

APPENDIX B



CAPITAL STRATEGY 2024/25 – 2028/29

1. INTRODUCTION

1.1 Background

1.1.1 The Prudential Code for Capital Finance in Local Authorities was developed by the Chartered Institute of Public Finance Accountants (CIPFA) to support local authorities with their capital investment decision making processes. Local authorities are required by Regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003.

1.1.2 The most recent versions of the CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report to provide the following:

- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how the associated risk is managed.
- The implications for future financial sustainability.

1.2 Aims and Principles

1.2.1 In terms of capital expenditure and investment, the Council's main aim is to deliver our corporate objectives and priorities whilst ensuring that our capital plans are affordable, prudent, and sustainable.

1.2.2 The Capital Strategy demonstrates that the Council takes capital expenditure and investment decisions in line with service objectives, and properly takes account of stewardship, value for money, prudence, sustainability, and affordability. The strategy sets out the long-term context in which capital expenditure and investment decisions are made, and to give due consideration to risk and reward, and the impact on the achievement of priority outcomes. It comprises the following distinct but inter-related elements:

- Capital expenditure.
- The Five-Year Capital Plan.
- Financing our capital expenditure plans.
- The capital appraisal and prioritisation process.
- An overview of the governance process, including approval, monitoring, and reporting.
- Debt and other treasury management issues
- Commercial activity
- Skills and knowledge required to deliver our capital plans.

1.2.3 The Capital Strategy should be read in conjunction with our Medium-Term Financial Strategy (MTFS), Treasury Management Strategy and the Minimum Revenue Provision (MRP) Policy since our capital expenditure plans have a direct impact on debt and the MRP.

1.2.4 The key principles upon which the Capital Strategy is based are as follows:

- Ensuring that capital investment is focused on the delivery of our Vision and corporate priorities, as set out in the Blaby District Plan.
- Maximising our available capital resources and ensuring value for money.
- Ensuring proper stewardship and sound governance in our decision-making process.
- Ensuring that our plans are affordable, prudent, and sustainable.

2. CAPITAL EXPENDITURE

2.1 Definition of Capital Expenditure

2.1.1 Whilst revenue expenditure is spending on the Council's day to day running costs (e.g., employee costs and supplies and services), capital expenditure provides long term solutions to deliver our priorities and operational requirements. Capital expenditure is broadly defined as expenditure on the acquisition, creation, or enhancement of non-current assets. Non-current assets are those items of land, property and vehicles, plant or equipment which have a continuing benefit to the Council for a period extending beyond one year.

2.1.2 Grants or loans made to a third party, towards expenditure which meets the definition above, may also be capitalised. An example of this would be disabled facilities grants.

2.1.3 The Council will incur capital expenditure for several reasons, including:

- To refurbish and extend the useful life of existing assets.
- To deliver its corporate priorities.
- To meet statutory requirements and/or health and safety regulations.
- To avoid unnecessary revenue expenditure.

2.2 Capitalisation Policy

2.2.1 The Council operates a de-minimis limit of £10,000 for expenditure to be considered for capitalisation. Below that limit, expenditure will be charged to the revenue account.

2.2.2 Subject to the de-minimis limit referred to above, the following categories of expenditure will be capitalised:

- The acquisition, reclamation, enhancement or laying out of land.
- The acquisition, construction, preparation, enhancement or replacement of buildings and other infrastructure (including ICT).
- The acquisition, installation or replacement of vehicles, plant, machinery, and equipment.
- The making of grants, loans, or other financial assistance towards expenditure.
- The acquisition of share or loan capital.
- The acquisition of computer software licences.

3. THE FIVE-YEAR CAPITAL PLAN

3.1 Capital Plans

3.1.1 The five-year capital programme is sub-divided into the following categories:

- Invest to save schemes.
- Schemes that are deemed to be essential to the delivery of our services or are linked to a long-term contract.
- Schemes that are desirable, but which are subject to affordability and the availability of resources.
- Externally funded schemes.

3.2 Our Vision and Priorities

3.2.1 The Council approved the Blaby District Plan 2024 to 2028 on 28th November 2023. The Blaby District Plan serves as the Council's roadmap for continuous improvement, and to continue our vision that the district is a great place to live, work and visit.

3.2.2 Our priorities link back to the vision and are predicated on the major challenges facing the district, those being:

- Climate Change – our ambition is for the Council to reduce carbon emissions and achieve net zero by 2030, with the district following suit by 2050.
- Service Delivery – future funding is uncertain, and it is likely that there will continue to be funding reductions and increasing pressure on services. The MTFS predicts a budget deficit of £4.9m by 2028/29.
- Housing Growth, Affordable Housing and Homelessness – we face a significant housing delivery challenge over the next 12 years, and there is an increasing need for affordable housing. The combined impact of the pandemic, rising living costs, and an unaffordable private rented sector, have led to an increase in homelessness across the district.
- Health – we are working with partners to tackle obesity. A further challenge is posed by contaminated land and the potentially high cost of mitigation works to ensure the safety of our communities.

