Appendix G

Breckland COUNCIL

FINAL Capital Strategy 2025/26 – 2034/35

1.0 INTRODUCTION

Breckland Council renews its Capital Strategy on an annual basis. This ensures a strategy that maintains a strong and current link to our Corporate Plan.

Our Corporate Plan priorities for the future are grouped around three key themes:

- Inspiring Communities
- Thriving Places
- Working Smarter 2035

This Strategy aims to drive the authority's capital investment ambition whilst ensuring capital expenditure, capital financing and treasury management are appropriately aligned and managed to support sustainable, long term delivery of services.

To conform with the updated Prudential Code for Capital Finance published by CIPFA at the end of 2021, this strategy now covers a ten-year period, on a rolling basis. Asset lives and the length of borrowing to fund their creation can be upwards of ten years and a longer-term strategy therefore enables a more complete assessment of the financial impact of capital decisions.

It includes the Council's approach to its policies and investment management practices for Treasury and non-Treasury investments.

The management and monitoring of the Treasury Management Policies and Prudential indicators (for both Treasury and non-Treasury investments) remains the responsibility of Full Council (via the Governance and Audit Committee).

The Strategy is set out as follows:

PART 2

2.0 CORE STRATEGY

This Core strategy explains how we will manage our capital resources to deliver our current and foreseeable capital programme. From 2025/26 to 2034/35 the Council will need to invest to advance the priorities stated within its corporate plan and will adopt a responsive and flexible approach to how it invests in services. In order to deliver the corporate plan priorities, we need to deliver efficiencies, seek additional funding and periodically review both the consumption of our capital resources and our stated priorities. We will ensure this happens through these 6 core principles:

Principle 1 – Managing the impact of investment decisions on our revenue budgets
We will do this by,
• Ensuring capital investment decisions do not place additional pressure on Council Tax or our Medium Term Financial Plan
• Promoting capital investment which allows either invest to save outcomes or generates revenue/capital income to support the objectives of the Council
• Setting a rolling 10 year capital programme annually and identify future risks/unfunded items to support longer term decision making/prioritisation
Principle 2 - Ensure decisions to invest are transparent and demonstrate the extent to which the capital invested is placed at risk including the impact of any potential losses on the financial sustainability of the Council is understood
• Maintaining a schedule of financial and non-financial investments
• Using Performance Indicators to ensure the proportionality of investments so that the Council does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
• Using Treasury Management Practices (TMP's) which specifically deal with how non treasury investments will be carried out and managed
• Ensuring that due diligence has been carried out on all non-financial investments and is in accordance with the risk appetite of the authority
Principle 3 – Optimise the availability of capital funding where that funding supports the priorities of Breckland Council
• Disposal of surplus or poorly performing assets & reinvesting the proceeds
• Having effective working relationships with potential funders
• Listening to and supporting effective partnering arrangements
• Accessing external funding wherever possible
Principle 4 – Ensure we have an effective approval process and pre/post project appraisal
• Ensuring a system of competition exists for project approval – bid forms
• Due diligence in project appraisal, fully considering project risk
• Robust financial evaluation, carefully considering Value For Money (VFM) and Efficiency of every project and outcomes
• Ensuring our capital schemes use appropriate project management tools appropriate to the project's size
• Managing major projects with the input of the Corporate Projects Team
Principle 5 – Ensure that our capital investments are as sustainable as possible
• Assessing the environmental impacts of each capital bid
• Establish appropriate measures to mitigate environmental impacts
• Taking expert advice on environmental impacts as appropriate
Principle 6 – Ensure effective performance reporting and management of capital programme
• Reporting on the capital programme via monthly monitoring and quarterly Cabinet reporting
• Ensuring oversight of corporate projects by the Programme Board
• Ensuring responsibility for the delivery of the capital programme is clearly defined and the relevant parties have adequate expertise

PART 3

3.0 STRATEGIC CONTEXT

3.1 Aims of the Capital Strategy

The aim of this strategy is to ensure delivery of the Council's core functions and the Corporate Plan Priorities.

