Open Decision Item

One Corby Policy Committee *19th February 2019*

Treasury Management and Capital Strategy 2019/20

SYNOPSIS

The Treasury Management and Capital Strategy is brought to committee early each calendar year for the following financial year. These are statutory documents that cover the Council's borrowing, investment and capital strategies, and seeks committee approval for the authorised limit of external debt.

1. Background

Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is being reported separately.

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. 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.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.1. **Reporting requirements**

1.2. The Treasury Management Strategy adopted by the Council requires the Director of Corporate Services to provide details of the annual Treasury Management Strategy in advance of the year. This strategy also forms part of the key recommendations of CIPFA's Treasury Management in Public Services Code of Practice, which the Council has previously adopted.

The purpose of this Treasury Management Strategy Statement is to approve:

- Revisions to the Treasury Management Strategy and Prudential Indicators for 2018/19 (where applicable)
- Treasury management Strategy for 2019/20
- Annual Investment Strategy for 2019/20
- Prudential Indicators for 2019/20 to 2021/22
- Minimum Revenue Provision Statement 2019/20.

Treasury Management is about the management of risk. The Authority is responsible for its treasury decisions and activity. No treasury management activity is without risk.

All treasury activity will comply with relevant statute, guidance and accounting standards.

1.3. The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare an additional report, a capital strategy report, which will 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**

The aim of this capital strategy is to ensure that all elected members on the council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.

2. Treasury Management Strategy

The Treasury Management Strategy is based on the Director of Corporate Services and EnCor Financial Services view on interest rates and financial / economic environment, supplemented with forecasts provided by the Council's Treasury Advisory service. The policy of this Council is the prudent investment of its balances. The Council will aim to achieve the optimum return on its investments in line with proper levels of security and liquidity. Details of this strategy are set out in Appendix A of this report.

As part of reviewing the proper level of security, Appendix B provides an updated Counterparty types for approval.

The Council will invest money in line with appendix B in order to minimise risks and protect taxpayer's money.

Appendix B now also reflects the different types of investment options by each type of counterparty.

Investment and Borrowing strategies generally seek to minimise interest paid and maximise interest income to the Council.

3. Capital Prudential Indicators and Borrowing

Under section 3 of the Local Government Act 2003, the Council is required to determine its own affordable borrowing limits in line with the CIPFA Prudential Code.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with Usable Reserves, are the core drivers for the Authority's Treasury Management activities.

The Prudential Indicators are set out for approval in Appendix C.

These reflect the proposals included within the Medium Term Financial Strategy for 2019/20 -2021/22. This effectively provides the Council with authority to borrow up to a maximum of £146m. However, operational or likely level of borrowing is expected to be £123m in 2018/19.

The current levels of debt and investments are set out in Appendix A.

4. **Annual Minimum Revenue Provision (MRP) Statement**

Guidance produced by the Department for Communities and Local Government recommends that before the start of each financial year a local authority prepares a statement of its policy on making MRP in respect of that financial year and submits it to the full Council. The statement should indicate which of the four options set out in the Guidance are to be followed in the financial year. The MRP policy statement for 2019/20 is in Appendix D.

5. **Capital Investment Strategy**

The Capital Investment Strategy is based on the Medium Term Finance Strategy, Corporate Plan and The Treasury Management Strategy in setting out the Council's overview on its capital expenditure, capital financing and the implications on Treasury management activity. Details of this strategy are set out in Appendix E of this report.

Issues to be taken into account:-

Policy Priorities

The Treasury Management and Capital Strategy are an integral part of Financial Strategy for the Council

Financial Implications

These are discussed within the report and Appendix A, C and E.

Legal Implications

Ensure compliance with CLG guidance on Investments & Prudential Code as set in Local Government Act 2003.

Compliance with CIPFA's Treasury Management in the Public Services Code of Practice 2017

Money Laundering Regulations 2007

Human Rights, Equalities, Community Safety

No specific issues to highlight.

Best Value Implications

The Treasury Management Strategy aims to maximise investment returns while minimising risk to the authority by borrowing at the most advantageous rate.

6. Conclusion

The Treasury Management and Capital Strategy are brought to committee each year for the following financial year. It covers the councils borrowing and investment strategies and seeks member approval for the authorised limit of external debt. The Council will continue to closely monitor cash flow forecasts and trends in interest rates in order to protect and maximise the Council's financial position, whilst continuing to adopt a low-risk borrowing and investment strategy.

7. Recommendations

The Committee approve:

(i) The Treasury Management Strategy 2019/20;

(ii) The updated counterparty list;

(iii) The Prudential Indicators 2019/20 – 2021/22 (including revised prudential indicators and boundaries for 2018/19);

(iv) The MRP Policy Statement 2019/20; and

(v) The Capital Investment Strategy 2019/20.

8. Background papers

CIPFA Treasury Management Code

CIPFA Prudential Code

Link Treasury Services Advisors Guidance

Appendices

Appendix A: Treasury Management Strategy 2019/20

Appendix B: Investment Criteria for Counterparties

Appendix C: Prudential Indicators – 2019/20 to 2021/22

Appendix D: MRP Policy Statement 2019/20

Appendix E: Capital Strategy 2019/20

External Consultations

Not applicable

Wards – All Wards

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Treasury Management Strategy

Introduction

The Local Government Act 2003 requires the Council to 'have regard' to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury management strategy for borrowing and to prepare an Annual Investment Strategy (included as paragraph 3); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

CIPFA has defined Treasury Management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The suggested strategy for 2019/20 in respect of the following aspects of the treasury management function is based upon the view of the Group Accountant, Treasury Officer, Financial Services Manager and Director of Corporate Services on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor.

The strategy covers:

- Portfolio Position at 31st December 2018;
- Prospects for interest rates;
- Annual Investment Strategy;
- Treasury Limits for 2019/20 to 2021/22
- Borrowing Strategy
- Risk Management
- Treasury Management Arrangements
- Role of Section 151 Officer

1. Current Portfolio Position

The estimated Council's treasury portfolio as at 31st December 2018:

Fixed Rate Borrowing:	Principle	Interest Rate	Duration	Maturity Date
Hyndburn Borough Council	£2,000,000	0.75%	364 days	14.5.19
Tameside Metropolitan	£2,000,000	0.79%	364 days	28.2.19
Wokingham Borough Council	£3,000,000	0.75%	364 days	4.4.19
City of Wakefield Metropolitan Council	£3,000,000	0.90%	364 days	24.4.19
West of England Combined Authority	£3,000,000	1.00%	364 days	27.6.19
Wandsworth Borough Council	£4,500,000	1.00%	364 days	27.6.19
Oxford County Council	£2,000,000	0.80%	364 days	25.6.19
PWLB	£2,775,000	1.90%	20 years	28.6.37
PWLB	£2,820,000	2.13%	25 years	28.6.42
PWLB	£2,850,000	2.31%	30 years	28.6.47
PWLB	£3,000,000	2.36%	50 years	28.6.57
PWLB	£2,500,000	2.30%	50 years	28.6.67
PWLB	£1,714,286	1.44%	7 years	28.6.24
PWLB	£1,833,333	1.70%	12 years	28.6.29
PWLB	£5,000,000	2.47%	40 years	28.6.57
PWLB	£5,000,000	2.42%	45 years	28.6.62
PWLB	£4,500,000	2.40%	50 years	28.6.67
Subtotal	**£51,492,619**			
HRA Self Financing **Fixed Rate Borrowing:**				
PWLB	£10,646,000	2.40%	10 Years	27.3.22
PWLB	£15,000,000	3.30%	20 Years	27.3.32
PWLB	£15,000,000	3.44%	25 Years	27.3.37
PWLB	£30,000,000	3.50%	30 Years	27.3.42
Subtotal	**£70,646,000**			
Total Debt	**£122,138,619**			

Interest Payable as at 31st December 2018

Cumulative payable on Capital financing	£661k
Cumulative payable on HRA Self financing	£1,735k
Total Interest Payable	**£2,396k**

Investments:	As at 31 Dec 2018 Principal	Interest Rate/Return	Period	
Instant Access				
Money Market Fund Federated (Prime Rate) Capital Management	£2,479,284	0.75%	Daily	
Deutsche Bank Money Market Fund	£2,500,000	0.70%	Daily	
Nat West Account	£3,843,945	0.01%	Daily	
Fixed Investments	0		**Start Date**	**Maturity Date**
Lloyds	£2,500,000	0.75%	08.09.17	31.01.19
Moray Council	£2,500,000	0.88%	26.10.17	05.04.19
Moray Council	£2,000,000	0.80%	10.08.17	17.04.19
Darlington Borough Council	£4,000,000	1.00%		19/12/19
Debt Management Office	£5,000,000	0.50%		30/01/19
Total Investments	£24,823,229			

Average interest return on investments

Average on all investments	0.65%

Interest Income

Cumulative return	£66k

2. Prospects for Interest Rates

The economic and interest rate forecast provided by the Council's treasury management adviser is shown in the table below, this information is used to assist the Council in formulating a view on interest rates. This advice will be used on an on going basis to support investment and borrowing decisions.