3.2.3 The following organisational values define our culture, embody our beliefs and principles, and provide guidance for our interactions with customers, colleagues, and communities.

- Put the customer at the heart of everything we do.
- Be innovative, adaptable, and resourceful.
- Understand the needs of our communities and treat everyone fairly.
- Be open, honest, and clearly communicate.

3.2.4 The Blaby District Plan 2024 to 2028 sets out our strategic themes, what we want to achieve over the period covered by the plan, and how we will strive to achieve this.

- Enabling our communities and supporting our vulnerable residents.
- Enhancing and maintaining our natural and built environments.
- Growing and supporting our economy.
- Keeping you safe and healthy.
- Ambitious and well-managed Council, valuing our people.

A copy of the Blaby District Plan is available to download from our website.

3.3 Asset Management Planning

3.3.1 The Council owns a relatively small number of assets that, in general, make an important and positive contribution towards the delivery of our corporate priorities. The quality, condition, suitability, and sustainability of our operational assets have a direct bearing on our service delivery. Therefore, it is essential that our assets are managed proactively and efficiently to ensure that they are fit for purpose.

3.3.2 The Council's key asset management priorities are:

- Evaluate the appraisals of the Council office campus in addition to other key locations and where appropriate undertake more detailed assessments to determine the long-term potential for office accommodation and affordable homes.
- Implementation of the new parks and open spaces strategy and associated management plans including exploring opportunities to fund improvements through biodiversity net gain funding.
- Installation of solar panels, and electric charging infrastructure at the depot, in support of the Council's net zero carbon ambitions.
- Purchase of housing to alleviate homelessness pressures and reduce the call upon bed and breakfast accommodation.
- Ensuring the safety of our residents by understanding the risks associated with former landfill sites within our district and implementing measures to reduce landfill gas emissions.
- Ensuring that our ICT infrastructure is fit for purpose and future-proofed, to enable the Council to deliver transformational savings and efficiencies.

3.3.3 Although the Council's asset base is relatively small, it is nevertheless paramount that we make the best use of those assets. Consequently, an officer group meets regularly to consider options for the future use of assets that are surplus to requirements in terms of direct service delivery. Options will generally include disposal or redevelopment, and a report will be brought

before Council for consideration depending upon the most sustainable proposals for the asset in question.

- 3.3.4 The Parks and Open Spaces Strategy has recently been completed and includes an action plan for the Council's strategic parks and open spaces. This plan will help to further inform the 5 Year Capital Programme and will consider options that will make the sites more sustainable in the future, with a focus upon income generation and environmental considerations arising from the Environment Bill.
- 3.3.5 One of the Council's key objectives, as set out in the Blaby District Plan 2024 – 2028, is to deliver our Climate Change Strategy and strive to meet our carbon net zero ambitions. All capital bids must demonstrate how they contribute to the delivery of the Council's strategic outcomes, objectives, and priorities. A key part of this will be how the capital proposals will help to meet our net zero aspirations. However, it is important to recognise that there may be constraints, including financial, that mean this is not always practical.

3.4 Commercialisation

- 3.4.1 The Council recognises that future changes to business rates retention and the wider Local Government funding formula will reinforce the need to seek new, innovative ways of generating income or reducing costs to support service delivery.
- 3.4.2 The Council takes a commercial, business-like approach to how it delivers services, monitors expenditure, and considers charging for services. This is balanced alongside the need to place our customers at the heart of everything we do and providing support for the most vulnerable in our community. The Council's Commercial Strategy provides focus and structure to the work that is already underway in the Council.
- 3.4.3 The vision of the Strategy is:

“To place Blaby in the best financial position possible, enabling Blaby District to be a Great Place to Live, Work and Visit.”

It aligns closely to the Council's other key strategies, including the Blaby District Plan, Medium Term Financial Strategy, the Council's Economic Development Framework and the Tourism Strategy.

- 3.4.4 The Strategy includes five priority themes:

- Strengthening and Efficiency of Services
- Investment in and Maximisation of Asset Utilisation
- Selling Services

- Maximising Partnership Working and Encouraging Corporate Social Responsibility
- Exploiting External Funding Opportunities

3.4.5 The Commercial Strategy was reviewed and refreshed in February 2022 in the wake of the Covid-19 pandemic, considering the current and future financial landscape. The Strategy includes a Priority Action Plan which details work that is currently being undertaken or is planned. Further detail is contained within the Commercial Strategy itself which is available to download from the Council's website.