Specific aims are to ensure:

- Physical assets and related resources are efficiently and effectively used to support the Breckland Council Corporate Plan.
- Issues related to property and other assets are fully reflected in the Council's planning, specifically adequate funds for maintenance are available.
- The strategy itself is a useful tool to assist stakeholders' understanding of the Council's decision-making process and project management of its capital investments;
- Adequate provision is made for delivering corporate priorities and demonstrated through effective resource allocation;
- Invest to save and invest to earn projects and projects which generate an ongoing revenue return or economic benefits are encouraged;
- The Council works within the prudential code framework and demonstrates robust and linked capital and treasury management;
- Review of the asset management plans to identify surplus or poor performing assets which can move through a disposal process to generate new capital resources;
- Capital spending plans are affordable and integrated with the Medium-Term Financial Plan (MTFP);
- Inward investment into the district is encouraged and innovative approaches to investment such as partnerships with the Private Sector, collaborative arrangements with other Local Authorities and creation of new delivery vehicles:
- Resources are managed to meet our short, medium and longer term Corporate priorities.

3.2 Strategic Links

This strategy is a high-level summary of Breckland Council's approach to capital investment. It guides the development of service capital plans and sets out the policies and practices that the authority uses to establish monitor and manage the Council's capital programme, in line with the MTFP.

The priorities in the corporate plan provide the backdrop to the MTFP which in turn ensures all new resources, be it revenue or capital, are allocated through the principles on which it is based.

This strategy is linked to a number of corporate strategies and initiatives, underpinned by the Breckland Council Corporate Plan. The key strategies and initiatives impacting on capital are:

- Property Strategy (part 4 of this strategy)
- Risk Management Policy (part 7 of this strategy)
- Treasury Management and Investment Strategy
- Medium Term Financial Plan (MTFP)
- IT & Digital Strategy
- Housing Strategy

3.3 IT & Digital Strategy

The IT & Digital Strategy sets out a roadmap of internal projects and service delivery activity to create a robust digital environment where our people can be informed, supported and empowered. The strategic planning and rationalisation of IT & Digital resources promote cost-effective solutions, potentially leading to savings and more efficient allocation of the budget. Funding is allocated for the strategy in the capital programme. Investment in IT & Digital can transform the way that Council services are designed and delivered and plays a fundamental role in agile working, improving efficiency and reducing cost across the Council.

3.5 Housing

This capital strategy can support the housing needs of the Council, stimulating good quality new build housing and enabling delivery of affordable housing and temporary accommodation. It will enable the Housing Strategy to be delivered. The Housing Assistance Policy provides access to grants for vulnerable residents funded by Disabled Facilities Grants from the Better Care Fund. Section 106 affordable Housing Contributions will also be applied to support the council's housing ambitions.

PART 4

4.0 NON-TREASURY INVESTMENTS

4.1 Property Strategy

4.2 The Property Strategy is a high-level summary of the Council's overall approach to the strategic management of its land and building assets. It is linked to the vision and priorities of the Council to provide a policy direction for the effective and efficient use of the Council's assets for the benefit of its residents. The Council's mission for the use of its property assets is:

To optimise the Council's property estate to ensure it is safe to use, sustainable, financially efficient and effectively fit for purpose, in order to enable excellent service delivery for the Council as a whole.

4.3 The management of Investment assets and Operational assets (other than Leisure and Housing) sit within the Property function. For the investment asset portfolio, an assessment of the level of maintenance required for the properties has been made and this assessment will feature in both capital and revenue budgets, as it is important that the quality of the stock is maintained in order to sustain performance. The income generated by the Commercial Property Account supports other spending in the district and helps to keep the council tax low.

4.4 The Authority continually seeks to identify assets that are surplus and to undertake disposals accordingly. This not only generates a capital receipt, but also reduces maintenance costs and liabilities. As a principle we will review and dispose of underutilised or poorly performing assets and ensure that the top performing assets are adequately maintained. Assets that fail to meet the required yield will be marketed for disposal, so that the capital receipt can be used to support the capital programme.

