related to a proposed development through the negotiation of a 'planning obligation' with the developer. Such obligations, authorised by Section 106 of the Town and Country Planning Act 1990, generally either improve the quality of the development, or overcome difficulties which would otherwise result in planning permission being refused. A planning obligation must be:

i) Necessary to make the development acceptable in planning terms;

ii) Directly related to the development; and

iii) Fairly and reasonably related in scale and kind to the development.

As such, therefore, the Council may in some instances receive funds to enable it to undertake works arising from these planning obligations. Examples of the use of planning obligations are the:

i) Provision of affordable housing.

ii) Improvement to community facilities - Public open space/play areas, educational facilities.

iii) Improved transport facilities - contributions have previously been used towards Oldham bus station, park and ride and provision of cycle lanes.

iv) Public art.

v) Renewable energy measures.

vi) Specific measures to mitigate impact on a local area - parking restrictions, landscaping or noise insulation.

The use of any Section 106 funding will be presented to the CMT for review.

Community Infrastructure Levy

The Community Infrastructure Levy (CIL) is a planning charge based on legislation that came into force on 6 April 2010. When adopted, a CIL levy allows the Council to raise contributions from new development to help pay for infrastructure that is needed to support planned growth. CIL contributions can be used to supplement other funding streams and can wholly or partly fund a variety of strategic infrastructure projects ranging from transport, green infrastructure, flood defences, education and health, subject to pooling restrictions.
Where a CIL charging schedule is in place, it largely replaces Section 106 Obligations in delivering strategic infrastructure. However, S106 would still be used for affordable housing and site development-related infrastructure requirements that are deemed necessary to make a development acceptable. Some developments would pay both Section 106 and CIL, but they would fund different types of infrastructure. Contributions may also be sought for Section 278 of the Highways Act where modifications are required to the highways network.

UK Municipal Bonds Agency Plc formerly Local Capital Finance Company

The Local Government Association (LGA) has now set up the Local Capital Finance Company (formerly known as the UK Municipal Bonds Agency) the aim of which is to seek to provide Councils with a cheaper source of long term borrowing and to introduce sector owned diversity into the Local Government lending market. The Council will keep under review the availability and cost of funds from the Company as an alternative source of finance with a view to borrowing at an appropriate time if terms are preferential.

Borrowing

The Council will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing. This will be especially important when undertaking property acquisitions under the Commercial Property Investment Strategy (CPIS) where, in addition, a revenue income stream is required to support the revenue budget.

Where it is considered that Prudential Borrowing is the appropriate method of funding it will require additional revenue budget to finance the interest and minimum revenue provision.

Strategy and Resources Committee will review the detailed capital expenditure plans before allocations of resources are committed to ensure that the costs of prudential borrowing are understood and affordable.

The Council is able to take advantage of the Public Works Loans Board (PWLB) certainty rate, whereby there is a 20 basis points discount on standard loans from the PWLB under the prudential borrowing regime for authorities which provide improved information on their long term borrowing and associated capital spending plans. The obvious benefit to the Council of the certainty rate is reflected in reduced Treasury Management borrowing costs in relation to any PWLB borrowing undertaken.

CORPORATE GOVERNANCE

Corporate Management Team

Corporate Management Team, which comprises the Directors of each Department lead by the Chief Executive, is the officer body for Capital Investment development and planning and is charged with bringing forward funded capital expenditure plans for approval by the Strategy and Resources Committee. Strategy and Resources Committee considers capital expenditure and funding plans and for monitoring performance through a series of regular capital monitoring reports and recommends the annual Capital Programme to Council for approval.

All Directorates are represented at Director Level on CMT supported by the Interim Chief Finance Officer.

All capital investment will be commissioned on the recommendation of the CMT which will enable any expenditure and it's funding to be aligned with the Council's Key Capital Priorities and funding sources. Partners, from both the public and private sector will be at regional and local levels as well as at a district level.

