North Northamptonshire Council

Capital Strategy 2024-25

Contents

1. Introduction

1.1 The Council’s vision is a North Northants where we look after each other and take responsibility, where the vulnerable are protected and supported, and where people who can help themselves receive the assistance, they need to stay independent and healthy. The Council’s budget commitment to support this vision is to deliver a balanced budget, optimise the use of assets so they have a positive impact on costs and help to address the pressures faced in the social care markets, helping to transform services so they are sustainable for the future.

1.2 The Capital Strategy sets out the key objectives and broad principles to be applied by the Council when considering capital investment and its funding. It provides the context for how the Council’s Medium Term Capital Programme seeks to support the realisation of the Council’s vision and corporate objectives.

1.3 In support of the Council’s vision and the budget commitment the key objectives for the Capital Strategy are as follows:

- The delivery of a Medium-Term Capital Programme which is affordable and sustainable, ensuring that the Council’s internal resources and application of external borrowing are utilised to fund capital expenditure where it supports the delivery of the Council’s financial sustainability and where there are statutory requirements such as health & safety;
- The Capital Strategy should make explicit the links to, and integration with, the Council’s other strategies. New capital investment will only be permitted if it contributes to the achievement of the Council’s corporate priorities;
- The use of external funding is prioritised against the areas of greatest need, in the main supporting highways maintenance, the delivery of education places, the Corby Town Plan and Tresham Garden Village within North Northants. In the current financial climate priority will be given to schemes that also deliver transformation and/or revenue savings;
- Maximisation of the use of the Council’s assets, and where possible working with local partner organisations to maximise the efficiency of assets across the public sector and North Northants
- Take into account external influences such as the Southeast Midlands Local Enterprise Partnership, Oxford Cambridge Arc, Health and joint working with other partner authorities etc.
- Key integration and links with the council’s other corporate strategies including Corporate Plan, Treasury Management, Investment Strategy, Asset Management Plan.
- Set out the Council’s regeneration and economic development ambition and additional objectives.
- Set out the governance and risk management arrangements.

1.4 The Prudential Code and Treasury Management Code of Practice (both issued by CIPFA in December 2021) include requirements in relation to the setting of a Capital Strategy that covers specific subject areas. In line with the Prudential Code, the aim of this Capital Strategy is to demonstrate how the Council will make capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy sets out the immediate to long term context in which capital expenditure and investment decisions are made and ensures the Council will give due consideration to risk, reward, and impact on the achievement of priority outcomes.

1.5 The Council's Capital Programme represents significant investment over the medium term in the acquisition or improvement of long-term assets such as land, buildings, infrastructure, and equipment and information technology and is a key financial planning tool.

2. Governance

2.1 Governance covers the policies and frameworks related to capital expenditure and the processes and structures by which decisions are made.

Committed Capital Programme Approval Process

2.2 The Capital Strategy sets out the Council's objectives in respect of its future capital programme plans and budget commitment and is approved by Full Council as part of the Council's annual budget-setting process in February each year.

2.3 The approval of the Capital Strategy provides the future programme of planned capital works over the medium-term period; this plan is known as the Development Pool. The Development Pool comprises the schemes that the Council would be prepared to take forward, subject to final negotiations, confirmation and evidencing of funding and submission of robust business cases to the Strategic Capital Board for approval by Executive.

2.4 Schemes move forward to delivery (The Committed Capital Programme) following formal approval through the Monthly Capital Update Report (CUR). Schemes will have usually been identified as part of the Capital Strategy, but it is possible for completely new schemes to come forward in year. Schemes will be reviewed at this point against the latest vision and Council priorities which may have changed since the Capital Strategy was approved.

2.5 For schemes in excess of £100k, which were not approved as part of the Council's Capital Strategy, there is a requirement for them to also receive approval from Full Council as part of a Capital Approvals report to the next Full Council meeting. Those new schemes of £100k or less can proceed with just Executive approval.

2.6 A separate Executive report is required for any capital scheme which has a capital expenditure value of £500k or above, regardless of the funding source. The approval of funding agreements, e.g. developer contributions, which contractually commit the Council to undertaking new capital schemes, (such as school builds), are required to follow the same approval process.

2.7 Each scheme must be under the control of a nominated budget/project manager and officers are not authorised to commit expenditure without prior formal approval for the scheme as outlined above.

2.8 All capital expenditure must be carried out in accordance with the Council's Constitution, Financial Procedure Rules and Contract Procedure Rules, and must comply with the statutory definition of capital purposes as set out within Section 16 of the Local Government Act 2003.

Virements

2.9 Virement of funding from one capital scheme to another is permitted within the Council's capital governance arrangements only with the relevant officer (including sign off by the S151 Officer) or Executive approval as laid down in financial procedures. Executive approval is required for any virements over £500k.

Decision making - Strategic Capital Board

2.10 The overarching objective for the Board is to review and challenge capital schemes to be able to recommend to Executive that they move from the planning stage into delivery.

2.11 The Strategic Capital Board governance process will:

- Provide visible leadership in relation to the implementation of the Capital Strategy.
- Ensure funding is confirmed, secure and wherever possible received fully in advance of works commencing/being approved and that responsibility for this is taken by the project manager.
- Monitor performance against the Council's agreed capital discretionary funding levels.
- Escalate concerns and issues to Leadership Team.
- Optimise the funding for schools capital projects.
- Ensure other reporting and approval requirements have taken place, particularly in respect of schemes outside of the agreed Capital Strategy over £100k, ensuring schemes in excess of £500k have their own Executive report.
- Ensure that the revenue implications of all capital schemes are taken into consideration and that options appraisals have been carried out/considered.

Assessment of the revenue implications of capital investment

2.12 In the interests of properly evaluating the affordability of a project, the revenue implications of capital bids are also included on the Business Case proforma which is submitted to the Capital Approvals Board as part of the review and challenge process. This ensures that an evaluation can be made on the overall financial business case of the capital project (revenue and capital cost/savings). It also ensures capital and revenue budgeting are aligned for financial planning purposes.

Risk Management

2.13 As part of the business case, contingencies will be included as part of the budget costing exercise and expected costings for similar schemes will be considered as a benchmark. These will cover ordinary, but not extraordinary, risks/changes to the cost of delivering the project. Pressures outside of this will be reported through the monthly reporting to Executive and project closure reports will be utilised to provide learning for future schemes. Risks and mitigations are recorded at each approval stage in the capital project process and challenged appropriately by the officers and members that represent each board/committee. Any risk to the council's partial exemption threshold is also captured and evaluated as part of this process.

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North Northamptonshire Corporate Leadership Team

2.14 The North Northamptonshire Leadership Team reviews and provides sign off for the Capital Monitoring Report as well as consideration of the strategic direction on the use of funding sources.

Strategic Capital Board

2.15 The Strategic Capital Board monitors progress on schemes in delivery. It challenges delivery and contracts and updates the North Northamptonshire Leadership Team on any significant financial and delivery risks.

Knowledge and Skills

2.16 The Council aims to ensure that all staff have the appropriate skills and knowledge to perform their roles. Where the necessary expertise is not available in house the Council will procure the skills and knowledge it requires from advisors or consultants.

2.17 The Council will work in collaboration with its external auditors in relation to changes to technical accounting requirements and/or treatment.

2.18 The Council will use a mixture of in-house and external legal support. Where a particular legal specialty is required, external legal advice may be procured.

2.19 The Council has a list of 'Approved Contractors' who it will utilise to support capital projects to ensure preliminary surveys & works identify risks around costs and delivery in relation to the land, buildings, etc. elements for each project before main contracts are procured.

2.20 The Council will undertake background checks to ensure all contractors are suitably qualified, have a proven delivery background in similar projects before awarding contracts.

2.21 The Council takes advice from its external treasury partners/advisors in making decisions related to its Treasury Strategy.