It is anticipated that interest rates will remain low over the next twelve months. However, they will require close monitoring to ensure that Corby continues to benefit from its short term borrowing strategy.

2.1. Economic and interest rate forecast – table 1

The economic interest rate outlook provided by the Council's treasury advisor Link Asset Services is below:

Bank Rate	Now	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Link Asset Services	**0.75%**	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%
Capital Economics	**0.75%**	0.75%	0.75%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	-
5yr PWLB Rate	**Now**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**
Link Asset Services	**1.76%**	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
Capital Economics	**1.76%**	1.95%	2.03%	2.15%	2.40%	2.65%	2.70%	2.75%	2.80%	2.85%	-
10yr PWLB Rate	**Now**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**
Link Asset Services	**2.18%**	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%
Capital Economics	**2.18%**	2.30%	2.43%	2.55%	2.80%	3.05%	3.05%	3.05%	3.05%	3.05%	-
25yr PWLB Rate	**Now**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**
Link Asset Services	**2.80%**	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	**2.80%**	2.83%	2.96%	3.08%	3.33%	3.58%	3.53%	3.48%	3.43%	3.38%	-
50yr PWLB Rate	**Now**	**Dec-18**	**Mar-19**	**Jun-19**	**Sep-19**	**Dec-19**	**Mar-20**	**Jun-20**	**Sep-20**	**Dec-20**	**Mar-21**
Link Asset Services	**2.68%**	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%
Capital Economics	**2.68%**	2.65%	2.78%	2.90%	3.15%	3.40%	3.40%	3.40%	3.40%	3.40%	-

2.2. Current economic view

2.2.1. Background

2018 has seen an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. This was reflected by the IMFs global growth position increasing from 3.2% to 3.6% for 2017 and 3.7% for 2018.

2.2.2. *Outlook*

World growth has been doing well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and together with weakening economic growth activity in China, growth is likely to weaken for the global economy.

The next couple of years will see the UK negotiating terms for withdrawal from the EU and the adverse affect on growth prospects this has already had. The positive economic statistics in the first half of 2018 has shown that the pessimism was over done and it expected to be around 0.6% in Q3, but fall back in Q4.

The Monetary Policy Committee (MPC) decided to increase Bank Rates in August 2018 by 0.25%. With a message of gradual Bank Rate rises to a much lower overall rate than before the crash and indicated this to be around 2.5% in ten years time.

It is unlikely that the MPC will increase Bank Rates in February 2019, ahead of the deadline in March for Brexit.

Inflation is still forecast to be marginally above the 2% target during 2018, on the basis of minimal increase in Bank Rates.

In the US, Trump's massive easing of fiscal policy is fuelling a temporary boost in consumption, which has generated an upturn in the rate of strong growth which rose from 2.2% in Q1 to 4.2% in Q2. During 2018 the Fed have increased Bank Rates 4 times to around 2.25% and has indicated that there will be a further four increases during 2019. This causes concern when the temporary boost to the economy wanes.

Economic growth in the Euro Zone has been relatively slow during the first half of 2018. Mixed data from Germany regarding the negative impact of the US tariffs on manufacturing exports (in particular car manufacture) may explain the dip in growth. However, growth is still expected to be in the region of 2% for 2018.

Economic growth in China has been weak over the last couple of years, despite repeated stimulus from the central bank. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property.

3. Annual Investment Strategy

3.1. Investment Balances / Liquidity of investments

The Council anticipates it will have cash in hand at the end of the financial year. The cash flow forecasts suggest that the council will have borrowed in line with its revised operational boundaries as shown in section 5 of this strategy. Liquid resources will continue to be available in support of revenue cashflow, which is reviewed by the Financial Service Manager and Director of Corporate Services.

In line with recommended Treasury Management Practice (TMP), Corby Borough Council will ensure it has adequate though not excessive cash resources, borrowing arrangements or standby facilities to enable it at all times to have the level of funds available to it, which are necessary for the achievement of its business/service objectives.

Monitoring of cashflow is undertaken on a daily basis to ensure monies are available to meet payment schedules. Cash flow is also discussed and analysed every two weeks between the Financial Services Manager and Treasury Officer.

3.2. Investment Policy

In accordance with Investment Guidance issued by the CLG and the best practice this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yields earned on investments is important but are secondary considerations.

Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority will consider where appropriate to diversify into more secure asset classes. However, the Authority's limited cash surpluses may prove to be a barrier to accessing these types of investments i.e. minimum investment required £10m or duration of deposit 10 years.

All of the Authorities surplus cash is currently invested in short-term unsecured bank deposits and money market funds. This diversification will therefore represent a substantial change in strategy, if it is possible.

Investments are categorised as ‘specified’ or ‘non-specified’ with the investment guidance issued by the CLG.

Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the ‘high credit quality’ as determined by the Authority and are not deemed capital expenditure investments under Statute. Non-specified are, effectively, everything else.

Investment	**Specified**	**Non-Specified**
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Certificates of deposits with banks and building societies	✓	✓
Gilts	✓	✓
Treasury Bills	✓	✗
Bonds issued by Multilateral Development Banks	✓	✓
Local Authority Bills	✓	✗
Commercial Paper	✓	✗
Corporate Bonds	✓	✓
Money Market Funds	✓	✗
Other Money Market and Collective Investment Schemes	✓	✓
Debt Management Account Deposit Facility	✓	✓

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity. The Council can and has borrowed funds in advance of need, if it can demonstrate this has been done to take advantage of favourable interest rates.

The Authority, together with its Advisors selects financial institutions after analysis and ongoing monitoring of:

- Published credit ratings for financial institutions (minimum long term rating of A- or equivalent for counterparties)
- Credit Default Swaps (where quoted)
- Economic fundamentals (for example Net Debt as a percentage of GDP)
- Sovereign support mechanisms
- Share Prices
- Corporate development, news, market sentiment and momentum
- Subjective overlay

Any institution can be suspended or removed should any of the factors identified above give rise to concern. If factors identified above give rise to concern in the view of the Director of Corporate Services, its further use as counter-party will be withdrawn immediately.

The Authority may invest its surplus funds with any of the counter party types as outlined in Appendix B.

3.3. Authority's Banker

The Authority banks with Natwest. If their credit rating does not meet the minimum credit criteria specified in this Investment Strategy, Natwest will continue to be used for the short term liquidity requirements (overnight and weekend investments) only to ensure business continuity arrangements are maintained.

3.4. The Use of Financial Instruments for the Management of Risks

Currently, Local Authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently, the authority does not intend to use derivatives.

Should this position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives.

4. Housing Revenue Account Self Financing

The Government completed its reform of the Housing Revenue Account (HRA) Subsidy system at the end of 2011/12. Local Authorities are required to recharge interest income and expenditure attributable to the HRA in accordance with Determinations issued by the Department for Communities and Local Government.

The Determinations do not set out a methodology for calculating the interest rate to use in each instance. The Council is required to adopt a policy that will set out how interest rates attributable to the HRA will be determined. The CIPFA code recommends that authorities present this in their Treasury Management Strategy.

On 1 April 2012 the council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long term loans will be assigned in their entirety to either one pool or the other. Interest payable and other costs/income arising from long-term loans will be charged/credited to the respective revenue account.

Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (capital financing requirement) will result in a notional cash balance (internally funded) which may be positive or negative. This balance will be measured annually and interest transferred between the General Fund and HRA at the rate determined by PWLB for borrowing over the duration deemed that the notional cash balance can be repaid.

General Fund will therefore charge the HRA interest on balances borrowed from the General Fund annually over 15 year duration at 3.31% as determined by average PWLB rates as at 28th March 2012.

5. Treasury Limits for 2019/20 to 2021/22

It is a statutory duty under S.3 of the local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount is termed 'Affordable Borrowing', which is set out in Appendix C.

6. Borrowing Strategy

The Treasury management and borrowing strategy in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. The interest rate forecast provided in table 1 indicates that an acute difference between short and longer-term interest rates is expected to continue. Therefore, the Council as adopted a short-term borrowing strategy to take advantage of the current low interest rates for short-term borrowing.

The forecast movement in the CFR in the next 3 years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirements and potential investment strategy.

Balance Sheet Summary Analysis: Table 2

	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
General Fund CFR	73,476	73,678	73,880	74,082
HRA CFR	78,587	79,762	79,762	79,762
Total CFR	**152,063**	**153,440**	**153,642**	**153,844**
Less: Existing Profile of Borrowing	(122,138)	(122,138)	(122,138)	(122,138)
Gross Borrowing Requirement/Internal Borrowing	**29,925**	**31,302**	**31,504**	**31,706**
Usable Reserves	(27,432)	(22,258)	(21,841)	(21,841)
Net Borrowing Requirement/(Investments Capacity)	**2,493**	**9,044**	**9,663**	**9,865**

As indicated in table 2, the Authority has a gross borrowing requirement of £29m in 2018/19 but has adequate balances and reserves in the short term to avoid the need for further external borrowing. By essentially lending its own surplus funds to itself, the Authority is able to minimise borrowing costs and reduce overall treasury risk by reducing the level of its external investment balances.