Approval of Capital Investment

Within the Council, a concept for a potential capital project will originate from, or at least be 'owned' by the Director. The 'owner' should prepare, or direct the preparation of a Strategic Business Case (SBC) for the proposed project. The Strategic Business Case outlining the initial idea or 'concept' for a project and should be submitted to CMT for consideration.

If CMT is satisfied that the proposal meets investment criteria, it will be given approval to progress to Stage 2 of the process – the completion of an Outline Business Case (OBC).

The OBC builds on the SBC providing more detailed information including the benefits that could be realised focusing on the links to the Council's Capital Investment Priorities and the proposed outcomes and may include a number of options to deliver the proposed benefits. The OBC will be submitted to the CMT for consideration, and if it is satisfied with the proposal will give guidance for the development of a preferred option.

Stage 3 of the process entails the completion of a Final Business Case (FBC) which will then be submitted to the CMT for final consideration. Again, building on the OBC, the FBC will contain evidence of a:

- Full option appraisal
- Detailed financial analysis of all costs/income including how the project is financially sustainable and that any adverse revenue implications can be dealt with within existing budgets.
- Robust delivery plan including how the chosen option delivers the highest impact in achieving the required outcomes with identified key project milestones enabling progress review. Included within the delivery plan should be proposed consultation arrangements, value for money assessment equality and environmental impact assessments.
- Risk assessment and that appropriate actions to negate these risks have been identified.
- Full exit strategy where the project involves a disposal.
- Method of procurement that represents value for money.

Depending on the circumstances of the bid for resources, CMT has the discretion to vary the three stage review process and omit one or more of the stages.

Once Final Business Cases have been agreed for bids, these bids will be prioritised using the following criteria (it should be noted that these bids will be ranked in the following order):

The criteria examine whether the proposal is:

- Fully-funded from external resources.
- Related to mandatory, contractual or legislative service delivery requirements.
- Required to achieve the delivery of a specific revenue budget saving within the revenue budget setting process.
- Providing general revenue saving or offering the delivery of a more efficient service.
- Enables and supports the implementation of the Commercial Property Investment Strategy
- Supporting regeneration and economic growth, particularly in the town centre and district centres.
- Required to support Service Plan priorities.
- Bringing in substantial external resources for which Council matched funding is required.
- Delivers the aim of local jobs for local people.
- Supporting integrated working with NHS partners
- Linked into other regional objectives.
- Enhancing the asset management/estate management agenda.
- Makes a contribution to carbon reduction targets and renewable energy initiatives

The results of this process will be presented to Members each year as part of the capital budget setting process, or during the year if projects come forward outside the normal timeframe.

Service Challenge & Review, Efficient Use of Assets

With regard to the review of operational assets, the Asset Management Team and services continue to work closely with service managers alongside wider public and third sector partners to ensure that portfolios are best fit for purpose and efficient usage is maximised.

The Chief Executive and CMT will oversee any acquisition and disposal of land and property assets and monitors the progress of any corporate disposals and performance of the investment portfolio.

In terms of acquisition of Commercial Property Investment there is a specific process for this under Financial Regulation 17 to enable proposals to progress in year. Details of this are set out in the Commercial Property Investment Strategy.

Performance Monitoring of Capital Programme

The capital expenditure investment approach above is supported by a strong programme management process in order to ensure a coordinated corporate approach. This will ensure that investments are planned, managed and delivered prudently.

CMT has a remit to review the financial performance of the capital programme and it receives a monthly monitoring report. In addition financial monitoring reports will be considered by Strategy and Resources Committee at months 3, 6, 8 and 9, together with a capital outturn report. Issues that have been considered and agreed at CMT can be reported to Strategy and Resources as necessary via the regular financial monitoring reports.

The undertaking of the detailed annual review of the capital programme provides the opportunity to review all schemes or focus on specific areas of concern.

Where a potential cost overrun has been identified, CMT will explore possible solutions in detail. It will also consider any under spending or identified surplus resources which can be added to the central pool of resources. CMT may also suggest a reallocation of resources to other projects.

