Capital and Investment Strategy 2023/24 to 2025/26

Contents

1. Introduction

1.1 This Strategy gives a high-level overview of how capital expenditure, capital financing, treasury management and investment activity contribute to the provision of local public services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.

2. Governance arrangements for capital investment

2.1 The Authority's overarching objective is set out in the statement *"Together We Make Life Safer."* The Medium Term Financial Plan (MTFP) is the financial plan to support the Authority in achieving its objectives and ensures that it continues to invest wisely in existing assets and the delivery of a programme of new ones in line with overall priorities and need. The MTFP is closely aligned to the development of the Authority's priorities to meet its Safety Plan objectives.

2.2 Governance arrangements for capital expenditure are set out in detail within the Authority's financial regulations. This includes a requirement for a capital programme to be prepared each year for consideration by Members including details of all schemes showing the phasing of costs and method of funding as well as an estimate of the revenue implications for the scheme. Any potential scheme with projected costs in excess of £1m to be formally appraised and a report submitted to the Authority for approval before any expenditure can be committed.

2.3 Capital investment priorities are kept under review by the Executive Group, chaired by the Chief Fire Officer. The majority of the Authority's capital investment is in its estate and fleet, both of which fall under the remit of the Director of Corporate Services, who is a member of the Executive Group, as is the Chief Financial Officer.

2.4 The estates capital programme includes significant investment through the Station Investment Programme (SIP). The Director of Corporate Services utilises project boards for the individual projects within the Station Investment Programme (SIP) as well as an overarching SIP programme board to manage the programme and associated risks. These boards include representatives from the finance team to ensure operational and financial aspects of the programme remain closely aligned.

2.5 Risk management is an integral part of determining and delivering a capital programme. Given the impact of high inflation alongside wider economic uncertainty within the UK a specific risk relating to pay and price inflation was added to the organisational risk register during 2022. Progress in mitigating this risk is reported to the Standards & Governance Committee. To help to mitigate risk, the February 2023 budget setting paper proposes that the Authority introduces a new Capital and Investment Risk Reserve. The Authority also reviewed and amended its capital programme plans during 2022 to ensure service delivery objectives could be met whilst also acting in a financially sustainable way.

2.6 The Authority has set a target to reach net zero carbon emissions by 2050 which will require sustained investment to reduce the organisation's impact on the environment. This is driven by several factors: the Government Climate Change Act; the increase in energy prices; and a need to reduce the future consequences of inaction, since the Service acts as a first responder to events such as flooding and storms, both impacted by changes in climate.

2.7 The Authority approved the Carbon Reduction Pathway in 2021, with a subsequent update provided to the Authority in December 2022 when additional funding was approved, primarily to focus on efficiency upgrades to buildings over a five-year period.

3. Capital expenditure, capital financing and asset management

3.1 Capital expenditure is spending by the Authority on assets that will be used for more than one year, such as land, property, or vehicles. In local government this includes relevant spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy or enhance assets.

3.2 The Authority considers estimates for the timing of capital expenditure and the availability of financial resources when determining the capital programme.

3.3 There are a number of ways that capital expenditure can be funded:

- Funding can be sought from **external sources**, such as capital grants and contributions from other bodies, including developers. The opportunities for the Authority here are limited and it receives no capital funding from central government. The Authority will continue to explore opportunities as they arise, for example grants that may be available to support the carbon reduction pathway.
- **Capital receipts** secured through the sale of assets owned by the Authority can also be used to fund expenditure, although opportunities here are limited and any asset can only be sold once.
- The Authority's capital programme is therefore almost entirely funded through its own **local resources**, comprising prudential borrowing, contributions from the revenue budget, and the use of reserves. **Reserves** can only be spent once, and **prudential borrowing** creates a future pressure on the revenue budget through interest and repayment of principal (Minimum Revenue Provision) costs. Similarly, pressures on the revenue budget limit the extent to which **planned revenue contributions** can be used as a source of funding.

Capital expenditure

3.4 Table 1 provides details of the Authority's capital programme and the estimated expenditure flows. This is one of the required Prudential Indicators.