4.5 Breckland Bridge Ltd undertakes development of the Council's land and property assets to improve housing, accelerate regeneration and generate an enhanced return on surplus cash. For each project, subject to agreement, the Council will provide a shareholder loan which will earn interest at market rates, supporting the Council's revenue budget. The Council may also provide a land purchase loan and an additional construction loan, subject to agreement.

4.6 The table below provides the gross book values of the Council's Assets including those assets which are held primarily for financial return (non-Treasury investments).

Table 1 – Breckland Council's Fixed Assets

Asset Type	Valuation		
	£'000s 2024	£'000s 2023	£'000s 2022
Community	290	243	243
Heritage	433	337	337
Infrastructure	2,428	2,358	2,284
Investment	33,768	34,639	34,099
Intangible	658	605	790
Property Plant & Equipment	50,577	46,456	44,196
Assets Held for Sale	1,894	18	18
Finance leases	9,803	10,051	10,028
Total	**99,851**	**94,707**	**91,995**

This table sets out the gross value of assets by category as at 31st March for the last 3 years. The value of the finance leases is the outstanding sum as at 31st March.

4.7 The Council will pay due consideration to the fact that making Commercial Investments (i.e. investments that are made primarily for yield and/or capital appreciation) would mean it could not access borrowing for capital expenditure under the revised Prudential Code for Capital Finance. If seeking to make Commercial Investments, the Council will ensure the same robust procedures for the consideration of risk and return are applied as for Treasury Investments.

4.8 In respect of security of investment, the Council will use its “scoring matrix and checklist for investment” as an indicator of whether to pursue a commercial investment and then undertake further due diligence if appropriate. Whilst yield is a determining factor, due consideration will be given to the risks relating to:

1. failure to create income/exposure to market changes
2. covenant strength/possibility of arrears
3. ongoing management/maintenance of the asset
4. lease arrangements
5. exposure in one sector
6. exposure to one/few tenants
7. exposure to one locality

On an ongoing basis, following purchase of an asset, risks will be monitored. Risks 1-4 above are operational risks currently reported on through the Council’s performance reporting system. (as detailed at 4.11). Risks 5 -7 are reported on the Council’s performance system as operational risks. If risks are red for two quarters, they will get flagged and potentially be raised as strategic risks.

The risks are defined and measured as follows:

Exposure in one sector – market information will be monitored and an assessment made as to whether that impacts at a local level. Information will include local and national sector forecasts, investment activity and yields from professional journals/agents.

Exposure to one/few tenants – 10% of the Councils rental income equates to approximately £300k. If one tenant equates to 10% or more of the rental income stream, then we will review the investment decision and existing tenants will be kept under review in respect of this threshold.

Exposure to locality – The Council’s Commercial investment strategy focuses investment in the Breckland District but market information will be monitored and an assessment made as to whether that impacts at a local level. Information will include local and national sector forecasts, investment activity and yields from professional journals/agents.

Liquidity of investments is considered at 4.10 below as part of the wider issue of proportionality.

The Performance Indicators (PIs) are monitored by the Performance Board. Key Performance Indicators are reported to Overview and Scrutiny Commission on a quarterly basis where Members are provided with more context to support the improvement of performance.

4.9 All bids for funding including non-financial investments will be appraised in line with the project evaluation criteria set out in section 6 and significant projects will adopt the Council’s risk management framework and use the risk scoring matrix to assess risk.

4.10 In respect of commercial investments, indicators are included in the Treasury Management strategy to monitor the extent to which the Council relies on commercial and service investments and income generating activity to achieve a balanced budget (proportionality indicator). Proportionality in this sense describes the size and risk of commercial activities with regards to the Council's operating and reserves activities. Should the Council undertake any borrowing, its maximum exposure to borrowing costs (i.e. interest costs) will not exceed £500,000 per year for all areas (excluding the existing PFI scheme).

4.11 The Council recognises the importance of managing the performance of its assets and the Property Strategy features performance targets which are reported on the Council's performance management system. Targets are monitored quarterly by Cabinet and are reviewed annually to ensure that they are still fit for purpose.

