DISTRICT OF HARBOROUGH

CAPITAL STRATEGY

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Capital Investment Prioritisation Pro-forma

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. This requires Councils to adopt a Capital Strategy by 1st April 2019. 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 2019/20 to 2021/22 and areas for focus for 2022/23 onwards. 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, Property Strategy and is an integral part of the Council's Medium Term Financial Strategy (MTFS) which is refreshed on an annual basis. These all underpin the delivery of the Corporate Plan.

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 outs 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: An enterprising vibrant place

The People: A healthy, inclusive and engaged community

Your Council: Innovative, 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

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 next five years 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 productivity growth across 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

The Strategic Growth plan has been consulted but is still to be adopted by the Council. Within the plan the District is expected to deliver in the next 30 years significant housing and economic growth. Currently much of this growth is linked to the desire in the Midland Engine vision for a new A46 Expressway south of Leicester. The funding envelope for the Strategic Growth Plan is still to be established but will have significant impacts on capital investment in the District in the future.

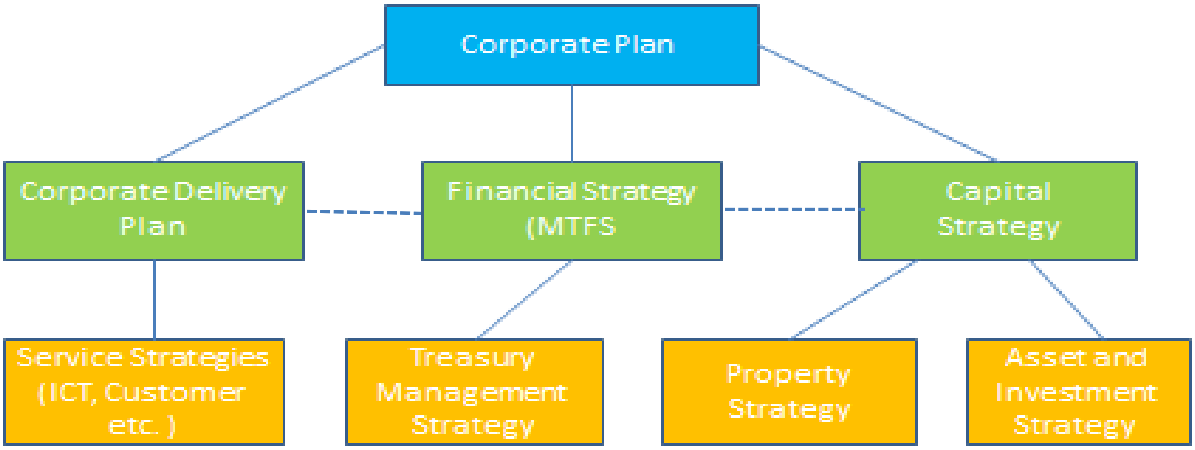
3.2.3 **Leicester and Leicestershire Enterprise Partnership (LLEP):** The LLEP's Strategic Economic Plan identified key priorities and sectors for investment. These have shaped opportunities for investment and access to ERDF. Local Growth Fund, Business Rate Pool receipts etc. To date, the Council has not fully maximised the potential of these funding sources but recently secured nearly a £1million for the Grow On space and feasibility studies for town centre planning. Recent targeting of resources into Economic Development will improve the Council's capacity to successfully lever in funding from this source.

3.2.4 **Commercial and Housing Development**: The Council has initiated a process of looking at opportunities for Housing Development either as a partner with Registered Providers, Central Government or as a direct developer. The buoyancy of the housing sector determines the level of activity and levels of risk taking/sharing for the Council in this area. Similarly the Council has commenced commercial property investments both direct and through pooled property funds to generate positive revenue returns. The Capital Strategy makes provision for further investment in these areas but will be shaped by National and Regional economic conditions.

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 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 generally is for a period of between 5 – 7 years**.**

(c) **Asset and Investment Strategy**: The Asset and Investment Strategy are still to be published but aims to provide a viable and sustainable framework for the acquisition and management of property investments. The Strategy will set out the Council's objectives for acquisition, criteria for investment acquisition, opportunities and risks to the Council and governance processes.

3.3.3 The Capital Strategy is a clear enabler for the Council's Medium Term Financial Strategy which has a focus on financial sustainability and resilience. Key to this is maximising revenue returns from the Council's Assets and Investments alongside the Council's place shaping role within the District. Some of the tangible benefits that the Capital Strategy will help deliver are:

- Protecting the most vulnerable
- Grow the economy
- Spend to save initiatives which generate efficiencies in the council's revenue budget
- Create sustainable income - business rates or council tax
- Spend to earn income - rents, interest, dividend, capital appreciation.
- Attract significant third party funding to the district
- Addresses major infrastructure investment
- Deliver economic outcomes of jobs growth

The above list is not exclusive and the Capital Strategy needs to be flexible to changing needs and opportunities (especially external funding and working with partners) that may arise.

3.3.4 The application of the Strategy requires that its 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.

4.0 Capital Ambitions

4.1 **Place**

4.1.1 The Strategic Growth Plan and soon to be 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
(h) Commercial Investments to generate Revenue Returns

4.1.2 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 District.

4.1.3 The Council will seek to maximise private sector investment and external funding to deliver these ambitions. Where appropriate for commercial return or to stimulate a development the Council may directly invest following application of the decision and governance principles detailed within this strategy.

4.2 **People**

4.2.1 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

4.2.2 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.

4.2.3 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.

4.3 Your Council

4.3.1 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 but also for a commercial return to support service delivery
(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

4.4 The Capital Strategy needs to be agile to delivering a planned programme over a 3 to 5 year period and setting out and being flexible to External Funding opportunities and strategic plans which are shaping Capital Outcomes for the next 5 to 25 years.

4.5 The Capital Strategy is a continuation of the current capital programme that has focused on rationalisation of assets, alternative use for capital assets (e.g. housing), infrastructure investment and support for our communities. The Capital Programme approved for 2019/20 to 2021/22 is ambitious and is over £57 million and is targeted to deliver both capital and revenue returns post this period.

4.6 The Capital Strategy is intrinsically linked to the Asset Management Plan and Property Strategy. The Council has recently undertaken stock condition surveys over the next 25 years that will inform essential investment to deliver Council Services from its' core assets.

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) Deliver projects that focus on delivering a number of the long term benefits to the district listed below:
(c) 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.
(d) 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;
(e) Identify the resources available for capital investment over the MTFS planning period;
(f) Ensure the strategy has an overall balance of risk on a range on investments over timespan, type of investment and rate of return, and,
(g) 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 through an options appraisal form (Appendix A) and then prioritised by a Capital Programme Board chaired by the S151 Officer for further challenge by Corporate Management Team and Executive 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 recent creation of a wholly owned local authority company provides an alternative delivery model for delivery of capital priorities if appropriate.

5.5 The Capital Strategy will make improved use of Development Appraisals and whole life costing for programmes of capital investment in the future to ensure that opportunities are maximised and risks managed.

5.6 The Council will put in place for larger schemes Programme and Project Boards in line with the Council constitution and project methodology. Internal Audit will provide embedded assurance on major schemes.

5.7 The Council undertakes regular monitoring of Capital spend including quarterly monitoring to Executive. This will be further enhanced to link the impact of changes in the programme, for example capital slippage and new funding opportunities on the longer term strategy.

6.0 Capital Funding Streams

6.1 Decisions on capital investment are often made in the context of limited resources. The capital programme need to maximise funding opportunities and reduce reliance on unsupported prudential borrowing that has a direct impact on the cost of borrowing and financial sustainability. Key funding sources include:

6.2 **External Grants** - The largest form of capital funding comes through as external grant allocations from central government departments. 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.

6.3 **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. The Council will review its policy on S106 contributions to maximise this funding source.

6.4 **Capital Receipts -** The Council is able to generate capital receipts through the sale of surplus assets such as land and buildings. The Council will seek to dispose of non operational assets and generate receipts from development, for example housing sites to reinvest in the Capital Programme.

6.5 **Reserves** – The Council has a level of reserves which are earmarked to be used to support delivery of the Corporate Plan or Invest to Save projects.

6.6 **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.

6.7 **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.

6.8 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. The Council will consider the long term sustainability of any investment in accordance with the principles of the Prudential Code before spend.

7.0 Asset & Commercial Investment

7.1 The Council will be prioritising part of its Capital Strategy in the future for Commercial Asset acquisition and/or development. This is a relatively new area for the Council and will be supported by robust investment appraisal and evaluation principles that will be detailed in the emerging property and asset investment strategy. This investment has two key aims:

(a) Promoting Housing and Economic Growth
(b) Providing a positive revenue return to the Council to support financial sustainability and resilience

7.2 The Asset Investment Strategy will focus on the following objectives:

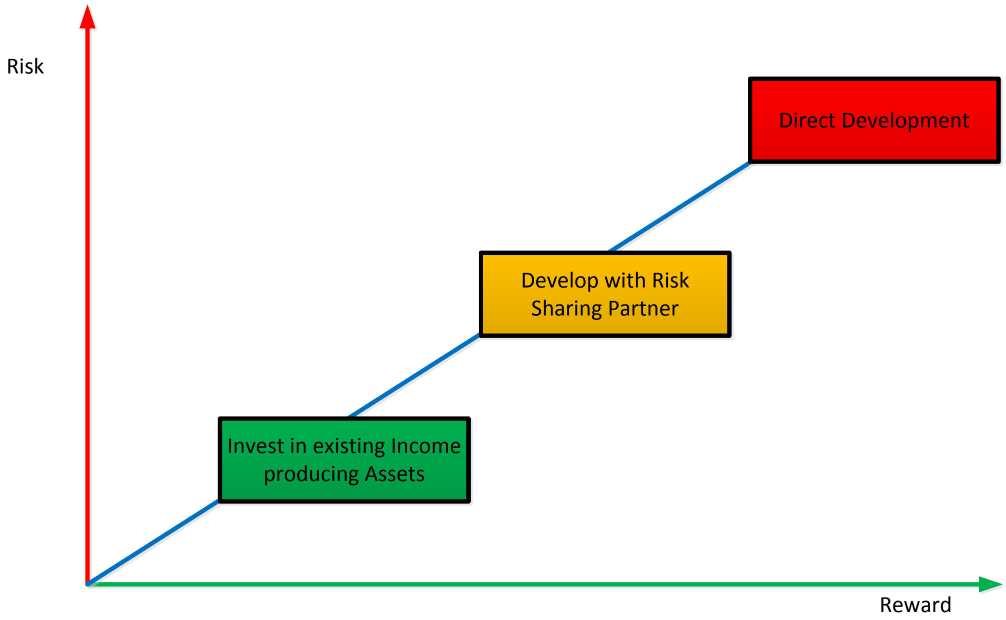
(a) Acquire properties that provide long term investment in accordance with the Council's corporate and financial objectives.
(b) Maximise return whilst minimising risk through robust management and appraisal processes
(c) Prioritise properties that yield optimal rental growth and stable income.
(d) Develop a governance framework that enables the Council to move at a timely pace in line with the market.
(e) Build a balanced property investment portfolio.

7.3 Investment in Property can lead to increases or decreased in capital value in the short term. The Council recognises this and therefore will make investments as medium or long term investment and seek professional advice on the potential for capital appreciation. However, the revenue returns (rents) are not directly correlated to the Capital value as capital values can change but the rent remain constant until the next rent review and therefore the Council will seek to prioritise investments that yield optimal rental growth and stable income.

7.4 The Council intend using its powers and finances to act as a developer for its own site and partnership opportunities. This builds on the successful outcomes delivered from the development of Garage sites. There are 3 key delivery models that opportunities will be appraised against.

Invest in existing incoming producing Assets	Develop with Risk Sharing Partner	Direct Development
• Immediate delivery of return • Potentially low level of management input required • Generally, full control • No competitive market advantage, other than low borrowing costs	• Differing risk sharing models available • Delayed revenue, but forward funding model could deliver early revenue • Shared control • Competitive advantage in sites controlled by HDC	• HDC retain control, full risk and full economic benefit • No revenue in short term • Flexibility to retain as long term investment • Competitive advantage in sites controlled by HDC

7.5 The Council will seek to balance the risk and reward of a portfolio of schemes as demonstrated in the below graph



7.6 An indicative ambition for the next 10 years is detailed in the below table. This measured model increases potential risk and reward over time, employing a blend of risk profiles with the proceeds of higher risk, shorter term activities partly redeployed back into the lower risk, long term sustainable “Core”. This approach is known as a portfolio model and builds on the current capital programme that has investment in the core investment proposal, risk shared development, for example housing and commercial investments.

<table>
<tr><th>Years 1 - 3</th><th>Years 4 – 6</th><th>Years 7 - 9</th></tr>
<tr><td colspan="3">Initial and Ongoing Core Investment Portfolio (CIP)</td></tr>
<tr><td rowspan="2">Risk Shared Development (RSD)</td><td colspan="2">Reinvest in CIP</td></tr>
<tr><td colspan="2">Reinvest in RSD</td></tr>
<tr><td rowspan="2"></td><td rowspan="2">Commercial Self Development (CSD)</td><td>Reinvest in CIP</td></tr>
<tr><td>Reinvest in CSD</td></tr>
<tr><td rowspan="3">Residential Self Development (RSD)</td><td colspan="2">Reinvest in CIP</td></tr>
<tr><td rowspan="2">Reinvest in RSD</td><td>Reinvest in CSD</td></tr>
<tr><td>Reinvest in RSD</td></tr>
</table>

7.7 The Asset Investment Strategy will set out the Governance and Performance Measures that will measure the success in this area whilst appraising and managing the risks attached to this area of the Capital Strategy. The expansion of the Capital Strategy into this area is essential to generate revenue returns for the Council to address public sector austerity and to invest in services.

8.0 Risk Management

8.1 Effective risk management will allow the council to adapt rapidly to change and develop innovative responses to challenges and opportunities. By having a Risk Management Strategy in place and an embedded risk management process ensures that the majority of 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.

8.2 Risks are assessed using a scoring matrix which captures the impact and likelihood of risks. Corporate and high priority risks are reported to Executive and Scrutiny.

8.3 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.

8.4 There is also a degree of funding risk in the Capital Programme, reliant as it is on future capital reserves. Should capital reserves run out, this risk would need to be mitigated, for example by reducing, or re-scheduling the capital programme expenditure or funding expenditure from alternative resources.

8.5 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. The Council will seek to manage this risk through having a balanced portfolio.

9.0 Monitoring of Capital Strategy

9.1 The Capital Programme and Capital Strategy will be monitored for:

(a) Availability of Capital Resources
(b) Programming and profiling of the Capital Programme
(c) Performance against a series of capital metrics, for example return on investment, backlog maintenance, social value etc.
(d) Procurement and Delivery
(e) Timeliness
(f) Accuracy of programme and profiling

9.2 As part of this Capital Strategy the Council will ensure that the implementation of significant capital schemes are subsequently reviewed in order 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 actually been met. The reviews generally include officers who have not been directly responsible for the initial implementation.

9.3 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

9.4 Risks in the planning and delivery of the Capital Strategy will be reported through the Council's existing risk and opportunity framework

10. Skills and Knowledge

10.1 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 risk appraisals

10.2 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.

10.3 The Council will continue to utilise framework contracts, for example, SCAPE to obtain specialist advice at an early stage.

10.4 The Council will seek to enhance skills of Members linked to the Capital Strategy especially in areas of Capital Appraisal, Member Project Boards and Gateway Reviews

11.0 Capital Investment Priorities 2019/20 to 2021/22

11.1 The Council has committed to an ambitious capital programme for the next three years exceeding £57.1 million. This investment delivers against all 3 corporate priorities of The Place, The People and Your Council.

11.2 The Capital Programme delivers significant investment in the following areas which are expected to make real differences to the communities and residents of Harborough District whilst ensuring that the Council is innovative and pro-active in Service Delivery.

a) The Grow On Space project which will be completed in 2019/20 (£7.9 million)
(b) Provision for a new Leisure Centre (£21.6 million including contingency) previously agreed by Council
(c) Development of the De Verdon Road site for Housing (£10.8 million)
(d) Commercial Property Investments (£10 million)
(e) Harborough Housing Fund (£0.8 million)
(f) Play Area Equipment (£0.7 million)

Full details of the Capital Programme are detailed in the Executive Budget Report, 11th February 2019.

11.3 The financing of the Capital Programme includes provision for borrowing over the period. A significant proportion of the projected borrowing is linked to the provision for a new Leisure Centre which is hoped can be partially offset by a Management fee paid by a Leisure Operator and/or reduced borrowing resulting from potential relocation of the leisure centre and available capital receipts. The Council will also utilise the recent change in the Minimum Revenue Provision criteria recently approved by Council

11.4 A number of schemes generate capital receipts that will materialise post 2021/22 and will support the delivery of the Capital Programme in future years. The reinvestment of proceeds from the Capital Strategy is an essential contributor to the Council's future investment plans post 2022

11.5 The approved Capital Programme is detailed below

	2019/20 Budget	2020/21 Budget	2021/22 Budget	**Total Capital Programme**
Expenditure	17,620,253	28,525,750	10,980,829	**57,126,842**
Financed by	£	£	£	**£**
Borrowing	2,931,153	11,262,750	9,625,963	**23,819,866**
Capital Receipts	867,000	2,600,000	200,000	**3,667,000**
MRP Exemption	5,437,000	8,702,000	318,000	**14,457,000**
S106	28,000	0	337,000	**365,000**
Service Charge	111,866	143,000	81,866	**336,732**
ERDF (pro-rata)	1,411,475	0	0	**1,411,475**
LLEP (pro-rata)	424,769	0	0	**424,769**
General Fund - Grow on Space	0	0	0	**0**
General Fund - Other	0	0	0	**0**
External Funding	99,000	0	0	**99,000**
Borrowing Covered by Commercial Rents	5,000,000	5,000,000	0	**10,000,000**
Borrowing Covered by Car Parking Income	492,000	0	0	**492,000**
Better Care Fund	418,000	418,000	418,000	**1,254,000**
Harborough Housing Fund	400,000	400,000	0	**800,000**
	17,620,263	**28,525,750**	**10,980,829**	**57,126,842**

11.6 Detailed Business Cases will be prepared for significant future investment during this period, for example, housing development and new and refurbished leisure centres.

12.0 Capital Investment Priorities 2022/23 onwards

12.1 The Capital Investment Programme for 2022/23 onwards will seek to deliver the Capital Ambitions detailed in this strategy (Section 4) and will have a number of key drivers

(a) Utilisation of self generated funding streams (Section 7) to fund future capital investment
(b) Securing External Funding Streams from Government or Private Sector to deliver Infrastructure Delivery Plan and the Strategic Growth Plan outcomes
(c) Reducing the use of prudential borrowing unless with a focus on invest to save basis
(d) Increasing the Council's Commercial Investment Portfolio to generate revenue returns for the Council and economic growth within the District and the sub region
(e) Focused investment on core service delivery and disposal of non-operational assets. This will include a commitment to lifecycle investment in the Council's assets to prevent backlog maintenance
(f) Identification of whether the Council owns assets or transfers or shares assets with other providers

12.2 It is expected that the Council will have approximately £5 million of Capital Receipts to support the capital programme from 2022/23 onwards (primarily generated from Housing Development on Council owned sites).

12.3 In 2022/23 the Council will be identifying the most appropriate delivery mechanism for two of its key services, Environmental Services including waste and future provision of Leisure Services. This may require direct investment in assets or vehicles. Planning for this will take place before 2022/23 though the majority of any capital investment will be post 2022/23

12.4 The Council will set targets for returns from Commercial Investments (4%+) and that at least 5% of investment from the LLEP is targeted in Harborough District.

12.5 The Capital Strategy in future will align with the MTFS planning period to ensure that financial planning to deliver improved outcomes is co-ordinated and maximised.

Appendix A

Capital Project Bid Appraisal Form 2019/20 – 2023/24

DISTRICT OF HARBOROUGH	Capital project bid appraisal	
Section 1	Introduction	
Service		
Name of project		
Project manager		
Project number (To be allocated)		
Section 2	Project description	
Description of project		
Target start date		
Target end date		
Section 3	Service objectives and outcomes	
Capital Programme Category (A-E)		
Project objectives		
Project benefits		
Key project outputs		
Project milestones	Milestones	Dates
State how this project links to the Corporate Plan		

Section 4	**Costs and Funding**

This section sets out the whole life cost of the Project, i.e. capital and revenue costs (if applicable).

Section 4a – Capital Costs	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000s	Total £000
Building						
Fees						
etc.						
Total						

Will the Capital Expenditure be incurred on a Council Asset?

4b Funding source	**Details**	£000s (split into financial year if applicable)
Capital receipt		
Grants – specify name		
S106		
Other		
Sub Total		
Balance of capital required (Total from 4a less 4b (sub total)		

Section 4c – Revenue costs/savings	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000s	Total £000
TBC						
Savings (if applicable)						
Total net spend/(saving)						

<table>
<tr><td>Section 5</td><td>VFM assessment – have alternative means of providing this output been considered, e.g. leasing of assets</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td>Section 6</td><td>Identify Project Risk and mitigation plan</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td>Section 7</td><td>Post implementation review (PIR) – to be completed within 6 months of project completion</td></tr>
<tr><td>Target end date</td><td></td></tr>
<tr><td>PIR completion date</td><td></td></tr>
<tr><td>Section 8</td><td>Self Assessed Score</td></tr>
<tr><td></td><td>
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<tr><td></td><td></td><td>Score</td></tr>
<tr><td>Box A (Max 30 Points)</td><td>Delivery of Corporate Objectives</td><td></td></tr>
<tr><td>Box B (Max 20 points)</td><td>Statutory or non statutory</td><td></td></tr>
<tr><td>Box C (Max 30 points)</td><td>External Funding Sources</td><td></td></tr>
<tr><td>Box D (Max 40 points)</td><td>Revenue Implications</td><td></td></tr>
<tr><td>Box E (Max 20 Points)</td><td>Risk Assessment</td><td></td></tr>
<tr><td>TOTAL</td><td></td><td></td></tr>
</table>
</td></tr>
<tr><td>Section 9</td><td>S151 Officer Approval</td></tr>
<tr><td colspan="2">Name: Date:

Signature:</td></tr>
</table>

To be completed by Finance

	Borrowing Costs £000s	Period	Cumulative Revenue consequences of borrowing in each year
Borrowing Required			
2019/20			
2020/21			
2021/22			
2022/23			
2023/24			

Please attach any relevant contextual information (for example, business cases, funding bids, customer consultation, photographs etc.).

General guidance on completion of the appraisal form

The project appraisal process seeks to ensure that all projects are appraised consistently and are deliverable. The following guidance should be referred to when completing the form.

General guidance – set out below are general pointers and questions that should be addressed when completing of the appraisal form.

- How does it contribute towards the council's aims and objectives?
- How does it meet members' priorities?
- Does the project form part of an adopted strategy or policy objective of the council?
- Are there clear objectives for the project?
- Will the project achieve value for money?
- Have avenues for alternative or match funding been explored?
- Is it appropriate to deliver this project in partnership with another agency?
- Have the revenue implications been assessed and a source of revenue funding identified where appropriate?
- Have milestones, project outputs and the method of monitoring been set and agreed?
- Are stakeholders involved in the review of targets and achievements?
- Have the regeneration implications of the project been assessed and appropriate corresponding outputs provided?
- Does the project contribute to raising the performance of the council in areas of weakness?

Specific notes to aid completion of the capital project bid appraisal form

Section 1 – Introduction
Project number
Allocated when the project is approved and added to the capital programme.

Section 3 – Service Objectives and Outcomes
Service Objectives and Outcomes
Identification of the performance and service outcomes which are expected and against which project can be evaluated including targets, milestones and indicators

Key project outputs
State what the outputs for the project will be. Try and be as specific as possible. This is particularly relevant where requests are being made for capital funding where there is no obvious output.

State how this links to the Corporate Plan
Please refer to the Corporate Priorities

Section 4 – Costs and Funding
The purpose of this section is to give a high level view of project costs and the funding sources.

Section 4a – set out the capital expenditure required and over which financial years.

Section 4b – please specify the funding source of the scheme. Please sub total. The balancing figure will then be the amount that the Council would need to borrow or identify other funding sources.

Section 4c – use this section to complete where there are revenue costs arising from the project. For example, if this is a new build, there will be revenue costs e.g. running costs for the building as well as operational costs for staff etc. Also, use this section if there is revenue savings associated with the scheme.

Section 5 – VFM assessment

Section 6 – Risks
Details of any know risks at the time of preparing the bid appraisal that could impact the achievement of the project.

Section 7 – Post Implementation Review
This is a requirement for all completed capital projects. You need to complete this within 6 months of the completion of the project.

Section 8- Self Assessed Scoring

Please score in accordance with the scoring criteria attached to this note

Capital Project – Post Implementation Review form
To be completed within 6 months of scheme end

Capital Project – Post Implementation Review (PIR)

Project name: Value: £
Budget book ref:
Division: PIR completed by:
Project sponsor: Position:
Cabinet approval date: Date prepared:

Brief project description: nb this should set the context for the lessons learned

	Original investment proposal/appraisal	Actual	Explanation for any variance (nb should include details of additional formal approval obtained)
Project Costs £000s:* Capital costs Revenue costs (e.g. running costs) Third party investment			
Financial Benefit £000s:* Return on investment Savings Income achieved Contribution achieved			
Non-financial Benefits:* Achievement Corporate objectives Efficiencies			
Timescales (milestones):* Project start date Project completion date			
Measureable Output* What asset has been created (enhanced) what spend has been achieved			
Lessons Learned - please include a contact name for lessons learned			
Other comments			

*Note – these fields can be tailored as appropriate

Approved by:
S151 Officer ……………………………………… **Date** ………………………

GUIDANCE NOTES – PROJECT APPRAISAL FORM
SCORING GUIDANCE

This scoring criteria guidance is to be read in conjunction with the project appraisal form. Advice is given below on the weight to which you may score each of the project appraisal question boxes. Having read these notes you should complete each box and place your personal assessment.

BOX A	**Delivery of Corporate Objectives**	**Maximum 30 points**

If your project is mentioned in the Corporate Plan or directly relevant to one or more of the three priority themes, you will score, whereas if your project is not covered by any Corporate Plan your score will be zero. For a high score your project will need to be related to more than one Corporate Plan themes i.e. you will score 10 points for each corporate priority.

BOX B	**Statutory or non-statutory**	**Maximum 20 points**

A maximum of 20 points are available for this criterion. A project, which has no legal or statutory duty, satisfies no public or staff, health and safety function or fails to maintain an important Council asset, would score zero. Examples of projects which would score would be maintaining a building roof score 10 points, complying with means of escape, fire regulations, new legislation, etc. score 20 points.

BOX C	**External Funding Sources**	**Maximum 30 points**

Scoring will be high where the project attracts or levers in significant financial aid. If levering in or external resources matches the Council's investment pound for pound, you will score 20 points and where levering in or resources exceeds pound for pound matching you may score higher on a pro rata basis. You may also score additional points for partnership schemes. If the project is funded entirely by external sources it will score 30 points. If the scheme evidence working in partnership but does not secure external funding it will score 5.

BOX D	**Revenue Implications**	**Maximum 40 points**

Projects must show a careful assessment of revenue costs/income to score a maximum of 10 points. If the project delivers revenue savings, score:
10 for £0k-£5k
20 for £5k-£25k
30 for £25k-£50k
40 for over £25k

Score zero if project results in increased costs.

BOX E	**Risk Assessment**	**Maximum 20 points**

A project with a risk assessment and linked to a business plan/team plan will score 10 points, if the project transfers all of the operating and financial risk to the private sector the project scores 20 points.