The Authority will adopt a flexible approach to this borrowing in consultation with its treasury management advisers. The following issues will be considered prior to undertaking any external borrowing:

- Affordability
- Maturity profile of existing debt
- Interest rate and refinancing risk
- Borrowing source

6.1. Sources of Borrowing and Portfolio Implications

In conjunction with advice from its treasury advisor, Capita, the Council will keep under review the following borrowing options:

- PWLB loans
- Borrowing from other local authorities
- Borrowing from money markets
- Local authority stock issues
- Local authority bills
- Structured finance

The cost of carry has resulted in an increased reliance upon shorter dated and variable rate borrowing. This type of borrowing injects volatility into the debt portfolio in terms of interest rate risk but is counterbalanced by its affordability and alignment of borrowing costs with investment returns.

The Authority's exposure to shorter dated borrowing is kept under regular review by reference to the difference between variable rate and longer term borrowing costs. A narrowing of 0.5% will result in an immediate and formal review of the borrowing strategy to determine whether the exposure to shorter dated and variable rates is maintained or altered.

6.2. Debt Rescheduling

Prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs can restructure the Authority's debt portfolio.

The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans has adversely affected the scope to undertake meaningful debt restructuring although occasional opportunities arise. The rational for undertaking any debt rescheduling would be on one or more of the following:

- Savings in risk adjusted interest costs
- Rebalancing the interest rate structure of the debt portfolio
- Changing the maturity profile of the debt portfolio

6.3. Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risk associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting.

7. Risk Management

Treasury Management Policy 1 (TMP1) - In addition to managing risks in relation to investment timing, interest rates and counterparties as set out above, the Council manages the following risks:

Inflation - The Council will be aware of prevailing levels of inflation and take action where necessary to protect its finances.

Refinancing – The Council will ensure that its borrowing and financing arrangements are negotiated and structured in a manner which are favourable to the Council that can be reasonably achieved in the light of the market conditions prevailing at the time.

Legal and Regulatory - The Council places temporary surplus funds through the services of brokers on the London Money Market. Four brokers are currently used and are listed in the Council's Treasury Management policy. The role of the brokers is outlined in the Bank of England's Non Investment Products Code (NIPs), which the Council complies with. The code is detailed on the Bank of England's Website. All money transactions with brokers to approved banks, building societies and local authorities are evidenced with confirmation from the broker. All payments to institutions are approved by a Senior Officer and documented.

Fraud, error and corruption, and contingency management - Details of systems used and procedures to be followed are held on file. These details will include procedures required in the event of an emergency through system failure. Arrangements are in place for when the designated member of treasury management is absent so sufficient cover is available. Consideration has been given to treasury management in the Council's Corporate Disaster Plan. All personnel responsible for the Treasury Management function are included in the Authorities Insurance Policy.

Market Risk Management - The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect it from the effects of such fluctuations.

Non-Treasury Investments – Risk management for non-treasury investments in outlined in the capital strategy, section 14.

8. Treasury Management Arrangements

In compliance with Treasury Management Policies (TMP) 2 to 12, the Council has arrangements in place as follows:

TMP 2 – Best Value and Performance Measurement

The Council measures its treasury management activities through analysis of the actual interest received on our total investments, cumulative interest earned and average rate received and actual interest versus budgeted interest.

At the beginning of each financial year, a budget will be formulated for the expected interest earned based following assumptions regarding the Bank of England Base Rate, market forces, Treasury Advisory Information and other national statistics.

The council will aim to benchmark against other Local Authorities performance and other managed funds. Information regarding markets and interest rates from the brokers will be considered.

TMP 3 – Decision-making and analysis

The Council will be clear about the nature and extent of the risks it may become exposed to. The Director of Corporate Services will inform Members where risks are material and will significantly impact on the Council's Finances.

The Council will record and retain adequate documentation in relation to the basis of decision-making and the transactions undertaken. Competitiveness will be ensured by obtaining market rates daily from each of our approved brokers prior to placing the funds with an approved counterparty.

TMP 4 – Approved instruments, methods and techniques

The Council will ensure it uses instruments within the scope of local government investment guidelines and those included under Section 15(1)(a) of the Local Government Act 2003. The Treasury Management Strategy currently limits investments to the money market, but Officers will also review other investments where appropriate and any changes will be brought to committee for approval.

TMP 5 – Organisation, clarity and segregation of responsibilities, and dealing arrangements

One Corby Policy Committee will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Director of Corporate Services, and for the execution and administration of treasury management decisions to the Director of Corporate Services, who will act in accordance with the Council's policy statement and Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.

Segregation of Responsibilities. - The officers responsible for Treasury management operations are the Group Accountant (Financial Accounting) and the Accountant (Treasury Management). All transactions are approved separately by two other senior officers. The control accounts for the treasury management function are independently reconciled.

TMP 6 – Reporting requirements and management information arrangements

As a minimum, One Corby Policy Committee will receive an annual report on the strategy and plan for the forthcoming financial year and a half yearly treasury management activity report is taken to Audit and Governance Committee.

A quarterly report summarising treasury management activity will be produced for the Director of Corporate Services and Financial Services Manager.

TMP 7 – Budgeting, accounting and audit arrangements

The Council will prepare and approve an annual budget for treasury management. Performance of actual interest earned will be measured against budgeted interest expected for the financial year.

TMP 8 – Cash and cash flow management

Cash flow projections will be prepared on a regular and timely basis. The Council as a minimum will prepare cash flow forecasts and actuals to be able to determine the optimum arrangements to be made for investing and managing surplus cash, to assess whether minimum acceptable levels of cash balances plus short term investments might be breached and the adequacy of standby/overdraft facilities or other contingency arrangements.

TMP 9 – Money Laundering

The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council. It's expectation of propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. As a minimum the Council will adopt the practice to serve as a reminder for staff to remain vigilant given that money laundering represents a growing threat. The Monitoring Officer, in consultation with the Director of Corporate Services, will develop and maintain an anti-fraud and corruption policy. All suspected irregularities and financial impropriety must be reported to the Director of Corporate Services, who will report to Internal Audit, the Chief Executive and Monitoring Officer. The Council will also review how anti-money laundering regulations impact on the authority.

TMP 10 – Staff training and qualifications

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. The Council will seek to employ suitably qualified staff for its Treasury Management function. The Council will continue to invest in training its treasury management staff to enable them to keep up with new developments and new Treasury Management practices.

TMP 11 – Use of External Service Providers

The Council has appointed Link Asset Services, Treasury Solutions to assist it in making optimum investments and borrowing decisions based on up-to-date data.

The Council also uses the services of a total of four brokers for the purpose of placing surplus cash investments and refinancing of borrowing. This ensures the authority does not have an over-reliance on one or a small number of brokers. The brokers provide interest rates and market economy information. The four brokers currently used are Sterling International, Tullet Prebon, RP Martin and Tradition.

The council does not currently employ an external fund manager to supplement in house skills and resources, but the authority will consider these services should they add value to current operations.

TMP 12 – Corporate Governance

Corby Borough Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

Corby Borough Council has adopted and has implemented the key recommendation of the Code. This is considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

9. The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer is to:-

- recommend clauses, treasury management policy/practices for approval reviewing the same regularly and monitoring compliance;
- submit regular treasury management policy reports
- submit budgets and budget variations;
- receive and reviewing management information reports;
- review the performance of the treasury management function;
- ensure the adequacy of treasury management resources and skills and the effective decision of responsibilities within the treasury management function;
- recommend the appointment of external service providers

The responsibilities within the Treasury Management Code have been extended to include non-financial investments and the responsibilities and function of this role:-

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- ensure the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.
- ensuring that an adequate governance process is in place for the approval, monitoring and on going risk management of all non-financial investments and long term liabilities.
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loan and financial guarantees.
- ensuring that member are adequately informed and understand the risk exposures taken on by the authority.
- Ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.
- creation of Treasury Management Practices which specifically deal with how non-treasury investments will be carried out and managed, to include the following:-
    - Risk Management (TMP 1), including investment and risk management criteria for any material non-treasury investment portfolios;

- Performance measurement and managements (TMP 2), including methodology and criteria for assessing the performance and success of non-treasury investments
- Decision making, governance and organisation (TMP 5) including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
- Reporting and management information (TMP 6) including where and how often monitoring reports are taken
- Training and qualifications (TMP 10) including how the relevant knowledge and skill in relation to non-treasury investments will be arranged.

CRITERIA TO BE USED FOR CREATING/ MANAGING APPROVED COUNTERPARTY LISTS/LIMITS

Credit Rating	Banks Unsecured	Bank Secured	Government	Corporate	Registered Providers
UK Govt	n/a	n/a	£10m 50 years	n/a	n/a
AAA	£2.5m 5 years	£2.5m 20 years	£2.5m 50 years	£2xm 20 years	£2m 20 years
AA+	£2.5m 5 years	£2.5m 10 years	£2.5m 25 years	£2m 10 years	£2m 10 years
AA	£2.5m 4 years	£2.5m 5 years	£2.5m 15 years	£2m 5 years	£2m 10 years
AA-	£2.5m 3 years	£2.5m 4 years	£2.5m 10 years	£2m 4 years	£2m 10 Years
A+	£2.5m 2 years	£2.5m 3 years	£2.5m 5 years	£2m 3 years	£2m 5 years
A	£2.5m 13 months	£2.5m 2 years	£2.5m 5 years	£2m 2 Years	£2m 5 years
A-	£2.5m 6 months	£2.5m 13 months	£2.5m 5 years	£2m 13 months	£2m 5 years
BBB+	£1m 100 days	£1.5m 6 months	£1.5m 2 years	£1m 6 months	£2m 2 years
BBB or BBB-	Next day only	Next day only	n/a	n/a	n/a
None	£1m 6 months	n/a	£2m 25 years	£50,000 5 years	£1m 5 years
Pool funds	£2m per fund				

Below is an explanation of the headings used:

Credit Ratings and Risk Assessment: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn (on the next working day) will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB or BBB- are restricted to overnight deposits at the Authority's current account bank.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralized arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporate: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services; they retain a high likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Capital Prudential Indicators and Borrowing 2019/20 -2021/22

1. Background

There is a requirement under the Local Government Act 2003 and related regulations require the Authority to monitor Prudential Indicators to check that Capital expenditure is affordable.

2. Gross Borrowing and the Capital Financing Requirement

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for capital purposes, the local authority should ensure that the gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

The Director of Corporate Services reports that the Authority had no difficulty meeting this requirement in 2018/19, nor is there any difficulties envisaged for the future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. Estimates of Capital Expenditure

3.1. This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

Capital Expenditure					
	2018/19 Approved £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
General Fund	790	2,997	5,839	665	665
HRA	7,659	9,199	6,859	5,332	4,541
Total	**8,449**	**12,196**	**12,698**	**5,997**	**5,206**

3.2. Capital expenditure will be financed or funded as follows:

Capital Financing				
	2018/19 Estimate £000	**2019/20 Estimate £000**	**2020/21 Estimate £000**	**2021/22 Estimate £000**
Capital Receipts/Reserves	2,662	2,215	2,215	2,215
Government Grants/Contributions	1,995	463	463	463
Earmarked Reserves Contribution	4,137	5,174	417	0
Revenue Contributions	3,200	3,469	2,700	2,326
Total Financing	**11,994**	**11,321**	**5,795**	**5,004**
Supported Borrowing	0	0	0	0
Unsupported Borrowing	202	1,377	202	202
Total Borrowing	**202**	**1,377**	**202**	**202**
Total Financing and Funding	**12,196**	**12,698**	**5,997**	**5,206**

4. Ratio of Financing costs to Net Revenue

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs.

Estimates of the ratio of financing costs to net revenue stream				
	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
General Fund	17.98%	18.33%	17.99%	17.75%
HRA	13.30%	13.23%	13.02%	12.74%

The General Fund ratio is remaining steady over the next 3 years, based on expected levels of funding expected in relation to the Revenue Support Grant and New Homes Bonus from 2018/19 onwards.

The HRA ratio is reducing significantly by 2021/22 as the impact of the 1% reduction on rental income comes to an end in 2019/20.

5. Capital Financing Requirement

5.1. The Capital Financing Requirement (CFR) measures the council's underlying need to borrow for capital purposes. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and it's financing.

Capital Financing Requirement					
	2018/19 Approved £000	2018/19 Revised £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Non-HRA	73,288	73,476	73,678	73,880	74,082
HRA	82,883	78,587	79,762	79,762	79,762
Total	156,171	152,063	153,440	153,642	153,844

5.2. Over the medium term the Council should ensure that the gross debt (except in the short term), should not exceed the total Capital Financing Requirement of the preceding year, plus the estimates of any additional capital financing requirement of the current year and next two financial years. This is a key indicator of prudence.

Gross Debt				
	2018/19 Revised £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Borrowing	122,138	122,138	122,138	122,138
Finance Leases	0	3,000	3,000	3,000
Total	122,138	125,138	125,138	125,138

6. Incremental Impact of Capital Investment Decisions

6.1. This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent Levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	2018/19 Approved £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Increase in Band D Council Tax	-0.036	-0.045	-0.050	-0.049
Increase in Average Weekly Housing Rents	1.99	1.02	0.78	0.67

7. Authorised Limit and Operational Boundary for External Debt

7.1. The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the council and not just those arising from capital spending reflected in the CFR.

7.2. The Authorised Limit sets the maximum level of external borrowing on a gross basis for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet. This Prudential indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

7.3. The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

7.4. The Authorised Limit is the statutory limit determined under section 3(1) of the Local Government Act 2003.

Authorised Limit of External Debt					
	2018/19 Approved £000	2018/19 Revised £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Borrowing	146,000	146,000	143,000	143,000	143,000
Other long term liabilities	-	-	3,000	3,000	3,000
Total	146,000	146,000	146,000	146,000	146,000

7.5. The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limits reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

7.6. The Director of Corporate Services has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the One Corby Policy Committee.

Operational Boundary of External Debt					
	2018/19 Approved £000	2018/19 Revised £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
Borrowing	132,000	132,000	129,000	129,000	129,000
Other long term liabilities	-	-	3,000	3,000	3,000
Total	132,000	132,000	132,000	132,000	132,000

8. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

8.1. These indicators allow the council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net interest paid.

8.2. The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises, which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

Upper limits for fixed or variable interest rate					
	Existing level	2018/19 Approved	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Fixed Rates	100%	100%	100%	100%	100%
Variable Rates	-	100%	100%	100%	100%

9. Maturity Structure of Fixed Rate borrowing

9.1. This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

9.2. It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity structure of fixed rate borrowing	**Lower Limit %**	**Upper Limit %**
under 12 months	0	100
12 months and within 24 months	0	100
24 months and within 5 years	0	100
5 years and within 10 years	0	100
10 years and above	0	100

Minimum Revenue Provision (MRP) Policy Statement 2019/20

Corby Borough Council will in accordance with the main recommendations contained within the guidance issued by the Secretary of State, under section 21(1A) of the Local Government Act 2003, assess their MRP for 2019/20.

Expenditure reflected within the debt liability at 31 March 2020 will under delegated powers be subject to MRP under option 3, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of the expenditure, using the equal annual instalment method. For example, capital expenditure on a new building or on the refurbishment or enhancement of a building will be related to the estimated life of that building. Under this option no MRP charge is required until the financial year after that in which an item of capital expenditure is fully incurred or in case of a new asset comes into service.

Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not acceptable for being related to individual assets, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

Corby Borough Council

Capital Investment Strategy 2019/20 to 2023/24

Building a bigger, better, brighter Corby

Capital Investment Strategy 2019/20 to 2023/24

1. Introduction

1.1. The Capital Investment Strategy is a framework that sets out the principles and procedures to be used to guide the allocation of capital investment across all the Council's services, and inform decisions on capital spending to help achieve the priorities set out in the Council's Corporate Plan.

1.2. The Capital Strategy links to the Treasury Management Strategy, the Medium Term Financial Strategy, the Housing Service Asset Management Strategy, the Housing Development Strategy, the Investment Property Strategy and the Corporate Plan. All these documents are available for inspection on the Council's website.

https://www.corby.gov.uk/home/council/council-democracy/corporate-plan-2015-2020

https://www.corby.gov.uk/home/council/open-data-and-transparency/council-budgets-spending/financial-information

https://www.corby.gov.uk/sites/default/files/Investment%20Property%20Strategy.pdf

https://www.corby.gov.uk/sites/default/files/Housing%20Service%20Asset%20Management%20Strategy.pdf

1.3. Although this document focuses on the Council's management of its own investment in assets, the influence of wider investment throughout the Borough by both the public and private sectors will have a significant impact on meeting the Council's aims and objectives.

1.4. The Capital and Investment Strategy covers in detail the five year period from 2019/20 to 2023/24 as this is aligned with the Medium Term Financial Strategy. The strategy will be reviewed annually in line with the Capital Programme and will therefore provide a rolling projection. In addition, the Capital Investment Strategy contributes towards the achievement of the objectives of the Corporate Plan and this document sets a vision for the Council into the foreseeable future. This is not a static position. The Council's priorities may alter over time in response to changing national and local conditions, and as the Corporate Plan evolves so too will the Capital Investment Strategy.

1.5. Whilst there is a close link between the Capital Investment Strategy and the Treasury Management Strategy, this document does not consider either treasury management policy or strategy. The Council's approach to treasury management is contained within the separate Treasury Management Strategy document which is submitted for approval to the Council annually in advance of each financial year.

2. Background

2.1. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Government when carrying out capital and treasury management activities. The Prudential Code is based on principles rather than prescription. This places the responsibility for the success of the system on the professional judgement of practitioners themselves. Local authorities need to ensure that they have effective governance processes in place.

2.2. In February 2018 the Government issued revisions to its guidance on Local Authority Investments. In addition both the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice were last updated in December 2017.

2.3. The objective of the Prudential Code is to ensure that capital investment plans are affordable, prudent and sustainable. The Treasury Management Strategy defines the policies and objectives of the Council's treasury management activities.

2.4. Following on from the consultation the Government has updated its Statutory Guidance, which came into effect from April 2018. Under this revised guidance local authorities must annually produce a Capital Investment Strategy to be approved by full council. The objective in updating the guidance was to reflect changes in patterns of local authority behaviour.

2.5. The additional disclosure requirements contained in the revised guidance are detailed in section 3.

3. The Purpose of the Capital Investment Strategy

3.1. The Capital Investment Strategy is a high level summary of the Council's approach to capital expenditure, capital financing and treasury management, how this contributes to the provision of services, how the associated risks are managed, and the implications for future financial sustainability. It guides the development of service capital plans which culminate in the annual Capital Programme. It sets out the policies and procedures that the Council uses to establish monitor and manage the Capital Programme in line with the Medium Term Financial Strategy. The Capital Investment Strategy takes account of both local improvement priorities, established through effective consultation with residents and Council partners, and national priorities. Those priorities, supported by Service Plans, inform resource allocation. Progress on achieving these objectives is closely monitored in accordance with the Council's established performance framework.

3.2. The Capital Investment Strategy sets out the long term context in which both capital acquisition and maintenance expenditure and investment decisions are made and gives due consideration to both risk and reward, and the achievement of priority outcomes.

3.3. In broad terms the Capital Investment Strategy will cover the following:

- Apply a long term approach to capital expenditure and investment, and to ongoing asset management.
- Take into account external influences such as Local Enterprise Partnership, joint working with other authorities etc.
- Make explicit the links to, and integration with, other strategies such as the Corporate Plan and the Asset Management Plan.
- Set out the Council's commercial ambition and activity.
- Determine the implications of long term investments, particularly non-financial investments.

- Ensure that the Corporate Plan priorities are reflected in the selection of schemes for inclusion in the Capital Programme.
- Examine the available capital resources along with the Council's capacity to deliver projects.
- Assess affordability against aspirations.
- Identify capital financing principles.
- Prepare a long term capital investment plan with actions, timescale, outputs and outcomes.
- Assess risk and mitigating factors.
- Outline governance arrangements and identify any training requirements necessary to ensure that this is effective.
- Put in place monitoring and reporting arrangements.
- Undertake post-implementation reviews for major schemes.

4. The Strategic Context of the Capital Investment Strategy

4.1. The Capital Investment Strategy does not sit in isolation. It is driven by the Corporate Plan which sets out the Council's long term priorities. It is these priorities that capital expenditure and investments are either directly or indirectly seeking to achieve. The Capital Investment Strategy covers a twenty five year period and looks in detail at the first five years and takes a broader view over the remaining twenty year period. The Council's priorities are viewed over a long period, although they are periodically reviewed to meet changing demands and aspirations.

4.2. In turn the Capital Investment Strategy will also interlink with the following:

- Treasury Management Strategy which defines the Council's policies and objectives in the financial administration of its assets and holdings in order to optimise liquidity.
- Medium Term Financial Strategy which ensures that all revenue resources are directed towards the delivery of the corporate priorities.
- Asset Management Plan which seeks to align the Council's asset portfolio with its needs. The Council is currently reviewing this plan.
- Commercial Property Investment Strategy which reflects the Council's aspiration to invest in property assets to secure a long term return.
- Minimum Revenue Provision Policy which determines how much the Council will set aside each year for the repayment of debt. This is part of the Treasury Management Strategy.
- Other Non-Financial Strategies examples being the Housing Strategy, Waste Management Strategy, Sustainable Community Strategy, Economic Development Strategy, the Community Safety Partnership Strategy and the Town Centre Delivery Plan.

4.3 As and when any strategy is reviewed or renewed, consideration will be given to any capital investment implications that may arise and these will be reviewed annually as part of the overall service and financial planning framework.

4.4 Finally the Capital Investment Strategy will also impact upon and be influenced by individual service plans as the latter are also driven by the Council's priorities.

4.5 Section 1 above sets out the scope of the Capital Investment Strategy. One of the requirements of the Strategy is that it sets out the long term context in which both capital expenditure and investment decisions are taken and when individual capital schemes or investments are approved members are aware of any longer term budgetary implications. Capital schemes will have revenue consequences beyond the completion of the scheme and the capital funding. The revenue impact should be made explicit in the initial scheme appraisal and be taken into account when members consider whether or not to include them in the capital programme.

5 The Council's Fixed Asset Base

5.1 The Council owns and operates a variety of assets ranging from individual dwellings, shops, industrial units and leisure centres to playing fields and community centres. The balance sheet value of these fixed assets at 31st March 2018 was £399 million (excluding intangible assets) but the cost of rebuilding or replacing all of these assets could be considerably higher. The split between the major classes of fixed assets is shown in the table below.

Class	Value (£m)
Property Plant and Equipment	325
Investment Property	74
Intangible Assets	-
Total Assets	**399**

The value of intangible assets is less than £1 million

5.2 Expenditure on the acquisition, creation or enhancement of property plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential is charged as an expense when it is incurred. Furthermore, expenditure needs to be in excess of the Council's de minimis limit of £5,000 before it can be recognised as capital spend. Items below this level are charged to revenue.

5.3 A full description of the types of assets, their valuation and accounting treatment is contained in the Accounting Policies section of the Council's annual Statement of Accounts.

5.4 **Property plant and Equipment** is a generic term used to cover operational buildings, land vehicles and equipment.

5.5 **Investment properties** are those that are used solely to earn rental and / or capital appreciation. The definition of an investment property is not met if the property is used in any way to facilitate the delivery of services, the production of goods or is held for sale.

5.6 **Intangible assets** are primarily software licences

5.7 Assets that have reached the end of their useful life, or which are no longer required for the provision of services, are subject to disposal. The proceeds from sale are treated as capital receipts and are usually available to the Council for the purchase of further assets.

5.8 As part of the Capital Investment Strategy the Council needs to review its asset base and is currently in the process of tendering for a stock condition survey. This will provide the Council with an assessment of the condition of the Council's property, which in turn will indicate whether the current budget provision for repairs and maintenance is adequate. The Capital Investment Strategy will be updated to incorporate any relevant information once the stock condition survey has been completed.

6 Capital Expenditure

6.1.1 The Government's definition of capital expenditure is that expenditure which falls to be capitalised in accordance with proper practices (Local Government Act 2003). In support of this, the CIPFA Code of Practice on Local Authority Accounting and the CIPFA Guidance for Practitioners on Capital Finance, provides additional guidance on what constitutes capital expenditure. Officers of the Council must have regard to these sources of guidance and legislation when considering whether expenditure incurred by the Council can be capitalised.

6.1.2 Briefly, there are three routes by which expenditure can qualify as capital under the accounting framework for local authorities, namely:

- The expenditure results in the acquisition of, or the construction of, or the addition of subsequent costs to non-current assets (tangible e.g. buildings and intangible e.g. software);
- The expenditure meets one of the definitions specified in regulations made under the Capital Financing Regulations (England) 2003;
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure (this is sometimes permitted for non-recurring costs associated with organisational changes).

6.3.1 Examples of capital expenditure include expenditure on the acquisition, reclamation or enhancement of assets (eg buildings, land, plant and machinery). It can include grants to third parties, and incidental costs involved in a capital project (e.g. officers' salaries and professional fees).

6.4 Excluded from the definition of capital are administrative and other general overhead costs. Costs will also be ineligible to the extent that they relate to activity that takes place prior to the intention to acquire or construct a fixed asset. Examples of this include the cost of option appraisals and feasibility studies that do not contribute to the scoping of the asset ultimately acquired/constructed.

7 Capital Resources

7.1 Appendix A shows the total level of capital resources estimated for the period 2019/20 to 2023/24. The following are the main sources of financing capital financing.

7.1.1 Government Grants and Non-Government Contributions

7.1.2 Capital resources from Central Government can be split into two categories:

- Non-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 funding
- Ring-fenced – resources which are ring-fenced to particular areas and therefore have restricted uses.

7.1.3 An Example of a ring-fenced grant for which the Council has successfully bid and which supports current capital projects is a grant from Housing Communities Agency for Affordable Housing.

7.1.4 Borrowing decisions take into account the revenue implications of projects, both the benefits arising from efficiency savings, and the cost of interest payment and repayment of principal. The Council's ability to borrow is determined by the revenue budgets capacity to pay borrowing costs. Borrowing is therefore likely to be more viable where the schemes will generate savings or additional income streams. However, there may be occasions borrowing is required to maintain service delivery.

7.1.5 The Prudential Code requires the Council to annually set a number of statutory prudential indicators that set potential borrowing parameters and provide an estimate of the impact of these on the level of Council Tax. The indicators are a technical accounting requirement and are based upon a range of different external borrowing scenarios. These are reported to the Executive and Council as part of the budget setting process on an annual basis. There are currently two limits approved each year. The first is the Operational Boundary for External Debt which is the limit beyond which external debt is not normally expected to exceed. This would usually be similar to the Council's capital financing requirement. The second is the Authorised Limit for External Debt. This represents the limit beyond which external debt is prohibited and can only be set or revised by the full Council.

7.2 Capital Receipts

7.2.1 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:

- Financing new capital investment.
- Reducing borrowing under the Prudential Framework.
- Paying a premium charged in relation to any amounts borrowed.
- Meeting any liability in respect of credit arrangements.
- Meeting disposal costs (not exceeding 4% of the receipt).

7.2.2 However, following the 2015 Spending Review, in March 2016 the MHCLG published statutory guidance on the flexible use of capital receipts for a three year period covering 2016/17 to 2018/19. This guidance allows local authorities to use capital receipts to offset the revenue costs of transformational projects, which are expected to deliver future ongoing savings. As part of the 2018/19 Local Government Finance Settlement an extension of this flexibility was permitted for a further three years until 2021/22.

7.2.3 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).

- 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;
- As part of the Government's announcement to increase the RTB discounts they also announced the introduction of a scheme referred to as 1-4-1 whereby every additional home sold under the new RTB scheme was to be replaced by a new home for affordable rent.

The new homes for affordable rent will be financed from receipts from sales, after stipulated deductions, retained by the LA under signed agreement with the Government.

Limited to funding up to 30% of the cost of the replacement home.

A time limit of 3 years is given for the replacement homes after which the receipts will have to be paid back to DCLG at 4% above base rate from the date the receipts arose. All other disposals may be retained in full.

7.2.4 Where the sale of an asset leads to a requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and repaid any remaining capital receipts will be available to support the capital programme.

7.2.5 The level of capital receipts is dependent upon market conditions. The property market impacts on the:

- Ability of the Council to sell assets and the
- Level of receipts.

7.3.6 The Council's objective to rationalise the corporate estate and the marketing of increasing numbers of surplus assets will be affected by both of these.

7.2.6 **Revenue Contributions**

Revenue funds and balances are under pressure as a result of the Council's underlying revenue position and the need to identify further savings in forthcoming years. The Medium Term Financial Strategy does not assume that there will be any further revenue contributions to fund small scale capital schemes within the General Fund.

7.3 **Section 106 Agreements**

7.3.1 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:

- Necessary to make the development acceptable in planning terms;
- Directly related to the development; and

- Fairly and reasonably related in scale and kind to the development.

7.3.2 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:

- Provision of affordable housing.
- Improvement to community facilities - Public open space/play areas, educational facilities.
- Improved transport facilities
- Public art.
- Renewable energy measures.
- Specific measures to mitigate impact on a local area - parking restrictions, landscaping or noise insulation.

7.4 Disposal of Assets

7.4.1 Historically the Council's main source of capital receipts has been from the sale of Council dwellings. The Council is undertaking a review of its assets to determine whether some can be disposed in order to generate revenue savings and create a capital receipt. The disposal of assets must conform to the guidance set out in the Council's Disposals Policy.

7.5 External Investment

7.5.1 The Council depends almost entirely on capital receipts, revenue contributions and borrowing to finance its capital programme. Capital receipts are increasingly difficult to realise and the revenue position of the Council is such that there is a restricted scope for revenue contributions or to meet the future costs of borrowing.

7.5.2 This lack of internally generated finance emphasises the need to look more widely at ways of bringing capital funding into the Borough. Where feasible the Council will look to access and optimise external funding streams. The development of the Capital and Investment Strategy will therefore involve:

- Continuing to work with partners to maximise the effect of capital investment in the Borough in order to achieve agreed objectives and targets.
- Seeking to maximise investment in the Borough through pump priming and contributions to larger scale schemes in partnership with other stakeholders (see paragraph 8).
- Seeking to maximise investment in the Borough through bids for appropriate external funding when the opportunities arise.

8 External Influences

8.1 In view of the resources available to the Council, it has to work in partnership with other organisations to lever in capital investment to the Borough.

8.2 Over the last ten years the Council has utilised £27m of funding, by working in partnership to deliver the following capital schemes:

- European Regional Development Fund – Enterprise Centre
- Housing and Community Agency – various affordable home schemes
- NHS – Urgent Care Centre
- WREN – Play area equipment

- Sport England – Leisure facilities
- Heritage Lottery – Community facilities.
- Football Foundation – Leisure facilities.

8.3 Recently the Council has made a significant joint commercial investment with Kettering Borough Council in purchasing a distribution warehouse in Corby. It is also intended that the joint working arrangement for Environmental Care services with Kettering Borough Council could result in a joint capital scheme for the construction of a new depot.

8.4 The Council is also a member of the South East Midlands Local Enterprise Partnership, which seeks to secure Local Growth Fund and any external funding for the South East Midlands region.

9 Commercial Property Investment Strategy

9.1 The Commercial Property Investment Strategy has been developed with the following key principles:

- Clear returns on investment that can be assessed and compared against a range of other forms of investment to ensure a favourable return is secured to reflect the level of risk taken. When considering investments, subject to considering risk, the Council will target yield in excess of 5%.
- Investments to be purchased freehold, with good and assignable legal title. Leaseholds only considered where held under long leases at a peppercorn or ground rent.
- Due diligence is undertaken to understand all known implications for the Council as part of the decision making process and governance arrangements for delivery are fit for purpose.
- Diversity of investment in the size, form, and duration should ensure a spread of risk and provide the basis for exploring a range of opportunities.
- Regular review and monitoring of investment and asset portfolio to ensure it remains viable.
- Service quality is improved or at least maintained which should include the consideration of the social value of services and the safeguarding of core activity.
- Preference is given to opportunities within the Borough of Corby. Consideration will also be given to opportunities within the immediate surrounding area and in partnership with other Local Authorities as a means of spreading risk and sharing knowledge and expertise.
- Decisions include an assessment of the ethical nature of any investment.
- Speculative development opportunities will not be considered.

9.2. The Investment Property Strategy aims to deliver the following objectives when considering whether to make a commercial investment:

- To acquire standing commercial property investments that generates an income, through being let on commercial terms, or from properties, which are contracted to be let.
- To provide an income yield (return) with a clear margin over the cost of capital, in a form which is sustainable, and has the potential to increase through future rental growth.
- To achieve an even balance of risk and return through portfolio diversification.
- To acquire investment grade properties possessing characteristics that preserves the capital value of the asset.

- To identify opportunities to acquire property that would further the Councils regeneration and economic development objectives, and provide a commercially acceptable return.

10. Capital Planning

10.2. Responsible officers and service heads are required to set out a business case for capital proposals.

10.3. The Director of Corporate Services prepares capital estimates jointly with the Heads of Service and then reports these to the Senior Management Team for consideration as part of the budget consultation process.

11. Revenue Budget

11.2. Capital expenditure could have consequences for the revenue budget. The capital business case should include an estimate of the revenue implications associated with capital expenditure to ensure that it is affordable, and that these are aligned to the various Council strategies.

11.3. The following are examples of the revenue costs:

- Running costs
- Maintenance costs
- Employee costs
- Debt interest charges
- Debt repayment charges or Minimum Revenue Provision
- Income

12. Prioritisation and Selection of Capital Schemes and Investments

12.1. One of the purposes of the Capital Investment Strategy is to ensure that the capital schemes that are implemented secure the Council's corporate priorities. The Council's priorities are summarised in the Corporate Plan. The current Corporate Plan covers the period 2015 - 20. The environment in which the Council is operating is growing rapidly and changing fast. The Corporate Plan will therefore change over time as it will reflect both local and national priorities and any legislative changes, such as additional statutory duties being placed on local authorities.

12.2. The Corporate Plan includes the following three high level objectives:

- **P**romoting Healthier, Safer and Stronger Communities
- **R**egeneration and Economic Growth
- **I**nspiring a Future
- **D**elivering Excellence
- **E**nvironment and Climate Change

12.3. The priorities within each of these objectives are set out below:

12.3.1. Promoting healthier, safer and stronger communities

- To encourage Healthier Lifestyle
- To reduce Crime and the fear of Crime
- To support Communities to improve their quality of life
- To promote Social Cohesion

12.3.2. Regeneration and Economic Growth

- To build new houses for sale and rent and to improve existing stock
- To attract new jobs into Corby and maintain existing jobs
- To seek public and private inward investment to help regenerate and grow Corby

12.3.3. Inspiring a Future

- To work with partners to achieve our ambition
- To be an Inclusive Council with fully accessible services
- To make a positive contribution to the quality of life of those who live and work in Corby

12.3.4. Delivering Excellence

- To provide Value for Money services
- To deliver the best services we can
- To fulfil the Council's Core Values in all the services we deliver

12.3.5. Environment and Climate Change

- To reduce the Borough's Carbon Emissions
- To lead the Borough in Sustainability
- To maximise Recycling
- To improve the Borough's Environment

13. Governance Arrangements

13.1. The Director of Corporate Resources is responsible for determining and presenting possible capital schemes and investment options to members and offering them professional advice. However, it is the duty of elected members to balance the constraints of affordability with the demands of services for capital investment, and it will be for elected members to make the necessary judgement.

13.2. One of the requirements of the Capital Investment Strategy is that members undertake a more in depth analytical and qualitative assessment of the proposed schemes to ensure that they fully understand the nature of the schemes and the potential risks to which the Council may be exposed. This is achieve by member involvement within the Asset Management Group, who's objective is to review and monitor capital schemes and allows members to challenge the suitability and or progress of any capital scheme.