PART 5

5.0 CAPITAL RESOURCES AND FINANCING

5.1 Capital Resources

The Local Government Act 2003, which includes the legislation for the capital finance system, does not specify what precisely constitutes capital expenditure. Instead it:

- Refers to "expenditure of the authority which falls to be capitalised in accordance with proper practices".
- Enables the Secretary of State to prescribe by regulation which local authority expenditure shall be treated as capital expenditure and which shall not be treated as capital expenditure (SI 3146 as amended).
- Enables the Secretary of State to prescribe by regulation that the spending of a particular local authority shall, or shall not, be treated as capital expenditure.

The Council will set a de-minimis limit of £20,000 for expenditure to be considered for capitalisation providing it meets the criteria for capitalisation as per the capital regulations (SI 3146) and the CIPFA Accounting Code.

Regulations state that expenditure on repair and maintenance which does not increase the life, value or extent of use of an asset is not deemed as capital expenditure. The de-minimis is not applicable to capital grants which may be of any value and are made as a contribution to a larger capital scheme. The Council sometimes receives directives that grant contributions are to be applied as Capital expenditure. Should such directives be received, the Council will treat the grant as capital expenditure if the spend is deemed to meet grant conditions. From time to time the Council needs to buy vehicles and equipment and a de-minimis of £10,000 is applicable to vehicles and equipment. The de-minimis for vehicles and equipment is being reviewed, but will be subject to discussion with audit and agreement from the Governance and Audit Committee.

Appendix A, Table 1 sets out the position of the Capital Financing Requirement (CFR), adjusted for expected capital programme spend and forecast sources of funding as at January 2025

There is an underlying need to borrow as shown in Appendix A Table 1 and internal borrowing will be utilised. Whilst the CFR is positive, borrowing will be repaid through Minimum Revenue Provision (MRP) on waste contract expenditure. Additional MRP will be set aside for new assets funded from internal borrowing. Some of these assets have a long life (up to 50 years) and since MRP is calculated in relation to asset life, it means that the CFR will remain positive over the majority of the ten years of the capital programme.

Further borrowing will only take place after full consideration of the need for and the implications of such borrowing. Table 1 represents the Council's spending ambitions, but release of funding is subject to approval of the capital programme. The scope for additional new investment is limited in the short term unless additional capital receipts or funding are generated, or external borrowing takes place.

The Council supports the principle of lending to Breckland Bridge Ltd or a separate entity which will create a funding need by the Council to ensure funding for projects is delivered in the most cost-effective way and will consider any requests on an individual basis. Appendix A Table 1 includes capital loans to Breckland Bridge Ltd and repayment of those loans within the 10-year capital programme. Appendix A Table 2 shows the CFR position excluding these loans. Table 1 indicates that the CFR will be positive in 2024-25 then negative in 2025-26, but will then turn positive. Excluding capital loans, Table 2 shows that the CFR will be negative in both 2024-25 and 2025-26. Although the Council could choose not to set aside MRP for 2024-25 and 2025-26, a prudent approach has been taken and Voluntary Revenue Provision has been made in the budget for both years (covering waste and new assets and leases). Beyond this, additional MRP has been set aside in subsequent years for new assets within the capital programme. The effect of this is to bring the CFR back to a negative position by 2032-33. The CFR turns positive again in the final year of the planning period due to the need to replace waste vehicles.

The CFR will be monitored closely to ensure future capital expenditure remains affordable, prudent and sustainable. The opening and closing balances include adjustments for PFI and Finance Leases which effectively reduce the available capital resources until such time as principal payments are received. Any future decision on borrowing for capital projects would only be supported if the business case for the projects does not place additional cost pressure on the taxpayer through the council tax charge. The council would not undertake any un-supported borrowing whilst it still has reasonable capital receipt resources available. However, regulations require the Council to approve its 'Prudential Indicators' at least annually.

5.2 Capital Receipts

The forward availability of capital receipts is an important part in both the timing and scope of the capital programme. The Council is looking to manage its assets in such a way as to obtain best value and is looking at innovative ways of creating income such as Breckland Bridge Ltd where the Council is working with the private sector to manage and deliver increased investment and receipts. Surplus assets are reviewed for potential disposal as part of the Council's Property Strategy (see section 4) with re-investment in better performing assets.

