



# **CAPITAL STRATEGY**

**2023/24**

## **1.0 Introduction**

- 1.1 The Capital Strategy sets out a long-term vision for capital investment within Harborough District, setting out the principles to shape and inform decisions on the capital investment to deliver the priorities sets out in the Council's Corporate Plan.
- 1.2 The Capital Strategy is an integrated part of the prudential code for Capital Finance in Local Authorities which was updated in December 2017. The prudential code supports local strategic planning, local asset management planning and proper option appraisal. The Prudential Code seeks to ensure that the capital expenditure plans of authorities are affordable, prudent, and sustainable.
- 1.3 The prudential code requires authorities to look at capital expenditure and investment plans in the light of overall Council Strategy and resources and ensure that decisions are made with sufficient regard to the long run financing implications and potential risks to the authority.
- 1.4 The Capital Strategy focuses on the Council's facilitating and direct provision of Capital Investment but also sets down the context for public and private sector investment which will have a significant impact on meeting the Council priorities.
- 1.5 The Capital Strategy has detailed proposals for the period 2023/23 to 2027/28 (found in the Council's capital programme). This is not a static position and the Council's capital investment priorities may alter over time in response to changes in the national and local context, including emerging opportunities.
- 1.6 The Strategy sets the framework for all aspects of the Council's capital and investment expenditure; including planning, outcomes, prioritisation, management, funding, and repayment. The Strategy has direct links to other council strategies and plans such as the Treasury Management Strategy, ICT Strategy, and Property Strategy.
- 1.7 It is an integral part of the Council's Medium Term Financial Strategy (MTFS) and there have only been minor changes in this review.

## **2.0 Purpose of the Capital Strategy**

- 2.1 The Capital Investment Strategy is a high-level summary of the Council's approach to capital expenditure, capital financing and treasury activity, how this contributes to the provision of services, how the risks are managed and the implications for future financial sustainability.
- 2.2 The Corporate Plan is the key document that sets out the Council's vision and priorities and shapes the Capital Investment Strategy.

The Council's vision is:

**'To secure a prosperous future for the people of Harborough District'**

The Council's priorities are:

**The Place:** A safe, enterprising, and vibrant place

**The People:** A healthy, inclusive, and empowered community

**Your Council:** Creative, proactive, and efficient

2.3 The key aims of the Capital Strategy are to:

- Apply a long-term approach to capital expenditure and investment and to ongoing asset management.
- Provide a clear set of objectives and a framework within statutory legislation that proposes new capital expenditure to be evaluated to ensure that all new capital investment is targeted at meeting the Council's Vision as set out in the Corporate Plan.
- Deliver projects that focus on delivering a number of the long-term benefits to the district.
- Deliver investment that will safeguard the long-term future and value of the Council's assets.

2.4 The Capital Strategy:

- Sets out how the council identifies programmes and prioritises capital requirements and proposals following a robust appraisal process including evaluation of value for money, affordability, and risk.
- Considers options available for funding capital expenditure and how resources may be maximised to generate investment in the area and to determine an affordable and sustainable funding policy framework, whilst minimising the ongoing revenue implications of any such investment;
- Identifies the resources available for capital investment over the MTFS planning period;
- Ensure the strategy has an overall balance of risk on a range on investments over timespan, type of investment and rate of return, and,
- Establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, value for money and security of investment.

### 3.0 **Strategic Context of the Capital Strategy**

3.1 The Capital Strategy has both External and Internal Influences that will shape the targeting of schemes and availability of funding over the period of this strategy and beyond.

#### 3.2 **External Influences**

3.2.1 **Midlands Engine:** The aim of the Midlands Engine is to accelerate growth and prosperity for every part of the Midlands through major infrastructure investment, enabling work and developing a self-sustaining and resilient partnership model with the public and private

sectors. Within Leicestershire the delivery vehicle for this will be the Strategic Growth Plan that has a planning period to 2050.

**3.2.2 Strategic Growth Plan:** The Strategic Growth Plan will shape future District within Harborough District and sub regionally and has four key aims:

- (a) Delivering new housing
- (b) Supporting and stimulating the economy
- (c) Identifying essential infrastructure, and
- (d) Protecting the environment and built heritage.

**3.2.3** The Leicester & Leicestershire Strategic Growth Plan is supported by the Council. This sets out the strategic growth strategy for the District Housing Market Area to 2050. A programme of work is currently underway to assess the continued appropriateness of the SGP in light of changing circumstances, including publication of the Midlands Connect A46 Stage 2 Study.

**3.2.4 Leicester and Leicestershire Enterprise Partnership (LLEP):** The LLEP's Strategic Economic Plan identified key priorities and sectors for investment. These have shaped opportunities for investment and access to ERDF, Local Growth Fund, Business Rate Pool receipts etc.

**3.2.5 Partner Organisations:** The District Council will continue to work closely with other public sector bodies in securing improved capital investment for the District, for example, HIF funding for Highways Infrastructure, co-location of facilities and economic development. Application of the principles of this Capital Strategy should help identify priorities and evidence the case or change.

### **3.3 Internal Influences**

**3.3.1** The Capital Strategy and Capital Investment should be influenced, driven, and shaped by the Council's Corporate Priorities as defined in the Council's Corporate Plan. The Corporate Plan is then supported by three key strategies which will then be focused into specific cross cutting and specific strategies to deliver improved outcomes for the residents and businesses of Harborough District.

**3.3.2 The Place:** The Strategic Growth Plan and the recently adopted Local Plan sets out ambitious targets for housing and economic growth. Key ambitions include:

- (a) Sustainable Communities
- (b) Infrastructure Investment to unlock housing and economic sites.
- (c) Mixed Housing Tenure to deliver affordable housing.
- (d) Inward Investment and widening of skills mix.
- (e) Transport Connectivity
- (f) Strategic Land Acquisition
- (g) Maximising S106 and potentially CIL contributions to fund the Infrastructure Delivery Plan

**3.3.3** The Council will maximise its influence in existing partnerships but will actively seek new opportunities to promote the District and to deliver plans with both public and private sector partners to maintain and enhance the prosperity of Harborough.

3.3.4 **The People:** The Council is facing increased demand for services through demographic growth and changing expectations and interventions from the Council. Key ambitions include:

- (a) Sustainable Communities
- (b) Wider Housing Choice including addressing the widening 'affordability gap'.
- (c) Supporting vulnerable people to retain within their communities and homes.
- (d) Internet Connectivity
- (e) Promoting Open Space and Community Facilities to build strong and healthy communities.
- (f) Allowing residents and businesses to self-serve with the Council and a wide range of partners
- (g) Stimulating employment opportunities to reduce out-commuting and to address current pay inequalities.
- (h) Co-location of services to promote access, deliver improved outcomes and to reduce multiple access.

3.3.5 The Council has a key role in shaping improved outcomes in this area, but much of the investment will be delivered by public and private sector partners. Given the demographic and dependency changes of an older population the Council will seek to work closely with Health Partners to deliver the infrastructure and services for the District's residents.

3.3.6 The Council will use existing consultation and engagement frameworks to identify needs, future demands and requirements which will shape the next Corporate Plan and associated strategies and plans.

3.3.7 **Your Council:** The Council seeks to be efficient in its operation and provision of services to residents and businesses alongside using its powers and finances to create a sustainable future for the Council. Key ambitions include:

- (a) Investment in the Core Council Assets to promote access (e.g. Leisure Centres) and to promote co-location with partners.
- (b) Investment in Digitalisation to provide wider access to services for residents and businesses and improve targeting of services through customer insight.
- (c) Investment in ICT to deliver efficient processes and improved management information.
- (d) Investing in Commercial opportunities primarily for economic growth.
- (e) Maximising capital returns, for example capital receipts through direct investment e.g. housing sites
- (f) Identifying opportunities to share services to maximise service outcomes, capital investment or revenue returns with other partners.
- (g) Disposal of non-operational assets (as defined in the Corporate Property Strategy)
- (h) Exploiting External Funding Opportunities

3.3.8 The Capital Strategy has specific links with:

- (a) **Treasury Management Strategy:** The Treasury Management Strategy is approved by Council every year and sets down the framework for capital affordability and management of borrowing and investments. The Strategy complies with the Prudential Code which requires the Council to comply with the following three

principles: prudence, affordability, and sustainability. This strategy links to the published capital programme and is currently for a period of 3 years.

(b) **Property Strategy:** The Property Strategy shapes the management of the Council's Assets, both current and potential assets and considers areas such as ownership, investment, support to the Council priorities etc. This strategy was approved by Council on 27<sup>th</sup> January 2020.

(c) **Commercial Investment Strategy:** The Council will continue look for opportunities for Housing Development either as a partner with Registered Providers, Central Government or as a direct developer to support corporate service priorities. The buoyancy of the housing sector determines the level of activity and levels of risk taking/sharing for the Council in this area.

#### 4.0 **Capital Funding Streams**

4.1 Decisions on capital investment are often made in the context of limited resources. The capital programme will need to maximise funding opportunities and reduce its reliance on unsupported borrowing that gives rise to an increase in the revenue budget to fund the financing costs of the borrowing. has a direct impact on the cost of borrowing and financial sustainability. Key funding sources include:

4.2 **External Grants** - The council is currently in receipt of Disabled Facilities Grant but is exploring other options for larger sources of funding to support economic development and housing growth delivery in the District.

4.3 **Section 106 (S106) and External Contributions** – some projects can be funded by contributions from private sector developers and partners. The council will seek to maximise funding in these areas through robust evidence base, i.e. built facility strategy, open space and playing pitch strategy and the emerging housing and homelessness strategy.

4.4 **Capital Receipts** - The Council can generate capital receipts through the sale of surplus assets such as land and buildings. The Council will seek to dispose of non- operational assets.

4.5 **Reserves** – The Council could use its reserves to fund capital expenditure but in practice the reserves have been established to help support the funding of the Council's revenue budget.

4.6 **Revenue Funding** - The Council can use revenue resources to fund capital projects on a direct basis. However, austerity on the council's revenue budget has reduced options for this as a funding source. If revenue contributions are made, priority will be given for invest to save schemes.

4.7 **Prudential Borrowing** - The introduction of the Prudential Code in 2004 allows councils to undertake unsupported borrowing which is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. The council must ensure that unsupported borrowing is affordable, prudent, and sustainable.

4.8 Many schemes will require a mix of the above funding sources and will have impacts on short-, medium- and long-term financial planning that will be incorporated into the MTFs.

## 5.0 **Governance of the Capital Strategy**

- 5.1 The delivery of the ambitious Capital Strategy is supported by a robust governance and project delivery framework. The Council's Governance framework for the Capital Strategy seeks to:
- (a) Provide a clear set of objectives and a framework within statutory legislation that proposes new capital expenditure to be evaluated to ensure that all new capital investment is targeted at meeting the council's Vision and Priorities as set out in the Corporate Plan.
  - (b) Sets out how the council identifies programmes and prioritises capital requirements and proposals following a robust appraisal process including evaluation of value for money, affordability, and risk.
  - (c) Consider options available for funding capital expenditure and how resources may be maximised to generate investment in the area and to determine an affordable and sustainable funding policy framework, whilst minimising the ongoing revenue implications of any such investment.
  - (d) Identify the resources available for capital investment over the MTFs planning period.
  - (e) Ensure the strategy has an overall balance of risk on a range on investments over timespan, type of investment and rate of return.
  - (f) Establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, value for money and security of investment.
- 5.2 All Capital Schemes are initially appraised and then prioritised **by a Capital Programme Board chaired** by the S151 Officer for further challenge by Corporate Management Team and Cabinet before formal adoption by the Council.
- 5.3 The overall affordability of the Capital Strategy needs to be consistent with the Treasury Management Strategy and Prudential Code approved annually by the Council.
- 5.4 The delivery of approved schemes within the Capital Strategy is appraised for the most suitable delivery route, for example, procurement frameworks, in-house delivery or in partnership. The creation of a wholly owned local authority company provides an alternative delivery model for delivery of capital priorities if appropriate.
- 5.5 The Council undertakes regular monitoring of Capital spend including quarterly monitoring to Cabinet. This will be further enhanced by combining financial data along with performance information on how the project is progressing.
- 5.6 As part of this Capital Strategy the Council will ensure that the implementation of significant capital schemes is subsequently reviewed to inform the implementation of future capital schemes. An important part of this review is to assess the extent to which the outcomes identified in the capital appraisal process have been met. The reviews generally include officers who have not been directly responsible for the initial implementation.
- 5.7 The Council will put in place an overarching communications strategy for the whole programme and significant schemes to ensure residents, businesses, partners, and

external funders can see and measure the impact of the Council delivering an ambitious capital investment strategy.

## **6.0 Risk Management**

- 6.1 Effective risk management allows the council to adapt rapidly to change and develop innovative responses to challenges and opportunities. Most capital projects go through the risk management cycle process which incorporates risk identification, risk analysis, risk control and action planning and risk monitoring and review. Any new or emerging risks are added to the council's risk register as appropriate. The risk analysis undertaken is appropriate to the size, complexity, novelty, or sensitivity of the project concerned.
- 6.2 Risks are assessed using a scoring matrix which captures the impact and likelihood of risks. Corporate and high priority risks are reported to Cabinet and Scrutiny.
- 6.3 An assessment of risk will be carried out individually for each investment proposal before entering into any commitment and will include assessing the risk of loss.
- 6.4 Where economic or services priorities are followed that require commercial investment to be undertaken, additional risks connected to the commercial nature of the arrangement, such as rental void periods (when acquiring commercial property investments), or the risk of selling homes on the open market at a loss (with the council's commercial housing developments) will be considered. The Council will seek to manage this risk through having a balanced portfolio and recognising such risk in business case development.

## **7. Skills and Knowledge**

- 7.1 The successful implementation of the Capital Strategy requires the availability of suitably skilled and experience people with experience of:
  - (a) Delivering major capital projects
  - (b) Bidding for and managing significant external funding streams
  - (c) Commissioning and working with partners to deliver the capital programme.
  - (d) Commercial Experience
  - (e) Financial modelling and options appraisal
  - (f) Development of Business Cases
- 7.2 The Council has demonstrated over the past 5 years its ambition and capacity to deliver. Where appropriate, the Council will make use of external advice in developing projects or undertaking appraisals, for example valuers, property condition experts, specialist advice etc.
- 7.3 The Council will continue to utilise framework contracts, for example, SCAPE to obtain specialist advice at an early stage.
- 7.4 The Council will seek to enhance skills of Members linked to the Capital Strategy especially in areas of Capital Appraisal, Member Project Boards and Business Case development and review.



## **8.0 Capital Investment Priorities 2023/24 to 2027/28**

- 8.1 The capital programme is given in the Budget Report being sent to Council on 27th February 2023.