3.4.6 The introduction of the general power of competence, on the back of the Localism Act 2011, has given local authorities more flexibility in the types of activity in which they can engage. As a result of the financial challenges facing local government, many local authorities began to consider much different and innovative types of investment than would previously been the case. However, the level of borrowing undertaken by local authorities to fund investment for commercial return has given the government cause for concern. This has been exacerbated by the number of authorities that have issued Section 114 notices in response to difficulties over financial sustainability. This has resulted in the current position, reflected in the changes introduced in the 2021 Prudential Code, whereby the wider powers and flexibilities referred to above are still in place, but the ability to borrow purely for financial gain has been removed.

3.4.7 At its meeting in September 2022, the Council approved the following "Commercialism Position Statement":

The Council recognises the need to balance bold, innovative action with social value creation when considering any commercial venture.

In addition, the Council also recognises the need for achieving best value and efficiency in both service delivery and commercial activity. As such, the following areas will be considered more favourably when evaluating which activities should be pursued:

- Investment in regeneration activity that supports strategic development aims and generates a financial return, making the investment sustainable and not placing further pressure on revenue budgets.
- Where the impact on local business is minimised.
- Where Blaby's reputation, locally and nationally, would be enhanced.

An investment of the nature described above, since it has stated service aims, would not be precluded under the changes to the 2021 Prudential Code.

3.4.8 Council will also consider strategic investments in commercial property for regeneration purposes, subject to any investment meeting the following criteria:

- Is there a benefit to the local economy or Blaby residents that can be gained from the activity?
- Can income be generated to support the activity?
- Can the income stream(s) be developed (at scale) within the next financial year?
- Can the income stream(s) be delivered with relative certainty?
- Are there significant financial risks associated with the opportunity?
- Is there a track record within the Council – or other local authorities – which demonstrate the opportunity is viable?
- Does the Council have any commercial advantage in addressing an opportunity compared to the private sector (or, potentially, neighbouring local authorities or other public bodies)?
- (Conversely) is the Council at a commercial disadvantage compared to existing players in the market who may have existing brands, infrastructure, or track record of service delivery?
- Could the private sector respond to the Council entering the market by competing aggressively – e.g., through price competition - such that an initial or extended period of trading losses might ensue?
- Does the Commercial opportunity come with significant legal or regulatory risk?
- Does the Council have skills and capacity within the existing workforce that enable the delivery of the commercial opportunity?
- Could the Council easily access skills and capacity from the employment / interim / consultancy markets that enable the delivery of the commercial opportunity?
- Are there political or ethical reasons which may constrain the Council's ability to provide services on a commercial basis?

Any potential commercial investment activity for regeneration will be graded against these criteria and assessed independently. Given the complex and many faceted aspects of any opportunity, there is no strict level for pass/fail; opportunities will be assessed on their merits.

3.5 Five Year Capital Programme

3.5.1 The Council recognises that its capital plans are inextricably linked with its service revenue expenditure, through borrowing costs (loan interest and the MRP) and other associated running costs. It is, therefore, essential that the longer-term capital planning implications are reflected in the Medium-Term Financial Strategy.

3.5.2 The 5 Year Capital Programme covering the period 2024/25 to 2028/29 is summarised in the table below.

Project	Planned Capital Expenditure					
	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	Total £
<u>Invest to Save Schemes</u>						
Replacement/Upgrade of Service IT Systems	200,000	0	0	150,000	0	350,000
<i>Sub-total Invest to Save Schemes</i>	<i>200,000</i>	<i>0</i>	<i>0</i>	<i>150,000</i>	<i>0</i>	<i>350,000</i>
<u>Essential and Contractual Schemes</u>						
Carbon Net Zero Schemes	385,400	0	0	0	0	385,400
Landfill Gas Monitoring	40,000	0	0	0	0	40,000
Leisure Centres	0	175,292	0	0	0	175,292
Fleet Vehicle Replacement Programme	1,308,000	495,000	73,000	3,165,000	70,000	5,111,000
Capital Grants Programme	54,500	54,500	54,500	54,500	54,500	272,500
ICT Infrastructure & Security	500,000	300,000	0	0	0	800,000
Replacement/Upgrade of Specific IT Systems	109,000	0	0	60,000	150,000	319,000
<i>Sub-total Essential & Contractual Schemes</i>	<i>2,396,900</i>	<i>1,024,792</i>	<i>127,500</i>	<i>3,279,500</i>	<i>274,500</i>	<i>7,103,192</i>
<i>Desirable Schemes</i>	<i>570,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>570,000</i>
<i>Externally Funded Schemes</i>	<i>660,000</i>	<i>660,000</i>	<i>660,000</i>	<i>660,000</i>	<i>660,000</i>	<i>3,300,000</i>
TOTAL CAPITAL EXPENDITURE	3,826,900	1,684,792	787,500	4,089,500	934,500	11,323,192