Where there is a delay in the commitment of programme/project resources, the CMT will require project managers to report the reasons for the delay and consider whether it would be appropriate to recommend the decommissioning of the project and the reallocation of un-ring-fenced resources to other projects.

The performance of the capital programme is also measured by the prudential indicators which are reported Council as part of the Treasury Management Strategy, the Treasury Management half-yearly review, and the annual review.

ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT 2019/20

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum previous to 2017/18. The Local Government Act 2003 requires the Council to have regard to the Department for Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Council to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.

The Council expects that its Capital Financing Requirement will be a maximum of £238.074m (General Fund £149.429m) at 31st March 2020 and in line with the MHCLG Guidance it will therefore charge MRP on an asset life basis. This basis is subject to review and changes in line with the Councils Treasury Management Strategy and approved Prudential Indicators which are revised annually.

Capital expenditure incurred during 2019/20 will be fully subject to a MRP charge from 2020/21 onwards. Capital expenditure incurred during 2020/21 will be subject to a MRP charge from 2021/22 onwards. This ensures that MRP is only charged to the full first operational year of the assets life.

The Council is recommended to approve the following MRP Statement:-

For all unsupported borrowing (General Fund) the MRP Policy will be; Asset Life Method.

Under this method MRP will be based on the estimated life of the assets, in accordance with the regulations. This option provides for a reduction in the borrowing need over approximately the estimated assets life.

There are two methods of calculating charges under this option; equal instalment method (equal payments over asset life) and the annuity method (gradually increases over asset life).

Both methods allow costs to be spread over the full life of the asset.

The Council will utilise the annuity method.

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	31.03.2019 Actual £m	31.03.2020 Forecast £m	31.03.2021 Forecast £m
Treasury Management Investments	33.933	26.400	26.400
Service Investments: Loans	4.627	16.700	33.200
Service Investments: Shares	1.026	5.300	10.800
Commercial Investments: Property	5.828	21.200	43.200
TOTAL INVESTMENTS	**45.414**	**69.600**	**113.600**
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	**45.414**	**69.600**	**113.600**

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing in £millions

Investments funded by borrowing	31.03.2019 Actual £m	31.03.2020 Forecast £m	31.03.2021 Forecast £m
Treasury management investments	0	0	0
Service Investments: Loans	4.627	16.700	33.200
Service Investments: Shares	1.026	5.300	10.800
Commercial investments: Property	5.332	20.694	42.694
TOTAL FUNDED BY BORROWING	**10.985**	**42.694**	**86.694**

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	**2018/19 Actual**	**2019/20 Forecast**	**2020/21 Forecast**
Long Term Treasury Management investments	4.1%	4.1%	4.1%
Service Investments: Loans	3.1%	2.9%	2.4%
Service Investments: Shares	0%	0%	0%
Commercial Investments: Property	4.0%	3.3%	3.0%

Table 8: Other investment indicators

Indicator	**2018/19 Actual**	**2019/20 Forecast**	**2020/21 Forecast**
Debt to net service expenditure ratio	263%	700%	1,403%
Commercial income to net service expenditure ratio	2.25%	9.8%	10.8%