Completion of Capital Schemes and Lessons Learned

2.22 For significant projects periodic updates should be taken through the capital projects board to ensure appropriate progress and budgetary controls are being adhered to. Following completion of these schemes, a post evaluation report should be brought back to the board to assess how well the scheme was delivered and what went well and not so well to ensure the learning from these schemes carries forward into future schemes and efficiencies are gained and risks and mitigations can be planned for at an earlier stage where relevant.

Carbon Reduction and Climate Change Commitment

2.23 The Council is fully committed to the Carbon Reduction and Climate Change Strategy and assess all capital projects against the key criteria to ensure delivery towards this agenda is prioritised and achieved as per the key objectives.

- Raise awareness of the issues of climate change.
- Reduce emissions of greenhouse gases; and
- Plan for and adapt to the impacts of climate change.

3. Capital Expenditure and Financing

3.1 In England and Wales, there are three routes by which expenditure can qualify as capital under the prudential framework:

- The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with proper practices. Fixed assets are defined as those that have an economic life of more than one year.
- The expenditure meets one of the definitions specified in regulations made under the 2003 Local Government Act.
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.

3.2 The Council's capitalisation policy looks to capitalise expenditure on eligible items with a cost over £10,000 in relation to a single item or in relation to a large quantity of smaller value items. In Local Government this can also include spending on assets owned by other bodies, as well as loans and grants paid over to other bodies that enable them to buy assets.

Committed Programme Expenditure

3.3 The Council's Medium Term Capital Programme (MTCP) shows the committed expenditure on schemes that have been approved by Executive/Full Council.

3.4 Reporting on the current Capital Programme and progress of schemes within the Development Pool into the Programme occurs through the Capital Monitoring and Capital Updates Reports. The monitoring report sets out the most up to date projection for capital expenditure and funding in the current financial year and will articulate financial and service delivery risks in relation to the delivery of key capital schemes.

3.5 The Table below sets out the forecast capital expenditure (in relation to schemes in the Committed Programme i.e. in delivery rather than Development Pool).

	2024-25 Spend	2025-26 Spend	2026-27 Spend	2027-28 Spend	Total Spend
	£'000	£'000	£'000	£'000	£'000
General Fund	43,414	27,254	24,523	17,907	**113,098**

	2024-25 Spend	2025-26 Spend	2026-27 Spend	2027-28 Spend	Total Spend
Council housing (HRA)	15,270	14,046	14,491	14,952	**58,759**
NNC Total	**58,684**	**41,299**	**39,014**	**32,859**	**171,857**

3.6 Details of the capital programme by project are included within Appendix A and B as part of the Budget Capital Report.

The main General Fund capital projects include Highways, across 4 schemes funded by Department of Transport c£40m, together with a direct contribution of £9m from the council into road condition works, Disabled Facilities Grant £10.6m, School Improvement Programme £7.2m, Library Roof Replacement £6.6m and Delivery of Corporate IT Strategy £5.9m.

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes the provision for building of new homes over the forecast period.

Committed Programme Funding

3.7 All capital expenditure must be financed. This could be from a single source or a combination of:

- external sources (government grants and other contributions);
- the Council's own resources (revenue, reserves and capital receipts);
- debt (borrowing, leasing and Private Finance Initiative)

3.8 Prudential Borrowing (Council Discretionary Funding) - The introduction of the Prudential Code in 2004 allowed the Council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the 'Prudential Code for Capital Expenditure for Local Authorities'.

3.9 Total Council investment, (discretionary funding, ring-fenced capital receipts and gap funding) accounts for £20.7m (41%), of the overall committed Capital Programme over the plan period.

3.10 The summary table below shows the funding for the Current Committed Capital Programme across current and future years and the funding source.

Capital Funding	2024/25	2025/26	2026-27	2027-28	Total Funding
	£	£	£	£	£
Discretionary Funding	17,789,100	10,998,940	7,846,396	3,888,900	40,523,336
Capital Receipts	5,353,400	4,515,000	4,515,000	3,711,400	18,094,800
Contribution from Revenue	8,784,800	9,464,000	9,909,300	10,370,600	38,528,700
DFG	2,560,000	3,000,000	2,560,000	2,560,000	10,680,000
S106 and Other Grant Funding	24,196,266	13,321,400	14,183,000	12,328,000	64,028,666
Total	**58,683,566**	**41,299,340**	**39,013,696**	**32,858,900**	**171,855,502**

Development Pool

3.11 The Development Pool Schemes for 2024-25 to 2027-28, as shown in the appendices, identify schemes requiring discretionary funding which has been through a prioritisation process with the NNC Leadership Team taking into consideration the latest funding announcements and governance process that was in place.

IFRS 16 - Leases

3.12 IFRS16 is being introduced for local authorities from 1 April 2024 which means that the annual accounts for 2024/25 will be the first set of accounts produced in accordance with this standard.

3.13 The main impact of the standard is to remove (for lessees) the traditional distinction between finance leases and operating leases. For finance leases the asset is shown on the balance sheet, together with a liability to pay for the asset. In contrast, operating lease rentals are accounted for in the year they are paid. IFRS 16 requires all lessee leases to be accounted for as finance leases, recognising the rights to use an asset. There are no changes for lessor accounting.

3.14 There are two exemptions for lessees from applying this standard. These are short term leases and those where the value of the asset that the lease relates to is low. Short term leases are those will a lease term of twelve months or less at the commencement date. The Code and IFR16 allow individual councils to determine a monetary amount that would constitute low value. The Council has elected to use £10,000 for this amount as this is the Council's approved de-minimis level for capital expenditure. Exempt leases will continue to be accounted for as operating leases.

4. Funding Sources and Future Grant Allocations

External Funding

4.1 **Section 106 (S106) and External Contributions**

Elements of the Capital Programme are funded by contributions from private sector developers and partners. These contributions relate to developments in the North Northamptonshire area and are agreements by negotiation based on the impact on the public sector infrastructure requirements that are forecast to occur because of increased activity/population bought by the development. Growth in North Northamptonshire to date has resulted in S106 contributions from developers accounting for significant elements of funding.

Grant Funding

4.2 The largest form of capital funding comes through external grant allocations from central government departments, (DFT & DFE). Although these grants are to support specific areas of investment the Government removed capital ring-fencing in 2010, enabling local authorities to prioritise grants to support local needs, pressures, and statutory responsibilities. However, need and reporting requirements do limit the Council's ability to work to these more flexible rules. Also, the increase in the Freeschool Programme the Council loses some of its flexibility as these schemes are usually funded and managed directly by the DFE.

4.3 There are some specific grants such as Local Growth Fund (LGF), Homes England, Arts Council and Sport England that have to be bid for but a difficulty with this type of grant in the current climate can be the requirement to provide match funding.

Department for Education – Capital Grant Settlement

4.4 There is some uncertainty currently around funding allocations in relation to annual Basic Needs Grant for future years.

4.5 One of the key drivers for the changes year on year is the Government's Free School Programme which directly funds the building of new academies leading to reduced funding being allocated to Local Authorities.

Regional Growth Deals (including Local Growth Fund)

4.6 Growth Deals bring together housing, infrastructure and other funding in a single pot put into local hands, via the Local Enterprise Partnerships (LEPs), to realise growth, jobs and educational opportunities.

Rural Development Programme for England (RDPE)

4.7 The RDPE is an initiative of the Department for Environment, Food and Rural Affairs (DEFRA).

4.8 The rural broadband funding is for projects in England which create broadband infrastructure in rural areas and Northamptonshire secured a grant of £2m secured in 2019-20 to provide next generation broadband access to 750 rural businesses and is due to complete in 2024-25.

Levelling Up/UK Prosperity Fund

4.9 The UK government is providing an additional £220 million funding through the UK Community Renewal Fund to help local areas prepare for the launch of the UK Shared Prosperity Fund in 2022. This Fund aims to support people and communities most in need across the UK to pilot programmes and new approaches and will invest in skills, community and place, local business, and supporting people into employment.