4. CAPITAL RESOURCES

4.1 Capital Receipts

- 4.1.1 Capital receipts mainly arise from the disposal of the Council's assets, subject to a statutory de-minimis limit of £10,000, below which the income is credited to the revenue account instead.
- 4.1.2 The Council also continues to generate capital receipts through the VAT Shelter arrangement and "Right to Buy" sales arising from the legacy arrangements in place following the housing stock transfer.
- 4.1.3 It is recognised that the Council's small asset base means that there are limited opportunities to dispose of assets to generate capital receipts.
- 4.1.4 Capital receipts may also be applied to repay debt. This has the effect of reducing the MRP liability and, therefore, generates revenue savings.
- 4.1.5 On 31st March 2024, it is estimated that the Council will have approximately £1.2m capital receipts available to finance its capital expenditure plans, of which just over £0.2m has been earmarked to affordable housing projects.

4.2 Government Grants

- 4.2.1 The Council's main government grant available to fund capital expenditure is the Disabled Facilities Grant (DFG) allocation which amounted to £660,000 in 2022/24. This grant is required to be spent in accordance with a Better Care Fund spending plan jointly agreed by local authorities and Clinical Commissioning Groups. In 2023/24, part of the allocation was top-sliced and retained by the Better Care Fund to support county-wide initiatives to deliver additional occupational therapist provision, and assistive technology as part of a dementia pilot scheme.
- 4.2.2 The DFG allocation must be used for the specific purpose of providing adaptations for disabled people or other social care capital projects agreed with the Better Care Fund.
- 4.2.3 From time to time the Council receives other government grants that are usually ring-fenced for specific purposes, e.g., the Local Authority Housing Fund, which has been used to purchase 16 properties to accommodate homeless households.

4.3 Borrowing

- 4.3.1 Local authorities can borrow money for capital purposes, subject to the cost of borrowing being affordable, prudent, and sustainable. The affordability of any proposed borrowing is gauged by way of the Prudential Indicators, specifically the measure of financing costs as a proportion of the net revenue stream.

- 4.3.2 Borrowing may be sourced externally, e.g., through the Public Works Loan Board (PWLB), through the money markets, or other local authorities, or by way of applying our own cash balances, i.e., internal borrowing. In recent years the Council has, in the main, been able to use internal balances since, based on current market interest rates, it is cheaper to forego investment interest than it is to incur additional loan interest. This position cannot be sustained in the longer term and, as the Council's reserves and balances diminish over the life of the current MTFS, it will be necessary to drawdown new borrowing to finance the capital programme. However, whilst PWLB rates remain at their current level, the Council will continue to utilise internal borrowing. It is likely that external borrowing will be drawn once rates fall to around 4%.
- 4.3.3 As borrowing has a consequential impact on the revenue budget, in terms of loan interest and MRP, the Council aims to limit the amount of borrowing it undertakes where possible unless it can be demonstrated that it leads to savings or generates additional income, such as with the refurbishment of our major leisure facilities at Enderby and Huncote in 2019/20.

4.4 Section 106 Contributions

- 4.4.1 Section 106 (S106) contributions are planning obligations arising from new developments within the district. Generally, they are intended to cover new infrastructure requirements that might arise because of the development, e.g., affordable housing, community facilities, open spaces.
- 4.4.2 The allocation of S106 contributions is managed by the Planning Obligations Monitoring Group, a joint officer and member group. Proposed schemes which meet the criteria for award of S106 funding must be presented to the Planning Obligations Monitoring Group for consideration.
- 4.4.3 Where it is appropriate to do so, the Council may also allocate S106 funding to support its own capital schemes.

4.5 Reserves

- 4.5.1 Reserves may be built up from revenue resources over time to pay for capital expenditure. The following reserves will generally be used to support the capital programme:
- Blaby District Plan Priorities Reserve
 - ICT Reserve

4.6 Revenue Contributions

4.6.1 Local authorities are also able to contribute from their revenue budget towards the financing of capital schemes – sometimes known as direct revenue funding. No limits are imposed on this form of funding, but plans must be affordable in terms of the MTFS.

4.7 Available Resources

4.7.1 The table below sets out the estimated current and future resources available to finance our capital expenditure plans.