Table 1: Capital programme forecast expenditure flows (Prudential Indicator 1)

	2022/23	**2023/24**	**2024/25**	**2025/26**	**Future years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Forecast Expenditure	18,705	35,660	22,359	6,845	2,854	86,423

3.5 The most significant elements of the Authority's capital programme related to the Station Investment Programme, other developments to the estate (including the application of retrospective design principles and actions related to the carbon reduction pathway) and the investment in vehicles. Further details can be found in Appendix C.

Capital financing

3.6 All capital expenditure must be financed, either from external sources, the Authority's own resources, or debt. Debt is only a temporary source of funding and is replaced over time by other financing, usually from revenue through annual Minimum Revenue Provision (MRP) charges. External debt will also incur interest costs. The Authority's borrowing strategy is summarised in Section 6 and forms part of its Treasury Management Strategy.

3.7 The resources to fund the capital expenditure flows set out in Table 1 are shown in Table 2.

Table 2 - Resources to Fund Capital Expenditure

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Future years £'000
Prudential borrowing	6,749	19,269	9,566	1,241	0
Capital receipts	34	0	0	0	0
Contributions from other bodies	40	0	0	0	0
Use of capital payments reserve	11,882	16,391	12,793	5,604	2,854
Total resources	**18,705**	**35,660**	**22,359**	**6,845**	**2,854**

3.8 In addition to the draws from the capital payments reserve for capital expenditure shown in Table 2, further draws are forecast to fund major revenue investments in 2022/23 (£1.096m) and 2023/24 (£0.221m). This is appropriate because the original source of funding for the capital payments reserve was revenue resources.

Asset management and disposal

3.9 Asset management for the Authority's estate is conducted by the Property and Facilities team within the Corporate Services directorate.

3.10 The Asset Management Policy was presented to the Authority in July 2022. The Authority is required to discharge its responsibilities to safeguard public funds by correctly managing the lifecycle of assets under its stewardship. The policy sets out a whole life, whole asset approach to achieving this responsibility.

3.11 The policy also ensures that the Authority meets its legal requirements under the Fire and Rescue Services Act 2004 and Civil Contingencies Act 2004 to secure the provision of services and equipment necessary to meet all normal service delivery requirements.

3.12 The policy is reviewed on an annual basis to ensure it remains accurate and up to date. It helps to ensure a direct correlation between the Safety Plan priorities and the Corporate Services Strategic Plan in managing the Authority's assets. This includes maintaining written asset management plans and the appropriate use of asset management systems.

3.13 The policy sets out key principles to aid asset management decision making in terms of:

- Effectiveness
- Legislative compliance
- Value for money
- Stewardship

3.14 Capital receipts are generated when a capital asset is identified as surplus to requirements and is then sold. The proceeds from these asset sales may be used to fund new capital assets or to repay debt. The repayment of capital grants, loans and investments will also count as capital receipts, with the same restrictions on future use of the proceeds. The Authority has relatively limited opportunities to generate capital receipts.

3.15 The Authority's financial regulations set out that the Authority is required to consider and approve the sale and purchase of land or buildings with a value greater than £250,000 or the disposal of land of buildings by way of lease or license for a period of greater than 10 years or at a value greater than £100,000 per annum.

4. Prudence and affordability

4.1 The Authority is required to ensure that capital expenditure, investment and borrowing decisions are prudent, sustainable and affordable. There are a number of prudential indicators that must be set and monitored to help with this requirement, which are set out in the Prudential Code. Actual figures for the prudential indicators at the end of each quarter will be included in regular reporting to Members. The prudential indicators cover:

- Capital expenditure (Tables 1 and 3)
- External debt (Tables 3 and 5)
- Affordability (Tables 6 and 7).

4.2 The Prudential Code sets out that certain acts and practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment. The Authority will not therefore:

- Borrow to invest primarily for financial return
- Make investment or spending decisions that increase the CFR unless directly and primarily related to the functions of the authority (any financial returns should either be related to the financial viability of the project or incidental to the primary purpose).

Prudential borrowing

4.3 Capital financing costs associated with prudential borrowing must be financed by the Authority from its own resources. It is therefore important that the use of prudential borrowing is very closely controlled and monitored. The Authority will only use prudential borrowing where there is a clear financial case to support doing so, although it will not borrow to invest primarily for financial return and therefore retains full access to the Public Works Loan Board (PWLB).