Proposed Capital Programme 2020-2023

Appendix 7

Current Continuing Capital Schemes	Revised Capital Programme reflecting 2018/19 Slippage (S&R Committee 26/11/19) and Housing Committee Changes 19th Sept 2019														
	Current Budget 2019/20	Revised Budget 2020/21	Revised Budget 2021/22	Revised Budget 2022/23	Total Budget 2019/20-2021/22	New Bids/ Revisions 2019/20	New Bids/ Revisions 2020/21	New Bids/ Revisions 2021/22	New Bids/ Revisions 2022/23	New Bids/ Total	Current Budget 2019/20	Proposed Budget 2020/21	Proposed Budget 2021/22	Proposed Budget 2022/23	Proposed Budget Total 2019-2023
Housing HRA															
Structural Works	755,000	480,000	795,000		2,030,000		225,000	40,000	855,000	1,120,000	755,000	705,000	835,000	855,000	3,150,000
Modernisation & Improvements	654,000	800,000	392,000		1,846,000		(34,500)	47,000	752,000	764,500	654,000	765,500	439,000	752,000	2,610,500
Energy Efficiency Works	393,000	448,000	481,000		1,322,000		93,500	189,500	679,500	962,500	393,000	541,500	670,500	679,500	2,284,500
Service Renewals	628,000	620,000	445,000		1,693,000		(9,000)	240,000	712,500	943,500	628,000	611,000	685,000	712,500	2,636,500
Void Works	490,000	450,000	395,000		1,335,000		(25,000)	30,000	425,000	430,000	490,000	425,000	425,000	425,000	1,765,000
Health & Safety	175,000	175,000	200,000		550,000		(85,000)	(105,000)	95,000	(95,000)	175,000	90,000	95,000	95,000	455,000
Adaptations for the Disabled	232,500	225,000	225,000		682,500		0	0	225,000	225,000	232,500	225,000	225,000	225,000	907,500
Essential Structural Works	175,000	135,000	125,000		435,000		(75,000)	(65,000)	60,000	(80,000)	175,000	60,000	60,000	60,000	355,000
Communal Services	75,000	90,000	70,000		235,000		95,000	115,000	185,000	395,000	75,000	185,000	185,000	185,000	630,000
Council House Building	8,345,600	14,351,300	3,660,000		26,356,900	(1,626,300)	(3,934,100)	5,295,400	447,200	182,200	6,719,300	10,417,200	8,955,400	447,200	26,539,100
Housing Management Software	81,100	20,000	20,000		121,100						81,100	20,000	20,000	0	121,100
Total- Housing HRA	**12,004,200**	**17,794,300**	**6,808,000**	**0**	**36,606,500**	**(1,626,300)**	**(3,749,100)**	**5,786,900**	**4,436,200**	**4,847,700**	**10,377,900**	**14,045,200**	**12,594,900**	**4,436,200**	**41,454,200**
Housing GF															
Disabled Facilities Grant	439,100	426,000	426,000		1,291,100	0	0	0	460,000	460,000	439,100	426,000	426,000	460,000	1,751,100
Housing Enabling - General	274,400	100,000	100,000		474,400	(274,400)	0	0	0	(274,400)	0	100,000	100,000	0	200,000
Total- Housing GF	**713,500**	**526,000**	**526,000**	**0**	**1,765,500**	**(274,400)**	**0**	**0**	**460,000**	**185,600**	**439,100**	**526,000**	**526,000**	**460,000**	**1,951,100**
Community Services															
Children's Playground Improvements	116,600	75,000	75,000		266,600	0	190,000	75,000	165,000	430,000	116,600	265,000	150,000	165,000	696,600
Parks, Pavilions & Open Spaces	188,400	100,000	100,000		388,400	0	0	0	100,000	100,000	188,400	100,000	100,000	100,000	488,400
Vehicle Fleet Renewals	59,900	40,000	40,000		139,900	0	444,000	270,000	163,000	877,000	59,900	484,000	310,000	163,000	1,016,900
Collection / Containerisation	600,000	0	0		600,000						600,000	0	0	0	600,000
Car Park Equipment/Maintenance	58,200	30,000	0		88,200						58,200	30,000	0	0	88,200
Ellice Road Car Park Decking	4,325,100	0	0		4,325,100	(4,225,100)				(4,225,100)	100,000	0	0	0	100,000
Public Conveniences	275,000	275,000	0		550,000						275,000	275,000	0	0	550,000
Litter Bins	20,000	2,000	2,000		24,000	0	0	0	2,000	2,000	20,000	2,000	2,000	2,000	26,000
Roads&Paths at St.Mary's Church Cemetery	20,000	0	0		20,000						20,000	0	0	0	20,000
Land Drainage	10,000	10,000	10,000		30,000						10,000	10,000	10,000	0	30,000
Plant & Machinery Replacement Programme	8,000	8,000	8,000		24,000	0	43,000	0	8,000	51,000	8,000	51,000	8,000	8,000	75,000
Waste Vehicles	3,500,000	0	0		3,500,000						3,500,000	0	0	0	3,500,000
Garden Waste Bins	96,000	15,000	15,000		126,000	(96,000)	96,000	0	15,000	15,000	0	111,000	15,000	15,000	141,000
Recycling, food waste and refuse bins	0	0	0		0	0	100,000	100,000	100,000	300,000	0	100,000	100,000	100,000	300,000
Playground Improvements (Match Funding Pot)	50,000	0	0		50,000						50,000	0	0	0	50,000
Total- Community Services	**9,327,200**	**555,000**	**250,000**	**0**	**10,132,200**	**(4,321,100)**	**873,000**	**445,000**	**553,000**	**(2,450,100)**	**5,006,100**	**1,428,000**	**695,000**	**553,000**	**7,682,100**
Resources															
Council Offices Major Maintenance Programme	182,300	100,000	0		282,300						182,300	100,000	0	0	282,300
Customer First/IT	150,000	150,000	50,000		350,000						150,000	150,000	50,000	0	350,000
IT - Hardware/infrastructure/Customer First Projects					0		723,600	154,800	163,400	1,041,800	0	723,600	154,800	163,400	1,041,800
Investment & Development Fund	130,374,900	65,000,000	0		195,374,900	(64,374,900)		64,374,900		0	66,000,000	65,000,000	64,374,900	0	195,374,900
Land / Asset Development	153,000	0	0		153,000					0	153,000	0	0	0	153,000
Total- Resources	**130,860,200**	**65,250,000**	**50,000**	**0**	**196,160,200**	**(64,374,900)**	**723,600**	**64,529,700**	**163,400**	**1,041,800**	**66,485,300**	**65,973,600**	**64,579,700**	**163,400**	**197,202,000**
Total Capital Programme	**152,905,100**	**84,125,300**	**7,634,000**	**0**	**244,664,400**	**(70,596,700)**	**(2,152,500)**	**70,761,600**	**5,612,600**	**3,625,000**	**82,308,400**	**81,972,800**	**78,395,600**	**5,612,600**	**248,289,400**

Proposed Capital Programme 2020-2023 - Financing

Appendix 8

Current Continuing Capital Schemes	Current Budget 2019/20	Proposed Budget 2020/21	Proposed Budget 2021/22	Proposed Budget 2022/23	Proposed Budget Total 2019-2023	HRA Reserves	DFG Grant	CIL/S106 Contributions	GF Cap Receipts/Reserves	Hsg Capital Receipts	Housing Developer Contribution	Borrowing	Total Financing
Housing HRA													
Structural Works	755,000	705,000	835,000	855,000	3,150,000	3,150,000							3,150,000
Modernisation & Improvements	654,000	765,500	439,000	752,000	2,610,500	2,610,500							2,610,500
Energy Efficiency Works	393,000	541,500	670,500	679,500	2,284,500	2,284,500							2,284,500
Service Renewals	628,000	611,000	685,000	712,500	2,636,500	2,636,500							2,636,500
Void Works	490,000	425,000	425,000	425,000	1,765,000	1,765,000							1,765,000
Health & Safety	175,000	90,000	95,000	95,000	455,000	455,000							455,000
Adaptations for the Disabled	232,500	225,000	225,000	225,000	907,500	907,500							907,500
Essential Structural Works	175,000	60,000	60,000	60,000	355,000	355,000							355,000
Communal Services	75,000	185,000	185,000	185,000	630,000	630,000							630,000
Council House Building	6,719,300	10,417,200	8,955,400	447,200	26,539,100	11,948,100				5,227,000	400,000	8,964,000	26,539,100
Housing Management Software	81,100	20,000	20,000	0	121,100	121,100							121,100
Total- Housing HRA	**10,377,900**	**14,045,200**	**12,594,900**	**4,436,200**	**41,454,200**	**26,863,200**	**0**	**0**	**0**	**5,227,000**	**400,000**	**8,964,000**	**41,454,200**
Housing GF													
Disabled Facilities Grant	439,100	426,000	426,000	460,000	1,751,100		1,751,100						1,751,100
Housing Enabling - General	0	100,000	100,000	0	200,000					200,000			200,000
Total- Housing GF	**439,100**	**526,000**	**526,000**	**460,000**	**1,951,100**	**0**	**1,751,100**	**0**	**0**	**200,000**	**0**	**0**	**1,951,100**
Community Services													
Children's Playground Improvements	116,600	265,000	150,000	165,000	696,600			696,600					696,600
Parks, Pavilions & Open Spaces	188,400	100,000	100,000	100,000	488,400			488,400					488,400
Vehicle Fleet Renewals	59,900	484,000	310,000	163,000	1,016,900							1,016,900	1,016,900
Collection / Containerisation	600,000	0	0	0	600,000							600,000	600,000
Car Park Equipment/Maintenance	58,200	30,000	0	0	88,200							88,200	88,200
Ellice Road Car Park Decking	100,000	0	0	0	100,000				100,000				100,000
Public Conveniences	275,000	275,000	0	0	550,000							550,000	550,000
Litter Bins	20,000	2,000	2,000	2,000	26,000				26,000				26,000
Roads&Paths at St.Mary's Church Cemetery	20,000	0	0	0	20,000				20,000				20,000
Land Drainage	10,000	10,000	10,000	0	30,000				30,000				30,000
Plant & Machinery Replacement Programme	8,000	51,000	8,000	8,000	75,000				75,000				75,000
Waste Vehicles	3,500,000	0	0	0	3,500,000							3,500,000	3,500,000
Garden Waste Bins	0	111,000	15,000	15,000	141,000							141,000	141,000
Recycling, food waste and refuse bins	0	100,000	100,000	100,000	300,000							300,000	300,000
Playground Improvements (Match Funding Pot)	50,000	0	0	0	50,000				50,000				50,000
Total- Community Services	**5,006,100**	**1,428,000**	**695,000**	**553,000**	**7,682,100**	**0**	**0**	**1,185,000**	**301,000**	**0**	**0**	**6,196,100**	**7,682,100**
Resources													
Council Offices Major Maintenance Programme	182,300	100,000	0	0	282,300				282,300				282,300
Customer First/IT	150,000	150,000	50,000	0	350,000							350,000	350,000
IT - Hardware/infrastructure/Customer First Projects	0	723,600	154,800	163,400	1,041,800							1,041,800	1,041,800
Investment & Development Fund	66,000,000	65,000,000	64,374,900	0	195,374,900							195,374,900	195,374,900
Land / Asset Development	153,000	0	0	0	153,000							153,000	153,000
Total- Resources	**66,485,300**	**65,973,600**	**64,579,700**	**163,400**	**197,202,000**	**0**	**0**	**0**	**282,300**	**0**	**0**	**196,919,700**	**197,202,000**
Total Capital Programme	**82,308,400**	**81,972,800**	**78,395,600**	**5,612,600**	**248,289,400**	**26,863,200**	**1,751,100**	**1,185,000**	**583,300**	**5,427,000**	**400,000**	**212,079,800**	**248,289,400**

Capital Financing	2019/20 £	2020/21 £	2021/22 £	2022/23 £	Total £
HRA Reserves	9,007,900	7,605,200	6,272,900	3,977,200	26,863,200
DFG Grant	439,100	426,000	426,000	460,000	1,751,100
CIL/S106 Contributions	305,000	365,000	250,000	265,000	1,185,000
General Fund Capital Receipts/Reserves	390,300	163,000	20,000	10,000	583,300
Housing Capital Receipts	1,370,000	2,426,000	1,172,000	459,000	5,427,000
Hosuing Debeloper Contribution		400,000			400,000
Borrowing	70,796,100	70,587,600	70,254,700	441,400	212,079,800
Total Capital Funding	**82,308,400**	**81,972,800**	**78,395,600**	**5,612,600**	**248,289,400**