	Estimated Balance as at 31/03/24 £'000	Income 2024/25 £'000	Income 2025/26 £'000	Income 2026/27 £'000	Income 2027/28 £'000	Income 2028/29 £'000	Total Expected Income £'000
Capital Receipts	1,246	70	70	70	70	70	1,596
Capital Grants	11	1,493	660	660	660	660	4,144
Reserves	434	0	0	0	0	0	434

Section 106 contributions have been excluded from the table above since each individual contribution will differ in terms of the type and location of scheme that they may be able to support.

4.7.2 The Council's 5 Year Capital Programme and planned financing is summarised below. This includes schemes that have already been approved (e.g., investment in regeneration property) and recurring expenditure such as DFGs.

Estimated Capital Programme	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Invest to Save Schemes	200	0	0	150	0	350
Essential & Contractual Schemes	2,397	1,025	127	3,280	274	7,103
Desirable Schemes	570	0	0	0	0	570
Externally Funded Schemes	660	660	660	660	660	3,300
Total Schemes	3,827	1,685	787	4,090	934	11,323

Financed by:	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Borrowing	1,666	970	73	2,875	0	5,584
Capital Receipts	574	0	0	500	220	1,294
Government Grant	1,493	660	660	660	660	4,133
Reserves	94	55	54	55	54	312
Total Funding	3,827	1,685	787	4,090	934	11,323

4.7.3 The following table indicates the remaining capital resources available if the 5 Year Capital Programme above is approved. It is assumed that the Council will receive £70,000 per annum from vehicle sales and a share of the sale proceeds of former Council dwellings.

Unallocated Resources	31/03/25 £'000	31/03/26 £'000	31/03/27 £'000	31/03/28 £'000	31/03/29 £'000
Capital Receipts	744	812	882	452	302
Reserves	340	286	231	177	122
Total Available	1,084	1,098	1,013	629	424

5. Capital Appraisal and Prioritisation Process

5.1 Capital Appraisal

- 5.1.1 The Five-Year Capital Programme is prepared by officers and approved annually by full Council as part of the budget setting process. Schemes falling within Year 1 are subject to full appraisal by the Senior Leadership Team before being recommended to Cabinet Executive and Council for approval. Years 2 to 5 remain as indicative costs to aid the forward planning process and to provide a link with the MTFS. Senior Leadership Team is responsible for ensuring that the Capital Programme and Strategy are aligned with the Code of Practice, the Blaby District Plan, and priorities, MTFS, and Treasury Management Strategy.
- 5.1.2 The Five-Year Capital Programme is refreshed and updated on an annual basis.
- 5.1.3 The existence of a five-year plan ensures a degree of certainty in terms of future capital costs and their impact on the revenue budget, with only new initiatives or urgent schemes coming forward outside of this process.
- 5.1.4 Capital schemes that are deemed to be Major Corporate Projects are appraised and monitored by Programme Board, essentially comprising members of the Senior Leadership Team. Any such schemes are subject to individual report to and approval by full Council in accordance with the Financial Regulations.
- 5.1.5 Other capital schemes will fall into four broad categories, as discussed in previous chapters.
- Schemes that involve forward investment to generate future revenue savings (this will include commercial investment).
 - Schemes that are deemed to be essential or which involve some form of contractual commitment, e.g., the fleet replacement programme, replacement, or upgrade of IT software etc.
 - Schemes that meet corporate objectives and are desirable, but which will only be progressed if affordable.
 - Externally funded schemes.

5.2 Major Corporate Projects

- 5.2.1 Capital schemes that are designated as Major Corporate Projects will be appraised and monitored by Programme Board.
- 5.2.2 Major Corporate Projects will either be subject to separate, individual approval by full Council, outside of the annual capital planning process, or specifically referenced in the routine quarterly capital monitoring reports to Council.

- 5.2.3 Not all Major Corporate Projects will be capital schemes, but it is likely that they will include at least an element of capital expenditure – e.g., the acquisition of new wheeled bins as part of the alternate weekly Refuse and Recycling service that was introduced in recent years.

5.3 Other Capital Schemes

- 5.3.1 Other capital schemes should, be identified for inclusion in the rolling 5 Year Capital Programme. It is anticipated that most schemes falling under the commercialisation agenda would, however, constitute a Major Corporate Project.
- 5.3.2 The capital planning process will run in tandem with the annual budget cycle. Service Managers will be required to identify their expected capital expenditure requirements over the next five years. This will require sufficient detail to allow the compilation of an indicative 5 Year Capital Programme, including the following:
- The asset type, e.g., car park, vehicle, open space, IT software.
 - A brief description of the scheme
 - The indicative cost of the scheme
 - The year(s) in which expenditure is expected to fall
 - The revenue implications (cost or savings)
 - Links to corporate priorities, health and safety etc.
- 5.3.3 Once the draft 5 Year Capital Programme has been compiled, more detail in respect of any scheme falling within Year 1 (i.e., the next financial year) will need to be provided on a Capital Appraisal Form (see Annexe A). This will include evidence in support of the appraisal criteria required for the scheme to be considered for inclusion in the Capital Programme.
- 5.3.4 Evaluation and appraisal of proposed capital schemes will be undertaken by the Senior Leadership Team using the criteria set out on the Capital Appraisal Form.
- 5.3.5 Once a draft capital plan has been compiled it is shared with Portfolio Holders to ensure that proposals have Member support prior to formally reporting to Cabinet Executive and Council. The 5 Year Capital Programme will be subject to change during the budget process, to ensure that changing priorities are captured ahead of formal approval.