5.3 Section 106 – Planning obligations

When the Council adopts land for open space or play area the developer pays a commuted sum under a 'section 106 agreement'. This is held on the balance sheet and the principle is that the interest earned offsets the future maintenance costs of the recreation asset. The Council also seeks to secure the provision of infrastructure and facilities to mitigate the effects of development through section 106 agreements.

5.4 External Grants and Contributions

The partnership approach to service delivery is a core belief of the Council. Through its services, partnership working, supportive funding and innovation, the Council will seek to attract investment into the District. We seek to maximise external funding to support our programme. This tends to be for specific purposes. Working with public and private sector partners we are able to make better use of Council money. Central government funding is likely to be constrained as capital for existing and new programmes continues to be reduced or other areas are prioritised for "Levelling Up".

5.5 Revenue contributions

The Council's budget and MTFP sets out the approach to the allocation of reserve balances and this Council's approach to managing its surplus cash. The budget makes provision for annual revenue contributions in support of some capital expenditure. Where applicable specific contributions are identified from reserves or revenue contributions from specific services (such as ICT). For newly acquired buildings, a revenue contribution is set aside into a Sinking Fund to finance future capital expenditure on the property.

5.6 Balances and Reserves

Breckland council continues to hold a level of specific reserves. This reflects the robust financial management and policy decisions made in recent years and enables internal borrowing and cash flow to be managed. However, reserves are mostly earmarked for specific projects, limiting funding for new initiatives.

PART 6

6.0 Framework for managing and monitoring performance

Following approval of a capital project (as set out in section 2), there are several functions associated with the management of the approved Capital Programme:-

- Allocation of capital funding
- Monitoring and reporting of delivery of the capital programme

Allocation of Capital Funding involves these functions:

- The assessment of the available funding resources
- Assessment of proposed schemes and business cases
- Prioritisation of schemes
- Recommendations of approval of schemes within the programme
- Approval of change control to Capital schemes where this changes funding requirements

These functions will be undertaken by the Corporate Management Team, Cabinet and Council. In summary the capital budget is agreed annually along with any revenue implications, which are factored into revenue planning. The budget is set in accordance with the timetable laid out in the Medium-Term Financial Plan. The programme is approved by Council in February to allow schemes to commence during the following year. A Bidding Form is used for all capital projects to enable funding to be allocated to projects.

Release of funding will not require further approval unless the Constitution requires it. Project Officers are expected to accurately report progress on their allocated capital funding and spend via the monthly Capital Financial Performance Report (FPR) which will be reviewed by the relevant governance boards. The FPR should detail any issues arising that may affect delivery of the project as anticipated when funding was allocated.

Monitoring and reporting of progress of the delivery of Capital Programme involves these tasks:

- Regular review of project progress and forecasting including achievement of key milestones, outputs and outcomes with post project reviews taking place depending on the scale of the project.
- Management of risks and issues
- Removal of barriers to delivery
- Approval of any changes to schemes not requiring funding changes
- Reporting on required funding changes
- Post implementation review taking account of any corporate learning opportunities

These tasks will be monitored and reported in the Capital Financial Performance Report.

Budgets for individual schemes are assigned to lead officers who are responsible for delivering the project on time and to budget. The lead officers are responsible for managing capital projects, including capital bid forms, risk assessment, checking parameters, PID's, procurement, contract management, and post implementation reviews. The Corporate Projects Team will provide project management support to major projects that are corporately significant and report on progress to the Programme Board and Performance Board.

Progressing schemes in accordance with agreed timescales is an important aspect to managing the capital programme. Costs incurred compared to budget are monitored regularly in line with revenue budgetary control.

Financial progress against the capital programme is reported to Cabinet on a quarterly basis as a minimum and more often as required. This allows a continuous cycle of monitoring and forecasting. The bidding round will be conducted annually so that every year the ten-year programme is reviewed and refined and reflects the latest corporate priorities.