13.3. It is important given the risks surrounding capital schemes and investments that the appropriate governance framework is in place for monitoring and review. The Capital and Investment Strategy itself will be presented to the One Corby Policy Committee (OCPC) annually alongside the Medium Term Financial Strategy and Treasury Management Strategy. All schemes are subject to approval by OCPC (where required) with due diligence paid to the availability of capital resources and the associated risks.

13.4. Members will also be kept fully appraised of progress on schemes and investments by regular monitoring reports (see Section 15 below).

13.5. Full Council is responsible for approving the annual capital programme. OCPC is responsible for considering and keeping under review the Council's capital expenditure plans.

13.6. Full details of the Council's governance arrangements are contained in the Annual Governance Statement that is updated annually and is published alongside the Council's Statement of Accounts. Seven key principles underpin the Council's governance arrangements:

- Behaving with integrity demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the intervention necessary to optimise the achievement of the intended outcomes.
- Developing the Council's capacity, including the capacity of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and showing public financial management.
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

14. Risks and Risk Management

14.1. Whilst every effort is made to ensure that estimates of capital expenditure are accurate, members should be aware that there is a risk from both internal and external factors that may have an impact on the Council's ability to deliver the capital programme. To minimise and control this the Council constitution provides a framework for financial and contract procedure rules.

14.2. Any overspend on projects within the capital programme may affect the delivery of other schemes, which may have to be delayed until a future date. This in turn may impact on the delivery of Council services.

14.3. Capital receipts are dependent upon the Council's ability to sell surplus assets and should sales not proceed or receipts fall short of the expected sale price this will have an adverse impact on the Council's ability to finance schemes.

14.4. Any new borrowing to finance capital schemes increases the Council's overall liabilities that will need to be repaid in the future. This is a greater risk as the volume of borrowing increases. The Council's Treasury Management Strategy ensures that due regard is paid to the identification, monitoring and control of risk.

14.5. After completion of the schemes the Council may incur revenue costs associated with the running and maintenance of the newly created asset, which will put a further strain on the revenue budget. It is therefore imperative that the full revenue implications of capital schemes over the life of the scheme or of the assets should be considered prior to the scheme being approved.

14.6. With commercial investments undertaken to provide revenue income there are additional risks connected to the commercial nature of the arrangement, such as bad debts, tenants business failure, failure to attract suitable tenants, and unexpected landlord obligations for repairs.

15. Monitoring and Measurement

15.1. Each capital scheme has a budget holder assigned who is responsible for the successful delivery of the project. Larger schemes may also have a project sponsor from the Senior Management Team. The Council has a strong system of performance management across all projects, budgets and approved performance indicators. Every two months capital projects that fall within the remit of a service area are reported as part of the financial update to the Asset Management Group.

15.2. The Council ensures that the implementation of any major capital schemes are subsequently reviewed in order to inform the implementation of future capital schemes, 'lessons learned' approach. An important part of this review is to assess the extent to which the outcomes identified in the capital appraisal process have actually been met.

16. Capital Programme

16.1 Appendix A shows the currently forecast capital programme for the years 2019/20 to 2023/24.

16.2 The Council produces a Medium Term Financial Strategy which projects forward the annual revenue budget for a 5 year period. The Capital Investment Strategy has a far more long term focus as it seeks to project the capital expenditure requirements over a 25 year period, and also consider how these requirements might be financed.

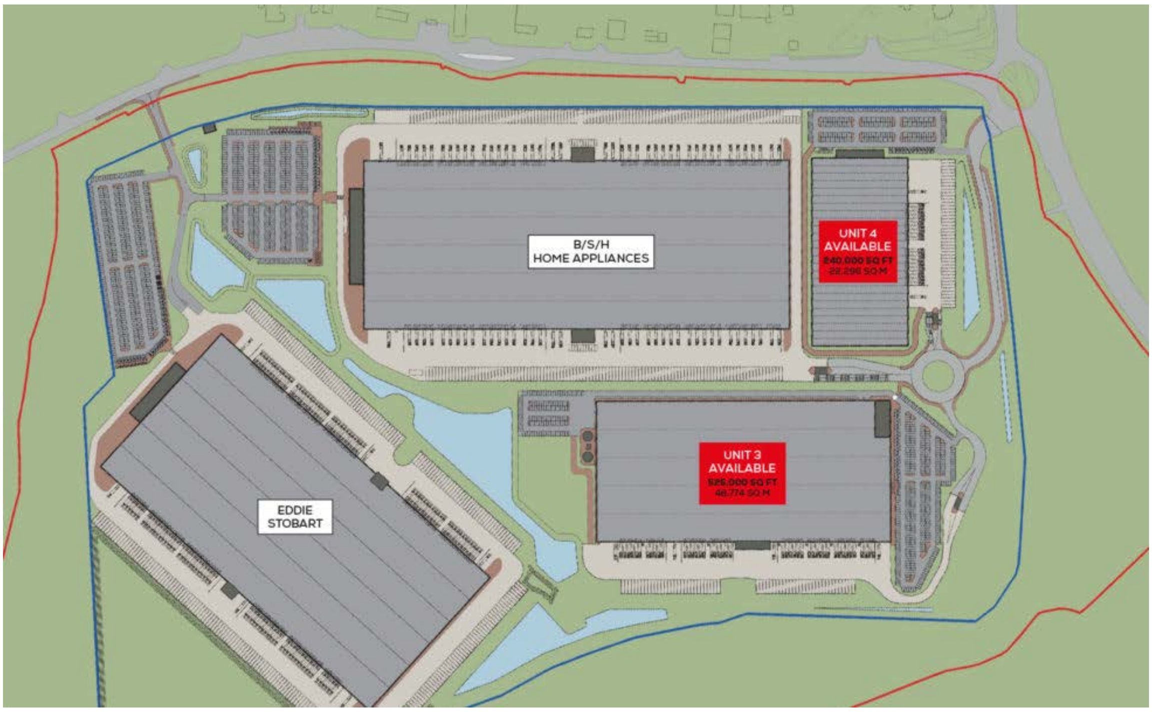
16.3 In the current financial climate there is considerable uncertainty even in projecting forward over the 5 years of the Medium Term Financial Strategy. A 25 year projection therefore comes with caveats. Despite this it is essential for long term planning that these projections are made. Appendix F sets out in detail the assumptions that have been made in projecting the capital requirements over a 25 year period.

16.4 The Capital Investment Strategy is not a static document. Over time priorities may change and the Capital Investment Strategy needs to be updated on an annual basis to ensure that such changes are incorporated. At the time of preparing this document the Council is in the process of appointing consultants to undertake a stock condition survey. The outcome of this should enable the Council to make informed decisions on whether to retain assets either with or without investment, or seek to dispose of them in order to generate capital receipts. This is an important element in the Council's optimisation and utilisation of fixed assets.

16.5 The Capital Investment Strategy has been prepared on the basis that Corby Borough Council will continue to exist as a separate entity for the duration of the time that the Strategy covers. With the likelihood of local government reorganisation in Northamptonshire within the next couple of years this could change, but it is the only by making this assumption that the Capital Investment Strategy can meet its objectives. It also serves to provide a basis for looking at the Borough's long-term requirements as part of a wider North Northamptonshire Council.

16.6 Corby has outline planning permission for a Sustainable Urban Extension at Priors Hall and West Corby. Work started on site at Priors Hall in 2008 with more than 1,000 residents currently housed within the development and it is envisaged that there will be 5,095 new homes when the development is completed. The development also comprises a new secondary school and new primary schools, businesses of mixed use including shops and community buildings, a health centre, parks and open spaces, and a hotel and leisure facilities. West Corby Development is a new development of 4,500 homes and is due to commence shortly, providing further job creation with small business units, together with additional primary and secondary schools, play areas and community facilities.

16.7 Commercial developments will also take place at Midlands Logistics Park; all of these developments will require the construction of roads and other infrastructure assets. The infrastructure in the new developments will be funded by the developers. The map below shows the location of these developments.



17. Capital Resources Available over the Next Thirty Years

17.1 As with the capital requirements, the available resources over such a long time period difficult to predict and will require regular updating.

17.2 The infrastructure on new developments will be undertaken by the developers, who will also contribute money through Section 106 agreements for community facilities. However, ongoing revenue costs such as waste collection and street cleansing will have to be met by the Council. The additional houses will increase the amount of revenue that the Council can raise through council tax, while the industrial and commercial premises will increase the non-domestic rates yield.

17.3 The proposed stock condition survey will include a review of the Council's assets which could result in some assets being declared surplus to requirements and therefore available for sale, providing capital receipts to finance future capital expenditure.

17.4 Appendix B projects forward an estimate of the capital resources that may be available over the period 2019 – 2044.

18. Summary of Capital Investment

18.1 The Capital Investment Strategy is driven at the highest level by the Council's Corporate Priorities. Within each priority there are a number of more specific policy objectives, and it is these objectives that capital investment seeks to meet.