5.4 Urgent Capital Schemes

- 5.4.1 It is recognised that urgent capital expenditure requirements may come forward during the financial year outside of the budget cycle.
- 5.4.2 Urgent capital schemes are submitted to the Capital Accountant using the Capital Appraisal Form.

5.4.3 Senior Leadership Team will evaluate the proposed scheme considering the following:

- The availability of unallocated resources
- Whether there are any existing schemes which no longer require funding
- Whether there are any existing schemes which can be deferred and replaced by the urgent scheme

5.4.4 If the new scheme can be accommodated within existing resources, then it may be added to the Capital Programme. If additional resources are required, then approval must be sought from Council.

5.5 Post Completion Evaluation Process

5.5.1 Programme Board will receive project closure reports in respect of all major corporate projects. These reports will capture key achievements, outstanding deliverables, and lessons learnt to help inform the project management process for future schemes, and to ensure that the objectives of each project are delivered.

5.5.2 Closure reports are not required for projects that fall outside of the remit of Programme Board.

6. The Governance Process

6.1 Prudential Code

6.1.1 The CIPFA Prudential Code for Capital Finance in Local Authorities (referred to as the 'Prudential Code') states that the governance procedure for setting and revising the Capital Strategy and prudential indicators is the responsibility of the same body that takes decisions on setting the budget, i.e., full Council.

6.1.2 The chief finance officer, in Blaby's case the Executive Director (Section 151), is responsible for ensuring that all matters to be considered are reported to the decision-making body for consideration, and for establishing procedures for monitoring of performance.

6.1.3 The Code requires local authorities to have regard for the following matters when agreeing or revising the capital programme and prudential indicators:

- Service objectives – do spending plans meet our strategic aims and objectives?
- Stewardship of assets – is capital investment being made on new assets at the expense of maintaining existing assets?
- Value for money – do the benefits of capital investment outweigh the cost?
- Prudence and sustainability – can the Council afford the borrowing now and in the future?
- Affordability – what are the implications for the budget and council tax?
- Practicality – is the delivery of the plan achievable?

6.1.4 The Council is required by regulation to comply with the Prudential Code when assessing the affordability, prudence and sustainability of its capital investment plans. Fundamental to the prudential framework is a requirement to set a series of prudential indicators. These indicators are intended to collectively build a picture that demonstrates the impact over time of the Council's capital expenditure plans upon the revenue budget and upon borrowing and investment levels and explain the overall controls that will ensure that the activity remains affordable, prudent, and sustainable.

6.1.5 The Government has now restricted access to Public Works Loan Board (PWLB) funding for local authorities where the authority plans to purchase commercial investment property for yield. This applies whether or not a loan is specifically attached to an individual commercial property. In addition to this, an amendment to the 2021 Code prevents the acquisition of commercial investment property financed through borrowing. This means that the acquisition of assets purely to generate a commercial return is extremely difficult unless it can be achieved by applying existing resources.

6.2 Prudential Indicators

6.2.1 The Prudential Code specifies the indicators which the Council must set and monitor to ensure that our capital expenditure plans are prudent, affordable, and sustainable.

Prudential Indicator	Purpose
Capital Expenditure Plans	Sets out planned expenditure for capital purposes, and how these plans are being financed. It also identifies any shortfall in resources which result in a need to borrow.
Capital Financing Requirement (CFR)	The CFR is the total historic capital expenditure which has not yet been paid for from either capital or revenue resources. It is basically a measure of our outstanding debt and consequential underlying need to borrow. Any capital expenditure which has not been paid for immediately, (e.g., by applying capital receipts), will increase the CFR.
Debt compared to the CFR	Provides a comparison of debt with the underlying need to borrow, to demonstrate that borrowing is only being undertaken for capital purposes.
Liability Benchmark	Acts as a tool to manage the net treasury position, with the aim of minimising or reducing refinancing, interest rate and credit risk.
Operational Boundary	The level of debt which the Council would not normally expect to exceed but which may be breached in an emergency.
Authorised Limit	The maximum amount of debt which the Council may borrow. This limit should not be breached and may only be changed by full Council.
Ratio of Financing Costs to Net Revenue Stream	Illustrates how much of the Council's key revenue streams (i.e., Government Grants, Council Tax and Business Rates) are used to service debt. An increasing percentage may indicate that capital borrowing is not sustainable.