Ensuring borrowing is only for capital purposes

4.4 The Capital Financing Requirement (CFR) is the cumulative outstanding amount of debt finance. The CFR increases with new debt-funded capital expenditure and reduces through annual Minimum Revenue Provision (MRP) charges to the revenue budget and any capital receipts or other contributions used to replace debt.

4.5 The Prudential Code states that a local authority must ensure that gross debt is only for capital purposes over the medium term, which means that gross external debt must not exceed the total of the CFR from the preceding year plus the estimates of any additional CFR for the current and next two financial years, except in the short term. This is a key indicator of prudence and is shown in Table 3.

Table 3: Ensuring Borrowing is Only for Capital Purposes (Prudential Indicator 2)

	31/03/23 Revised £M	31/03/24 Estimate £M	31/03/25 Estimate £M	31/03/26 Estimate £M
CFR	**16.9**	**35.6**	**44.7**	**44.9**
Debt				
Borrowing	5.9	21.1	37.7	39.9
Leases	0.0	0.0	0.4	0.4
Total Debt	**5.9**	**21.1**	**38.1**	**40.3**

4.6 Total debt is expected to remain below the CFR during the forecast period. The estimates for CFR and debt reflect the introduction of IFRS 16 (the new accounting standard for leases) from April 2024.

4.7 External debt is expected to remain below the CFR because of the Authority's borrowing strategy, whereby it has used internal borrowing (the temporary use of internal cash balances) to fund capital expenditure in place of borrowing money from external sources on the advice of its treasury management advisors, Arlingclose.

4.8 The Authority is expecting to undertake new external borrowing to support its capital programme plans and the forecasts in Table 3 are based on the current best assumptions for the timing of this borrowing, in line with the capital programme forecasts. The timing and source of borrowing will be determined in line with the Treasury Management Strategy and upon taking advice from Arlingclose.

Affordable borrowing limit

4.9 The Authority is legally obliged to set an Authorised Limit for the maximum affordable amount of external debt. In line with statutory guidance, a lower 'Operational Boundary' is also set as a warning level should debt approach the limit. The Operational Boundary is based on the Authority's estimate of the most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the CFR and cash flow requirements, and is a key management tool for in-year monitoring.

Table 5: Affordable Borrowing Limits (Prudential Indicators 3 and 4)

	2022/23 Revised £M	2023/24 Estimate £M	2024/25 Estimate £M	2025/26 Estimate £M
Authorised Limit:				
Borrowing	27.3	46.0	54.7	54.9
Leases	5.0	5.0	5.4	5.4
Authorised Limit	**32.3**	**51.0**	**60.1**	**60.3**
Operational boundary:				
Borrowing	22.1	40.8	49.5	49.7
Leases	5.0	5.0	5.4	5.4
Operational Boundary	**27.1**	**45.8**	**54.9**	**55.1**

Affordability of financing costs

4.10 Capital expenditure is not charged directly to the revenue budget, however the interest payable on loans and the annual MRP are charged to revenue, as are other financing costs such as interest payable under finance leases and amounts relating to the early settlement of borrowing. In aggregate these costs are known as financing costs. The impact of these costs needs to be well understood prior to making capital investment decisions and then closely monitored.

4.11 Table 5 shows the proportion of the Authority's net revenue stream (Council Tax, business rates and general government grants) required to meet financing costs. This is an indicator of the affordability of the Authority's capital programme.

Table 6: Ratio of Financing Costs to Net Revenue Stream (Prudential Indicator 5)

	2022/23 Revised	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Ratio	0.9%	2.9%	3.5%	4.0%

4.12 A low proportion is forecast, demonstrating that the cost of financing is minimised and the proportion of the revenue budget available for delivering services is maximised. The increase reflects the planned prudential borrowing associated with enhancements to the Authority's estate.

Reliance on income from commercial and service investments

4.13 The update to the Prudential Code in 2021 introduced a new prudential indicator intended to show how reliant a local authority is on income from commercial and service investments, and therefore how exposed the authority is to the loss of this income. The Authority does not have any investments classified as commercial or service investments.

Table 7: Net Income from Commercial and Service Investments to Net Revenue Stream (Prudential Indicator 6)

	2022/23 Revised	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Ratio	0.0%	0.0%	0.0%	0.0%

5. Minimum Revenue Provision (MRP) Statement

5.1 Where the Authority finances capital expenditure by debt, statutory guidance requires it to put aside revenue resources to repay that debt in later years, known as MRP. The Local Government Act 2003 requires the Authority to have regard to proper practice as issued by Government. The Department for Levelling Up, Housing and Communities has been consulting on proposed changes to the relevant regulations to ensure that all authorities make adequate revenue provision. Until that is concluded, the relevant guidance is that issued by the (former) Ministry of Housing, Communities and Local Government in 2018.

5.2 The broad aim of the MHCLG guidance is to ensure that capital expenditure is financed over a period that is reasonably commensurate with that over which the capital expenditure provides benefits or, in the case of borrowing supported by Government Revenue Support Grant (RSG), reasonably commensurate with the period implicit in the determination of that grant.

5.3 The guidance requires the Authority to approve an Annual MRP Statement each year, and whilst it provides a range of options for the calculation of MRP, the guidance also notes that other options are permissible provided that they are fully consistent with the statutory duty to make prudent revenue provision.

5.4 The four options provided are:

- Option 1: Regulatory Method
- Option 2: CFR Method (4% of the CFR)
- Option 3: Asset Life Method
- Option 4: Depreciation Method

5.5 Options 1 and 2 may be used only for supported capital expenditure funded from borrowing (i.e. financing costs deemed to be supported through the RSG from central government). Methods of making prudent provision for unsupported capital expenditure are restricted to Options 3 and 4 (which may also be used for supported capital expenditure if the Authority chooses).

5.6 The Authority will continue to apply Option 2 in respect of supported capital expenditure funded from borrowing with an MRP charge equal to 4% of the CFR balance in respect of that expenditure.

5.7 The Authority will continue to apply Option 3 in respect of unsupported capital expenditure funded by borrowing by charging MRP over the expected useful life of the relevant assets in equal instalments. The Authority's current capital programme plans will deliver enhancements to its estate funded through prudential borrowing, for example through the creation of new fire stations, where MRP will be charged over 50 years.

5.8 For assets acquired by leases, MRP will be determined to be equal to the element of the rent or charge that goes to write down the balance sheet liability.

5.9 The adoption of the new accounting standard for leases (IFRS 16) when implemented will mean that former operating leases will be brought onto the balance sheet from 1 April 2024. Where this is the case, the annual MRP charge will be set so that the total charge to the revenue budget remains unaffected by the new accounting standard.

5.10 Capital expenditure will not be subject to MRP charges until the year after the expenditure takes place.

5.11 Based on the Authority's latest estimate of its CFR on 31 March 2023, the budget for MRP has been set as follows:

Table 8: MRP Budget

	31/03/2023 Estimated CFR £'000	**2023/24 Estimated MRP £'000**
Supported Capital Expenditure	9,411	376
Unsupported Capital Expenditure After 31/03/2008	7,480	151
Leases	0	0
MRP budget for future capital expenditure	0	1,000
Total	**16,891**	**1,527**

6. Treasury Management

6.1. The Treasury Management Strategy (TMS) supports the Capital and Investment Strategy in setting out the arrangements for the management of the Authority's cash flows, borrowing and investments, and the associated risks.

6.2. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

6.3. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

6.4. The Authority has potentially large exposures to financial risks through its investment and borrowing activity, including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's Treasury Management Strategy (TMS).

6.5. The Authority's TMS, included as Appendix E to this report and is approved by the Authority each year. Actual performance is reviewed by the Authority at mid-year and the end of each financial year.

6.6. Treasury Management prudential indicators are included within the Treasury Management Strategy.

Treasury management borrowing strategy

6.7. The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans, should the Authority's long-term plans change, is a secondary objective.

Treasury management investment strategy

6.8. The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

6.9. The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

6.10. The Authority's actual and forecast treasury management investment balances are shown in Table 9 with further detail in the TMS.

Table 9 – treasury management investments

	31/3/22 actual £m	31/3/23 forecast £m	31/3/24 forecast £m	31/3/25 forecast £m
Short term investments	24.2	10.3	3.0	3.0
Long term investments	1.0	0.0	0.0	0.0
Pooled fund investments	7.0	7.0	7.0	3.0
Total	**32.2**	**17.3**	**10.0**	**6.0**

Pooled fund investments

6.11. The Authority holds reserves for a number of purposes, which are explained in more detail in the Reserves Strategy (Appendix D). Where the Authority holds surplus cash, it is invested until it is required, in accordance with the

Authority's TMS. This includes allocating a proportion to investments in pooled funds. The Authority has made investments totalling £7m into pooled property, equity and multi-asset funds.

6.12. These investments help the Authority to mitigate interest rate and inflation risks as part of its TMS. They also present a number of risks which must be carefully managed, including the risk of loss of capital, illiquidity, entry and exit fees, and volatility of returns.

6.13. The principal mitigation for risk is ensuring that investments in non-cash assets are held as long-term investments. This will enable the initial costs of any investment and any periods of falling capital values to be overcome. In order to be managed as long-term investments, the amounts invested need to be taken from the Authority's most stable cash balances. The allocation of £7m has been based on a prudent assessment of the Authority's investment balances and liquidity requirements,

6.14. The Authority is aware of the risks involved with investing in pooled funds that hold underlying investments in bonds, equities, property and other financial instruments. In setting the budget for 2023/24, it is proposed that a new Capital and Investment Risk Reserve is created. This reserve will in part be held to mitigate risks associated with investments held by the Authority. Further details are included in the February 2023 update to the Reserves Strategy.

6.15. The selection of investments to target higher yields is carefully managed with the assistance of Arlingclose, the Authority's treasury management advisor. Arlingclose recommends that the Authority diversifies its investments in pooled funds between asset classes. This is to mitigate the loss of capital value, so that there is no over exposure to an event that impacts the value of investments in a particular asset class, such as a fall in property prices.

6.16. The Authority utilises pooled investment vehicles as the most appropriate means to access asset classes such as property or equities. Pooled funds are managed by external specialist investment managers who are best placed to select investments and then manage them, for example for property investments managing the relationship with tenants and maintenance of the building.

7. Service and commercial investments

7.1. The Ministry of Housing, Communities and Local Government (MHCLG) issued statutory guidance on local government investments in 2018. The Authority is required to have regard to this guidance, which complements both the Prudential Code and Treasury Management Code. The update to the guidance in 2018 reflected changes in patterns of local authority behaviour that were considered to be exposing local authorities to too much financial risk, with insufficient transparency and the potential for insufficient expertise in understanding complex transactions being entered into.

7.2. The term ‘investments’ within the Prudential Code covers all financial investments of the authority as well as other assets held primarily for financial return, such as commercial property. The MHCLG definition goes slightly further in including all non-financial assets that the organisation holds primarily or partially to generate a profit. The MHCLG guidance states that assets that generate revenue income solely through fees and charges for discretionary services levied under Section 93 of the Local Government Act 2003 should not be classified as non-financial investments for this purpose.

7.3. Investments are categorised in accordance with the primary purpose of the investment. All of the Authority’s investments are defined as **treasury management investments** and therefore covered by Section 6 of this document and the Treasury Management Strategy.

7.4. The Authority primarily uses its property estate for the delivery of frontline services, with asset management conducted by the Property and Facilities team within the Corporate Services directorate, as set out in Section 3. Where practical and without having an operational impact, the Authority will look to use property assets to reduce the annual revenue cost of the estate and to maximise the potential for income generation, for example through the use of vacant space.

7.5. The Authority is also pursuing a number of opportunities either through its land holdings or through the relationship it has with partners or contractors to look at new and innovative ways of generating a financial return. To date, the Authority has formed partnerships with other emergency services by sharing buildings.

7.6. **Investments for commercial purposes** are defined in the Prudential Code as being undertaken primarily for financial return but without being linked to treasury management activity or being part of service delivery. They are therefore additional investments taken voluntarily with the primary objective of generating a net financial return or profit. They will usually constitute capital expenditure. The income generated helps to deliver service objectives.

7.7. **Investments for service purposes** are those undertaken primarily and directly for the delivery of public services or in support of joint working with others to deliver such services. They will normally constitute capital expenditure and it may be appropriate to borrow to finance these investments. They may or may not deliver financial returns, but this will not be the primary purpose of the investment.

7.8. The Authority does not consider the use of its estate to constitute **commercial or service investments**. It has no assets classified on its balance sheet as investment properties and the income generated from allowing partners to use space within the Authority's buildings provides a contribution to offset costs being incurred by the Authority rather than to generate a profit.

Investment indicators

7.9. In addition to setting Prudential Indicators required by the Prudential Code, the Authority has also set the following quantitative investment indicators in accordance with the requirements of the MHCLG investment guidance.

Table 10 – Total Investment Exposure (£m) and net rate of return (%)	**31.03.2022 Actual**		**31.03.2023 Forecast**		**31.03.2024 Forecast**	
	Invested £m	**Return %**	**Invested £m**	**Return %**	**Invested £m**	**Return %**
Treasury management	8.0	4.2	7.0	4.0	7.0	4.0
Service investments (loans)	0	n/a	0	n/a	0	n/a
Service investments (equity)	0	n/a	0	n/a	0	n/a
Commercial investments	0	n/a	0	n/a	0	n/a
Total investments	8.0	4.2	7.0	4.0	7.0	4.0

7.10. This shows that the Authority expects all of its investments to continue to be for treasury management purposes. If the Authority does plan to undertake any investments that would constitute commercial or service investments in future, the Capital and Investment Strategy will be updated and appropriate investment indicators introduced.

8. Knowledge and skills

8.1. Through the Hampshire Shared Services Partnership, the Authority is advised by professionally qualified and experienced staff in senior positions supporting capital expenditure, borrowing and investment decisions in accordance with approves strategies.

8.2. The Chief Financial Officer (S151 officer) and Deputy Chief Financial Officer (Deputy S151 officer) for the Authority are experienced members of the Chartered Institute of Public Finance and Accountancy (CIPFA), as is the Head of Investments and Borrowing, who oversees daily treasury management activity.

8.3. Performance against targets and learning and development needs are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

8.4. Staff attend training courses, seminars and conferences provided by CIPFA, Arlingclose and other providers. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.

8.5. CIPFA's Code of Practice requires that the Authority ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. All Members were invited to a workshop presented by Arlingclose in November 2022, which gave an update of treasury matters. A further Arlingclose workshop is planned for 2023.

Investment Advisers

8.6. As part of the Hampshire Shared Services Partnership, Hampshire County Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings with the Director of Corporate Operations for Hampshire County Council, their staff, and Arlingclose. The Chief Financial Officer for the Authority also attends these meetings.

9. Chief Financial Officers Conclusion on the Affordability and Risk Associated with the Capital and Investment Strategy

9.1. This Capital and Investment Strategy has been developed alongside the TMS (Appendix E) and the Reserves Strategy (Appendix D). Together, they form an integrated approach adopted by the Authority to balance the need for capital investment to support service priorities with consideration of affordability and the consequent impact on the revenue budget, whilst recognising and managing risk to an acceptable level.

9.2. The forward planning of capital investment and its funding, including being in a position to maximise the use of external grants, contributions and capital receipts, together with the process of regular monitoring of actual income, expenditure, and project progress, provides assurance to the Chief Financial

Officer that the proposed Capital Programme is prudent, affordable and sustainable.

9.3. The Estates Capital Programme significantly increases prudential borrowing and brings with it associated annual revenue costs over the longer term. The Authority and Service are aware of the impact of this new borrowing and it has been taken into account in setting the Medium Term Financial Plan, the revenue budget for 2023/24 and the capital programme.

10. Links to Statutory Guidance and Other Information

10.1. The Local Government Act 2003, Section 15(1) and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] require Local Authorities to have regard to the following guidance:

- Ministry of Housing, Communities & Local Government (MHCLG) – Statutory Guidance on Local Government Investments* MHCLG Investment.
- Ministry of Housing, Communities & Local Government (MHCLG) – Statutory Guidance on Minimum Revenue Provision (MRP)
- CIPFA's Prudential Code
- CIPFA's Treasury Management Code

(*Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, and a TMS in line with the requirements of the Treasury Management Code, the Investment Strategy can be published in those documents instead of as a separate document).

10.2. The Authority includes its non-treasury management Investment Strategy within this Capital Strategy. The TMS is a separate document reported to Authority (Appendix E).

10.3. The CIPFA Prudential Code was revised in December 2021 to reflect developments since it was last updated in 2017 and became applicable with immediate effect, however an exception was made to allow the deferral of revised reporting requirements until 2023/24. The revised reporting requirements relate to the capital strategy, prudential indicators and investment reporting. The Treasury Management Code was also revised at the same time.

10.4. The proposed Capital Programme is included at Appendix C within this report.