Project Evaluation

All capital projects need to be appraised according to existing project management guidance to inform the decision-making process. Options appraisals are also required to ensure value for money in achieving the project objectives and realising benefits. Matters to be considered within the capital bidding process are:

- Council Objective/Priority
- Whole life cost of the proposal including the revenue effects *
- Affordability and source of funding
- Partnership involvement
- Options appraisal
- Risks
- Improvements in service delivery
- Customer facing outcomes
- Environmental impacts and mitigations
- Other benefits and success criteria
- Efficiencies and ongoing returns/capital receipts
- In principle support from the Director and Portfolio Holder
- Exit strategy and future capital costs
- Timescales

*Whole Life Costing (WLC) is defined in ISO Standard 15686-5. WLC shifts the emphasis of capital appraisal from comparing alternative construction/acquisition costs to a Value for Money approach by reviewing comparative costs over the life of the scheme. WLC will not always be appropriate for all prescribed aspects of the Council's capital programme.

Project evaluation should include the following activities:

- Feasibility
- Appraisal (to include report, financial appraisal, risk appraisal)
- Budget
- Monitoring and review
- Outturn

This will ensure that any capital scheme that feeds into the programme will comply with the principles of the Prudential Code:

- Affordability
- Sustainability
- Prudence

The Scoring Matrix and checklist for investment also takes account of CIPFA's Prudential Property Investment Guidance 2019

PART 7

7.0 RISK

The Council is faced with diminishing capital finance and reduced grants which means the Council will need to monitor spend against available funds carefully to ensure that it does not spend or commit in advance of receiving funding. The Capital Financing Requirement (CFR) will need to be monitored carefully. Risk is therefore addressed throughout this strategy by setting out clearly how projects will be appraised, approved, monitored and reported on. The strategy is closely aligned to the Medium Term Financial Plan and the Treasury Management Strategy which contains key performance indicators.

Significant capital projects will be managed through the council's performance system if appropriate. All risks that may affect a project are considered. These can include political, economic, legal, technological, environmental and reputational as well as financial. Large projects will use appropriate project management tools in accordance with the size of the project.

Emerging legislation may add further pressure to available finance and this will be reviewed to ensure any further cost pressures are identified.

Disinvestment initiatives will be followed through to ensure they perform as expected and as the Council diversifies its capital investment into areas such as loans to Breckland Bridge Ltd, exposure to non-repayment will be carefully managed through the contract management arrangements in place.

A specific risk as a VAT registered body is the recovery of exempt VAT only up to a value of 5% of all the VAT it incurs. This is known as the de-minimis limit. Monitoring and control of exempt input tax is essential for the council as where exempt input tax exceeds the 5% limit the whole amount is irrecoverable and will represent an additional cost to the council. Each capital investment will be closely reviewed to assess its VAT implications.

7.1 <u>Sustainability</u>

Breckland Council declared a climate emergency in September 2019 and subsequently agreed its Breckland 2035 Sustainability Strategy in February 2021. The strategy has three key pillars which are: -

- Reducing our own impact as an organisation on the environment;
- Using our regulatory powers and resources to influence behavioural change and drive positive changes around the environment;
- Enabling our communities to take action for themselves.

The council has declared its commitment to be net zero as an organisation by 2035. All capital projects are now required to assess their environmental impacts and to identify suitable mitigation measures to address those impacts.

The council wants to be explicit in its intent to affect positive behavioural change and lead by example. Therefore, unless there is no other practical option the Council will not use carbon offsetting activities to reduce its carbon footprint. On the very limited occasion that it does this, it will be a temporary measure to enable the council to have time or to secure resources to address the fundamental issues affecting emissions.

7.2 Procurement

The purchase of capital assets should be conducted in accordance with the Procurement Strategy, ensuring value for money, legality and sustainability at all times. Contract standing orders and rules governing the disposal or write-off of assets are contained in the Constitution which is continuously reviewed.
Where capital spend involves a specific procurement process which differs from the standard process, we will adopt the principle that by approving the capital project we are also approving the specific procurement process.