6.3 Blaby's Governance Process

- 6.3.1 The Constitution specifies that full Council is responsible for approving the Council's policy framework and budget, which will be proposed by Cabinet Executive. In terms of financial planning this includes the approval of the Capital Programme and Capital Strategy.
- 6.3.2 The Executive Director (Section 151) is responsible for determining the capital resources available to fund the Council's capital expenditure plans. The Directors are responsible for ensuring that a Capital Programme, including details of any associated revenue implications, is prepared on an annual basis for consideration by Cabinet Executive before submission to full Council for approval.
- 6.3.3 Scrutiny Commission are also given opportunity to review the proposed Capital Programme, ahead of formal submission to Cabinet Executive and Council, and make comments and/or recommendations as necessary.
- 6.3.4 Progress against delivery of the Capital Programme is reported to Cabinet Executive and Council on a quarterly basis.
- 6.3.5 Senior Leadership Team plays a key role in the monitoring and review of the Capital Programme. This includes:
- continuously reviewing, updating, monitoring progress, and making recommendations for any necessary changes to the Capital Strategy.
 - reviewing, updating, and monitoring progress of current year capital schemes to ensure maximal delivery of the Capital Programme on a quarterly basis.
 - receiving bids from project officers in respect of any new or urgent schemes emerging in the current financial year, outside of the budget setting cycle.
 - ensuring that capital bids meet the criteria set out on the Capital Appraisal Form, to make the optimal use of the available capital resources.
- 6.3.6 Given the necessity for potential transactions to be assessed, negotiated, and completed quickly, delegated authority has been approved by Council for the following persons to progress any future strategic property investment opportunities:
- The Chief Executive
 - The Executive Director (S151 Officer)
 - The Monitoring Officer

In consultation with:

- The Leader of the Council
- The Deputy Leader (Portfolio Holder for Finance, People and Performance)

Each case will be the subject of a retrospective, exempt report to Council in which full details of the transaction will be disclosed for transparency purposes.

7. Debt and Other Treasury Management Issues

7.1 External Debt and the use of Internal Borrowing

- 7.1.1 The following table provides a projection of external debt and use of internal borrowing to support capital expenditure compared with the CFR.

	31/03/25 £'000	31/03/26 £'000	31/03/27 £'000	31/03/28 £'000	31/03/29 £'000
CFR	20,524	20,265	19,200	20,876	19,525
External Borrowing	10,408	11,300	11,300	14,300	14,300
Internal Borrowing	10,116	8,965	7,900	6,576	5,225

7.2 Provision for the Repayment of Debt

- 7.2.1 The Council makes provision for the repayment of external debt in line with the life of the underlying debt. This is known as the Minimum Revenue Provision (MRP). The Council approves an annual MRP Statement as part of the budget reporting process. MRP represents a significant charge against the Council's annual budget. It is important to consider the revenue implications of borrowing when determining the capital expenditure plans, as it has a considerable bearing on the sustainability of the Council's financial position.

7.3 Authorised Limit and Operational Boundary

- 7.3.1 The authorised limit represents a control on the maximum level of borrowing. This is the limit beyond which external debt is prohibited. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The authorised limit for 2024/25 is £23.0m – further details are contained within the Treasury Management Strategy 2024/25.
- 7.3.2 The operational boundary is the limit which external debt is not normally expected to exceed. In most cases this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt. For 2024/25 the operational boundary has been set at £20.7m – see the Treasury Management Strategy 2024/25 for future years' projections.

7.4 Treasury Management

- 7.4.1 The Council's approach to Treasury Management is set out in its Annual Treasury Management Strategy which is presented to Council for approval in February. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return. The contribution the treasury management function makes to the authority is critical, as the balance of debt

and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects.

- 7.4.2 The processes to be followed when considering loans and investments are laid down in the Council's Treasury Management Practices document, which has been compiled in accordance with the Prudential Code, and the Treasury Management Code of Practice.
- 7.4.3 In terms of due diligence, before undertaking any new borrowing or investment arrangements, the Council will ensure that it has the legal powers to do so and that its financial position is always safeguarded.
- 7.4.4 Risk appetite – The Council places the security and liquidity of its funds ahead of the return on investment. In terms of treasury investments, the Council uses a tried and trusted set of credit criteria developed by its treasury advisors, Link Asset Services. Surplus funds will only be invested with counterparties that meet those criteria, and a lending list has been developed accordingly. Officer will add and remove counterparties to and from the list during the year where there is a change in credit ratings. However, the Council also recognises that there are also risks attached to doing nothing and will seek to strike a balance accordingly.