18.2 The above average population growth experienced in the Borough, will put increasing pressure on the Council's services. This in turn will lead to the increased wear on the fixed assets resulting in their more frequent renewal. In addition, the population growth will increase the demand for housing, which at the affordable level, will have in part to be met by the Council. This was recognised by the Government when it introduced the 1-4-1 replacement scheme.

18.3 The Council has identified specific areas where continued capital investment over the next few years will be fundamental to meeting both the Corporate Priorities and the additional assets to meet the needs of the growing population.

18.4 New build and Acquired Homes to Rent

The provision of affordable accommodation, particularly for rent, is one of the most pressing social problems in the UK. The Government have recognised that local authorities can play a part in alleviating this by introducing a requirement for them to replace social housing lost through the right to buy scheme. The Council has made significant progress in this respect as the table below shows:

Completed Schemes	No of Properties	HCA Grant Funding £	1-4-1 Funding £
Arran Way	30	1,275,000	-
Finland Way	18	350,000	-
Copenhagan Road	14	714,000	-
Boston Close	26	850,000	-
Willow Brook Road	5		-
Leighton Road	4		-
Kingswood	30	6,143,000	-
Kingswood	8	-	282,166
Canada Sq	4	100,000	
Canada Sq	14	-	459,864
Cardigan House	6	-	124,096
Stanion Lane	50	-	613,522
Wilby Close	4	-	21,017
Kings Park	6	-	315,900
Neville House*	12	-	473,460
Kingswood School	24	1,490,000	-
Benfield School	26		-
Total	**281**	**10,922,000**	**2,007,859**

*estimated contribution project due to be completed 2019/20

It is envisaged that these schemes will continue to be a significant feature of the Council's capital investment over the next few years.

Appendices

Appendix A – Capital Programme 2019/20 to 2023/24
Appendix B – Capital Programme to 2043/44

Appendix A

Capital Programme - Five Year Financial Projections

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Housing Capital Programme						
Housing Improvements	3,469	3,117	2,326	2,326	2,326	13,564
Housing Development Programme	3,390	2,215	2,215	2,215	2,215	12,250
Total Programme	6,859	5,332	4,541	4,541	4,541	25,814
Funded By						
Revenue Contribution	2,700	2,700	2,326	2,326	2,326	12,378
Capital Receipts	2,215	2,215	2,215	2,215	2,215	11,075
Contribution (To)/ From Reserves	769	417	0	0	0	1,186
Other External Borrowing	1,175	0	0	0	0	1,175
	6,859	5,332	4,541	4,541	4,541	25,814
General Fund Capital Programme						
Capital Growth Bids	5,174	0	0	0	0	5,174
Woodland Improvements	63	63	63	63	63	315
Replacement Wheelie Bins	52	52	52	52	52	260
Disabled Facilities/Home Repair Grants	400	400	400	400	400	2,000
ICT Hardware Replacement	150	150	150	150	150	750
Total Programme	5,839	665	665	665	665	8,499
Funded By						
Grants & Contributions	463	463	463	463	463	2,315
s.106 Contribution	147	0	0	0	0	147
Contribution from Reserves	5,027	0	0	0	0	5,027
Further Borrowing Required	202	202	202	202	202	1,010
	5,839	665	665	665	665	8,499

Capital Programme - 30 Year Financial Projections

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Housing Capital Programme																										
Housing Improvements	3,469	3,117	2,326	2,326	2,326	2,500	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	67,364
Housing Development Programme	3,390	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	56,550
Total Programme	6,859	5,332	4,541	4,541	4,541	4,715	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	123,914
Funded By																										
Revenue Contribution	2,700	2,700	2,326	2,326	2,326	2,539	2,739	2,739	2,739	2,900	2,900	2,900	2,900	2,965	2,965	2,965	2,965	2,965	2,965	3,151	3,151	3,151	3,151	3,151	3,151	71,430
Capital Receipts	2,215	2,215	2,215	2,215	2,215	2,176	2,176	2,176	2,176	2,015	2,015	2,015	2,015	1,950	1,950	1,950	1,950	1,950	1,950	1,764	1,764	1,764	1,764	1,764	1,764	50,123
Contribution (To)/ From Reserves	769	417	0	0	0																					1,186
Other External Borrowing	1,175	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,175
	6,859	5,332	4,541	4,541	4,541	4,715	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	123,914
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
General Fund Capital Programme																										
Capital Growth Bids	5,174	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,174
Woodland Improvements	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	1,575
Replacement Wheelie Bins	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	1,300
Disabled Facilities/Home Repair Grants	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	10,000
ICT Hardware Replacement	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	3,750
Property Improvements (based on condition survey)	0	0	0	0	0	1,000	0	0	0	1,000	0	0	0	0	1,000	0	0	0	0	1,000	0	0	0	0	1,000	5,000
Total Programme	5,839	665	665	665	665	1,665	665	665	665	1,665	665	665	665	665	1,665	665	665	665	665	1,665	665	665	665	665	1,665	26,799
Funded By																										
Grants & Contributions	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	11,575
s 106 Contribution	147	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	147
Contribution from Reserves	5,027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,027
Further Borrowing Required	202	202	202	202	202	1,202	202	202	202	1,202	202	202	202	202	1,202	202	202	202	202	1,202	202	202	202	202	1,202	10,050
	5,839	665	665	665	665	1,665	665	665	665	1,665	665	665	665	665	1,665	665	665	665	665	1,665	665	665	665	665	1,665	26,799

The Council's options for capital finance are becoming more limited. With the continuing pressures on the revenue budget revenue contributions towards capital expenditure are becoming more difficult to make. The scope for using capital receipts is limited by the available for sale assets. There are still receipts available to the Housing Revenue Account through the sale of council houses, but the level of General Fund capital receipts is low and are likely to be in the foreseeable future. The Council will continue to pursue capital grants as a source of funding but these are usually earmarked for specific acquisitions. Section 106 agreements with developers continue to provide funding for community assets in specific geographic areas although their continued use depends upon the suitability of planning applications. In recent years market conditions have favoured external borrowing, and the Council's Commercial Property Investment Strategy has been based on the availability of these loans.

However, their continuation depends upon the Council's ability to have a surplus from the revenue generated by the commercial property after the repayment of loan charges. Increasingly the revenue from the commercial investments will be required to support other Council services. For the years beyond the Medium Term Financial Strategy the level of resources available are difficult to predict with any certainty and the figures in the table below be treated as indicative.

Capital Programme - 30 Year Financial Projections

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	2033/34 £000	2034/35 £000	2035/36 £000	2036/37 £000	2037/38 £000	2038/39 £000	2039/40 £000	2040/41 £000	2041/42 £000	2042/43 £000	2043/44 £000	Total £000
Housing Capital Programme																										
Housing Improvements	3,469	3,117	2,326	2,326	2,326	2,500	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	67,364
Housing Development Programme	3,390	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	56,550
Total Programme	6,859	5,332	4,541	4,541	4,541	4,715	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	123,914
Funded By																										
Revenue Contribution	2,700	2,700	2,326	2,326	2,326	2,539	2,739	2,739	2,739	2,900	2,900	2,900	2,900	2,965	2,965	2,965	2,965	2,965	2,965	3,151	3,151	3,151	3,151	3,151	3,151	71,430
Capital Receipts	2,215	2,215	2,215	2,215	2,215	2,176	2,176	2,176	2,176	2,015	2,015	2,015	2,015	1,950	1,950	1,950	1,950	1,950	1,950	1,764	1,764	1,764	1,764	1,764	1,764	50,123
Contribution (To)/ From Reserves	769	417	0	0	0																					1,186
Other External Borrowing	1,175	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,175
	6,859	5,332	4,541	4,541	4,541	4,715	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	4,915	123,914
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
General Fund Capital Programme																										
Capital Growth Bids	5,174	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,174
Woodland Improvements	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	63	1,575
Replacement Wheelie Bins	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	52	1,300
Disabled Facilities/Home Repair Grants	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	10,000
ICT Hardware Replacement	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	150	3,750
Property Improvements (based on condition survery)	0	0	0	0	0	1,000	0	0	0	1,000	0	0	0	0	1,000	0	0	0	0	1,000	0	0	0	0	1,000	5,000
Total Programme	5,839	665	665	665	665	1,665	665	665	665	1,665	665	665	665	665	1,665	665	665	665	665	1,665	665	665	665	665	1,665	26,799
Funded By																										
Grants & Contributions	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	463	11,575
s.106 Contribution	147	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	147
Contribution from Reserves	5,027	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,027
Further Borrowing Required	202	202	202	202	202	1,202	202	202	202	1,202	202	202	202	202	1,202	202	202	202	202	1,202	202	202	202	202	1,202	10,050
	5,839	665	665	665	665	1,665	665	665	665	1,665	665	665	665	665	1,665	665	665	665	665	1,665	665	665	665	665	1,665	26,799

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However, their continuation depends upon the Council's ability to have a surplus from the revenue generated by the commercial property after the repayment of loan charges. Increasingly the revenue from the commercial investments will be required to support other Council services. For the years beyond the Medium Term Financial Strategy the level of resources available are difficult to predict with any certainty and the figures in the table below be treated as indicative.