7.4 Value for Money

The Council recognises that effective procurement lies at the heart of delivering value for money and is essential if the Council is to obtain real improvements to quality and service costs. The Council seeks to achieve value for money by applying rigorous procurement standards in the selection of suppliers and contractors, to ensure efficiency, economy and effectiveness are received throughout the life of a contract. The significant resources applied to capital expenditure require the adopted principles of value for money to be at the heart of our capital strategy. Specifically, we look to include robust outcome indicators as part of post project reviews.

7.5 Disposals

Any proceeds from the disposal of assets, such as land in excess of £20,000 are determined to be a ‘capital receipt’. The policy to sell small pockets of land often brings in income of less than £20,000. This income is classed as ‘revenue income’ and is posted to the revenue income and expenditure account.

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Appendix A Summary of Estimated Capital Resources*

Table 1

Capital Financing requirement	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Capital resources available @ beginning of year	3,680	702	(752)	5,207	2,833	4,674	3,183	2,749	1,069	(578)	(134)
Movement (Spend less funding & receipts)	(2,978)	(1,454)	5,959	(2,374)	1,841	(1,491)	(435)	(1,680)	(1,646)	444	4,416
CFR	**702**	**(752)**	**5,207**	**2,833**	**4,674**	**3,183**	**2,749**	**1,069**	**(578)**	**(134)**	**4,282**

Table 2

Capital Financing requirement excluding Capital Loans	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Capital resources available @ beginning of year	2,356	(3,040)	(841)	5,207	2,833	4,674	3,183	2,749	1,069	(578)	(134)
Movement (Spend less funding & receipts) Excluding Capital Loans	(5,396)	2,199	6,048	(2,374)	1,841	(1,491)	(435)	(1,680)	(1,646)	444	4,416
CFR excluding Capital Loans to Breckland Bridge (Out and In)	**(3,040)**	**(841)**	**5,207**	**2,833**	**4,674**	**3,183**	**2,749**	**1,069**	**(578)**	**(134)**	**4,282**

* based on assumed levels of activity at January 2025. Positive CFR indicates a borrowing requirement, Negative CFR indicates a “surplus”

Appendix B

Non-Financial Investments Strategy

Background

This Strategy has been developed to provide additional guidance to the Council when making decisions about non-financial investments, since this has been a particular focus of regulatory and government guidance in recent years. The strategy was approved by Full Council in February 2024. The approved strategy is appended to the Capital Strategy, since it concerns decisions that will impact the Capital Strategy.

Investment provides a wide opportunity for the Council to invest in key strategic projects to support the delivery of the Council's priorities.

The Council holds a number of different investments which can be classified into two main categories:

- Investments held for treasury management purposes; and
- Other investments; historically, these have been predominantly commercial properties.

Treasury Management

The Council's Treasury Management Policy and Strategy determines where we can invest our cash balances. This is scrutinised by Governance and Audit Committee and approved by Full Council on an annual basis (and can be amended in year). The Treasury Management Policy and Strategy follows the CIPFA (Chartered Institute of Public Finance and Accountancy) Prudential Code.

The CIPFA Prudential Code states that:

> *The Local Authority shall ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt (including through MRP or loans fund repayments) and consideration of risk and the impact, and potential impact, on the authority's overall fiscal sustainability.*
>
> And:
> *In order to comply with the Prudential Code, an authority must not borrow to invest primarily for financial return.*

All investments made follow the Prudential Code.

Other Investments

The Council has an extensive portfolio of investment properties. These are properties which are held purely for their capital value and the rental income they generate. They are not used to deliver services.

Long term loans are made to companies, such as Breckland Bridge, in which the Council has an ownership stake.

Issues and Risks

The current issues and risks for the Council include:

1. As reserves and balances become more constrained, options are more limited in terms of investments, especially when repayment of external debt is taken into account. In this context, where and how should the council continue to invest its remaining reserves and in what circumstances would the taking of external debt be acceptable, are key considerations.

2. How much of remaining balances should be used for different purposes (such as those outlined above) or set aside for future opportunities/potential liabilities.

3. There will always be some risk within the investment asset portfolio in terms of the security of rental income and the impact on council finances should income not be achieved for any reason. The Council will undertake diversification of the portfolio to help mitigate this.