8. Commercial Activity

8.1 Commercialisation Strategy

8.1.1 The Council approved an update to its Commercialisation Strategy on 24th February 2022.

8.1.2 The vision linked with the strategy is set out in paragraph 3.4.3 and will be achieved through the following means:

- Creating a commercial culture and ethos – that Council understands the need for all services to operate effectively & efficiently to strengthen service provision and where possible generate income.
- Maximising Income but still retaining the status as ‘the safety net for the vulnerable’.
- Maximising the Blaby Pound – encouraging those who reside, work or trade in the district to spend within the district and support the local economy and their community.
- Focusing resources on initiatives that will drive financial or social benefit.
- Continuing to communicate with residents and customers to promote access to our services and Blaby’s reputation for delivering quality services.
- Recognising that chargeable Non-Statutory Services be cost neutral as a minimum.

8.1.3 Further details are available in the Commercial Strategy and Action Plan which are available to download from the Council’s website.

9. Skills and Knowledge

9.1 In-house Resources

- 9.1.1 The Council employs a small Assets Team, currently part of the Neighbourhood Services and Assets Group. The newly approved Blaby District Plan includes some ambitious projects that are aimed at increasing our commerciality, managing our assets more effectively, and ensuring we have the capacity and capability to manage the organisation to its full potential. As a result of this, and following a recent management restructure, the Council has appointed a new Executive Director for Place, and Group Manager with responsibility for Assets and Major Projects. This will add to the extensive knowledge and experience of the existing Assets team.
- 9.1.2 The Council also operates in-house Legal and Finance teams that provide support to officers involved in the delivery of capital schemes.
- 9.1.3 During 2023/24, the Council secured support for the development of Blaby's commercial agenda, on a consultancy basis, from the Strategic Director – Commercial and Economic Development at Charnwood Borough Council, who has significant experience in this field. In addition to providing advice in respect of strategic property investment, the Strategic Director has provided commercial awareness training to all senior managers at Blaby.

9.2 External Resources

- 9.2.1 Blaby also makes use of external advice from several sources when developing projects or undertaking due diligence. This includes the use of the following external experts:

- Treasury Management and Capital Financing – Link Treasury Services
- Procurement services – Welland Procurement
- External valuers
- External legal advisors
- Property condition experts

Other advice is commissioned as and when required.

9.3 Members

- 9.3.1 Members are fully engaged with the budget process, including Scrutiny Commission, Cabinet Executive and Council, the latter being responsible for approving the Budget, Capital Programme and Treasury Management Strategy.
- 9.3.2 The Council runs Member Induction training for newly elected Members, and this programme includes an overview of finance and the budget.

9.3.3 In addition to the induction programme, Blaby also operates a Member Training Plan, and this enables the Council to provide any additional training requirements as and when they are identified.

CAPITAL APPRAISAL FORM

Project Code: CX

Scheme Title		Financial Year: 2024/25
Group Manager		
Project Manager		
Description of Scheme		
Key Benefits/Outcomes (e.g. enhancement, end of life, spend to save, etc.)		
Alternatives Considered		
What are the risks of not proceeding with this scheme? (e.g. financial implications, service implications, etc.)		

Total Capital Cost of Scheme (please <u>do not</u> include ongoing maintenance costs):	£	Year 1	Year 1	Year 1	Year 1	Year 2	Year 3	Year 4	Year 5
		Q1	Q2	Q3	Q4	Total	Total	Total	Total
		£	£	£	£	£	£	£	£
Phased as follows:									

Appraisal Criteria

Criteria	Evidence	Agreed/Not Agreed (for completion by SLT)
Are there any legal, statutory and/or contractual obligations connected with this scheme?		
How does this scheme contribute to the delivery of the Council's strategic outcomes, objectives and priorities?		
What financial benefit is the scheme expected to deliver?		

Is there any additional revenue cost associated with the scheme?		
Is there any external funding opportunity?		
What are the benefits to our customers and other key stakeholders?		
Any other details in support of your application (e.g., if the scheme does not contribute directly to corporate priorities)		
	APPROVED (Y/N):	

Notes for Project Managers

1. Senior Leadership Team is reliant upon your specialist knowledge in appraising your bid and resources are limited. Please consider your bid carefully and ensure that all sections of the form are completed in as much detail as possible.
2. Please note that you will be required to complete a post-completion project evaluation report.

Reviewed by:

(Group Manager)

Date:

For Senior Leadership Team use only

Further Information Requested: