

CABINET

Capital Programme 2023/24 – 2032/33 & Capital Strategy (Investing in the Future) 6 February 2024

Report of Chief Finance Officer

PURPOSE OF REPORT					
To present Cabinet's final budget proposals in order that the Council can approve a General Fund Capital Programme for 2023/24 to 2028/29 and a Capital Strategy 2024/25 as required by regulation.					
Key Decision	X	Non-Key Decision		Referral from Cabinet Member	
Date of notice of forthcoming key decision				8 ^h December 2023	

RECOMMENDATION OF COUNCILLOR HAMILTON-COX

1. That Cabinet recommends the following for consideration and comment by Budget & Performance Panel:
 - the updated Capital Programme covering financial years 2023/24 to 2032/33
 - the Capital Strategy (Investing in the Future) 2024/25

1.0 INTRODUCTION

- 1.1 Capital investment, via the Council's reserves or borrowing, plays a key role in strategic projects and initiatives for the success of the Lancaster district, as well as transforming and optimising the Council's services to its residents.
- 1.2 The proposed Capital Programme and supporting Strategy, entitled '*Investing in the Future*' and contained at **Appendix B**, sets out the relevant context and a proposed framework to support the Council's approach to capital investment over the medium term.

2.0 CAPITAL PROGRAMME

- 2.1 The proposed net investment programme for General Fund for the period to 2032/33 is included at **Appendix A** and summarised in the table below.

	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Approved Schemes	6.209	6.470	9.266	1.916	1.757	2.481
Schemes Under Development	0	0.200	4.000	0	0	0
Total	6.209	6.697	13.266	1.916	1.757	2.481

		2029/30	2030/31	2031/32	2032/33 £M	Grand Total
Approved Schemes		5.866	0.481	0.329	0.207	35.009
Schemes Under Development		0	0	0	0	4.200
Total		5.866	0.481	0.329	0.207	39.209

- 2.2 The current year's net revised programme (2023/24) now stands at £6.209M. During the next 10 years, a further gross investment of £68.955M is currently planned with external funding of £29.746M anticipated to support this investment, giving a total net programme from 2023/24 to 2032/33 of £39.209M.
- 2.3 Schemes classified as Under Development have had strategic outline business cases approved in principle by the Cabinet but **cannot** commence until full business cases have been considered and approved, first by the Capital Assurance Group, and then by Cabinet.
- 2.4 Two of the schemes that are classified as Under Development are fully funded by external grant. The third scheme, Burrow Beck Solar will require significant capital expenditure and borrowing but the business case will have to show that income arising from the capital investment can cover all borrowing costs and deliver a positive return to the Council's revenue budget.
- 2.5 Overall the programme is balanced, allowing for a gross increase in the underlying need to borrow (known as the Capital Financing Requirement or CFR), over the five-year period to 2028/29. The Council makes a revenue provision for the repayment of borrowing known as Minimum Revenue Provision (MRP) which reduces the CFR.
- 2.6 In setting the capital programme the Council must have regard to affordability and the Treasury Management Strategy sets out through a series of prudential indicators the impact of the Council's Capital Programme on its borrowing to ensure that all borrowing is affordable, prudent and sustainable.

3.0 CAPITAL STRATEGY

- 3.1 The Council is required to adopt a Capital Strategy, and this is included as **Appendix B**. It is an overarching document which sets the policy framework for the development, management, and monitoring of capital investment. It incorporates the Capital Programme, Asset Management Plan and Treasury Management Strategy.
- 3.2 The strategy also sets out the proposed approach to risk management as well as the monitoring and evaluation of capital projects. Capital investment decisions will reflect the priorities included within the Council Plan: Strategic Priorities and supporting strategies
- Schemes to be added to the Capital Programme will be subject to a gateway process following completion of a capital bid which will be scored against criteria set to measure strategic, economic, financial, commercial and management criteria in accordance with the Treasury's 5 case model. These will be reviewed by a corporate Capital Assurance Group comprising key Officers alongside the Finance Portfolio Holder and Chairs of Budget and Performance Panel and Overview and Scrutiny Committee.
 - The Capital Assurance Group (CAG) will also oversee capital financing in order to ascertain that all capital expenditure is affordable, prudent, and sustainable as set out in the Treasury Management Strategy. CAG's terms of reference are provided at **Appendix C**
- 3.3 The Council recognises that it will play a pivotal role in key projects which will enable the district to thrive and grow. Further development of the Capital Programme may be needed over the next few years in order to properly encapsulate major economic development projects.

4.0 DETAILS OF CONSULTATION

- 4.1 Consultation has been undertaken with the Council's external Treasury Management Advisors, Link Group and in line with the Council's constitution Budget & Performance Panel will consider the strategy at its meeting 14 February 2024.

4.2 To assist Budget & Performance Panel in its scrutiny a training session will be held prior to the meeting, this will be open to all Members.

4.3 Cabinet will have the opportunity to consider any comments at its meeting 20th February where it will be asked to recommend the strategy to Full Council for approval at its accordance with the Constitution.

5.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

5.1 Cabinet may put forward alternative proposals or amendments to the proposed Strategy ahead of consideration by Budget & Performance Panel. For capital, Council may adjust its capital investment and financing proposals taking account of spending commitments and priorities, but its proposals for 2024/25 must balance.

5.2 Depending on the nature of any alternative proposals put forward, Officers may need time to assess the risks and implications. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision-making

6.0 OFFICER PREFERRED OPTION (AND COMMENTS)

6.1 To consider the Capital Programme and Strategy as attached and refer it to Budget and Performance Panel for review.

7.0 CONCLUSION

7.1 This report addresses the actions required to complete the budget setting process for its Capital Programme and Capital Strategy.

7.2 If Cabinet, or Budget Council changes its Capital Programme from that which is proposed in this report then this would require a change in the prudential indicators which are part of the Treasury Management Strategy.

RELATIONSHIP TO POLICY FRAMEWORK

The Council's revenue and capital budgets should represent, in financial terms what the Council is seeking to achieve through its Policy Framework.

The proposed capital programme and supporting strategy is part of the Council's budget and policy framework, and fits into the Medium Term Financial Strategy

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)

The proposed budget incorporates measures to address the climate emergency and digital improvements as well as activities to address wellbeing, health and community safety.

FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report. However, the proposed levels and areas of capital investments will require borrowing and other associated costs. Financial due diligence and assessment will ensure that all the appropriate costs are considered for each proposal.

S151 OFFICER COMMENTS

The s151 Officer has contributed to the writing of this report and Appendices.

However, he wished to draw Members attention to the following, the Council's Constitution (Part 3 Section 5 – Budget & Policy Framework), where either a new or existing plan/strategy/budget is being considered, the Overview and Scrutiny Committee or Budget and Performance Panel will have an opportunity to comment. If it considers it appropriate, Cabinet may then amend its proposals before submitting them to Council for consideration.

LEGAL IMPLICATIONS

The Council has the legal power to acquire, use and dispose of land principally under the Local Government Act 1972 and other Acts which give the Council powers to acquire land for a particular purpose. In accordance with section 120(1), Local Government Act 1972, the Council has the power to acquire any land where it is for the purposes of (a) any of its statutory functions or (b) for the benefit, improvement or development of its area.

If the Council decides to dispose of land, there is a legal requirement to obtain best value (with very limited exceptions).

Depending on the nature of the particular type of property concerned, there may be other statutory requirements or procedures to be undertaken before any acquisition, appropriation or disposal of land.

MONITORING OFFICER'S COMMENTS

Capital and Investment Strategies form part of the Budget Framework and their adoption is a function of Full Council.

BACKGROUND PAPERS

Appendix A Capital Programme 2023-24 to 2032-33
Appendix B Capital Strategy - Investing in the Future
Appendix C: CAG Terms of Reference

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