4. Our existing investment asset portfolio is subject to regular review, however the impact on revenue income needs to be managed when there are timing issues between disposal and acquisition as these could be substantial and short-term reserve funding has been allocated to address this.

This strategy seeks to address these risks by providing an adopted position and guiding principles for the Council to follow.

Investment Principles

All investments the Council makes will contribute to delivery of the Council's corporate objectives as defined in its Corporate Plan.

The Council can invest in 'commercial' assets for the purpose of delivering on one or more of the corporate plan themes and also using the income from these assets to fund services and projects.

The contribution of the Council's 'commercial' investments to the corporate objectives does not have to be direct, i.e., rental income from the commercial property portfolio can protect and support all services (non-ring fenced).

The priority for investments in assets will be within the Breckland local authority area, but we will consider wider than the Breckland area on an exception basis.

External borrowing will only be undertaken where the business case demonstrates the costs of interest and MRP (Minimum Revenue Provision) can be covered by the revenue return or ongoing revenue budgets. The length of any external borrowing will not be longer than the life of the investment asset.

A full awareness and reporting of the overall debt levels will be made clear before undertaking any new borrowing. All investments will follow the CIPFA Prudential Code.

Investments can be made for the following principal reasons: -

1. To generate income which is used to protect and support services;
2. To support the Council's Future Breckland ambitions;
3. To create new opportunities for local business or increase the business rates base;
4. To respond to local market failure or identified community need;
5. To support regeneration or growth (linked to Future Breckland and/or the local Plan).

For 1. Security and yield are the underlying objectives of all investments.

For 2. through 5. The security and yield of investment remains key but needs to considered alongside the wider place-based benefit of investment.

Other balances are held as a prudent protection against future events, which may occur, for example the Revenues and Benefits reserve holds balances to protect the Council if business rates were to drop below the 'Safety Net' level. These balances can be invested on a temporary basis in line with the Treasury Management Policy and Strategy (for example; internal borrowing for capital spend) however they should not be permanently committed as they may become required if the potential event occurs.

Monitoring

This Strategy will be managed and reviewed every three years. However, it will be reviewed sooner if external changes occur, a weakness in the policy is highlighted, in the case of new risks, and/or changes in legislation.

Related Policies and Strategies

This strategy links to the following policies or strategies:

- Capital Strategy, inc. the scoring matrix/checklist for commercial property investment (this document)
- Treasury Management Policy and Strategy
- Property Strategy
- Future Breckland - Town Delivery Plans
- Future Breckland - Breckland Prospectus
- Medium Term Financial Plan
- Corporate Plan

The table below details our current investments and the priorities they contribute to.

			Contribution				
	Value at 31.03.2024	**Funded By**	**Yield**	**Budget support**	**Inspiring Communities**	**Working Smarter 2035**	**Thriving places**
Non-Financial Investments							
Commercial property portfolio	£33,768k	Capital receipts	✓	✓			✓
Riversdale, Thetford	£387k	Capital receipts					✓
Elizabeth House, Dereham	£2,627k	Capital receipts	✓	✓		✓	
Breckland House, Thetford	£2,100k	Capital receipts	✓	✓	✓	✓	
Riverside Complex, Thetford	£6,814k	Capital receipts	✓	✓			✓
Temporary Accommodation houses	£4,760k	Balances			✓		
Elm House temporary accommodation	£2,283k	Capital receipts, reserves, S106			✓		
Homeless Hostels	£3,048k	Capital receipts			✓		
Shared equity housing	£346k	In lieu of S106			✓		✓
Leisure Centres	£16,860k	PFI			✓	✓	✓
Community Centres	£135k	Capital receipts			✓		✓
Infrastructure assets	£1,711k	Capital receipts				✓	✓
Car parks	£4,653k	Capital receipts					✓
Loans							
Breckland Bridge working capital	£464k	Balances					✓
Breckland Homes Colkirk	£1,965k	Balances	✓	✓			✓
Breckland Homes Litcham	£63k	Balances	✓	✓			✓
Breckland Homes Shipdham	£84k	Balances	✓	✓			✓
Breckland Homes Banham	£9k	Balances	✓	✓			✓