Internal Funding (Discretionary Funding) - borrowing and capital receipts.

4.10 **Revenue Funding**

The Council can use revenue resources to fund capital projects on a direct basis. However, given the current financial position no revenue contributions will be utilised to support capital expenditure. Savings generated directly because of capital investment (Invest to Save) will be reported through revenue monitoring.

The Housing Revenue Accounts (HRA) minimum revenue contribution to capital is equivalent to the level of depreciation being charged in year. The two key variables in determining depreciation are the value of the property and the percentage that is applied when determining the EUV-SH (Set by

MHCLG). Therefore, movements in property values impact directly on the revenue resources required to fund the HRA capital programme.

4.11 **Capital Receipts**

The Council can generate capital receipts through the sale of surplus assets such as land and buildings. These capital receipts can be used to reduce the Council's borrowing liability and be reinvested in the Capital Programme. Alternatively, they can be utilised within the rules for the current Flexible Use of Capital Receipts guidance to support transformation.

4.12 The potential optimal strategy in relation to reuse of property assets for service delivery, sale for development of housing and potential use by a wider public sector partners will be considered in relation to each individual site through the Place Shaping and One Public Estate strategies.

4.13 Capital receipts arising from the disposal of housing assets and for which account is made in the Housing Revenue Account (HRA), are governed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003).

- Right to Buy (and similar) sales may be retained to cover the cost of transacting the sales and to cover the debt on the properties sold, but a proportion of the remainder must be surrendered to Central Government;
- As part of the Government's announcement in April 2012 to increase the RTB discounts they also announced the introduction of a scheme referred to as 1-4-1 whereby every additional home sold under the new RTB scheme was to be replaced by a new home for affordable rent.
- The new homes for affordable rent will be financed from receipts from sales, after stipulated deductions, retained by the LA under signed agreement with the Government, limited to funding up to 40% of the cost of the replacement home.
- A time limit of 3-5 years is given for the replacement homes after which the receipts will have to be paid back to MHCLG at 4% above base rate from the date the receipts arose.
- All other disposals may be retained in full.

4.14 Where the sale of an asset leads to a requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and repaid any remaining capital receipts can be used as per 4.14.

4.15 The level of capital receipts is dependent upon market conditions. The property market impacts on the:

- Ability of the Council to sell assets and the
- Level of receipts from the asset sale.

Flexible Use of Capital Receipts

4.16 The government announced that it will allow local authorities to spend up to 100% of their fixed asset receipts on the revenue costs of transformation projects. This has been extend to 2030. The Council intends to take advantage of this concession to use capital receipts in more innovative ways and target disposal receipts where need is greatest.

Long term funding challenges

4.17 The Council faces several challenges in its future funding of the Capital Programme:

The Council has limited levels of future capital receipts, (excluding opportunities from the rationalisation and review arising from the recent unitary restructure).

- A significant proportion of the Council's capital funding comes from central government grants.
- A further proportion of the Council's capital funding comes from external contributions, largely S106 which is dependent on development in the county and the economy.

4.18 The Council only has limited influence over these external and grant funding sources and the Council's Capital Programme will continue to be largely influenced by central government policy.

Gap funding through discretionary borrowing

4.19 These types of schemes require short term funding from the Council to invest in infrastructure that will unlock development which then releases the payment of CIL/S106/business rates, etc. to the Council, which can then repay the investment. The developments enabled will also provide wider economic benefits such as jobs and housing.

4.20 This investment increases the Council's short term financing costs, but the Council is compensated by the long term financial and non-cashable future benefits.

4.21 Where these arrangements form part of a business case, the level of gap funding in relation to the overall scheme need and benefits will be considered as part of the risk evaluation.

5. Commercial Investments/ Regeneration & Economic Development

5.1 The practice of investing in property in order to create an additional revenue stream to support service delivery and financial sustainability during a time of reducing settlements from central government has been widely adopted by local authorities, including some of the sovereign councils forming North Northamptonshire Council. The predecessor councils have a significant commercial portfolio that will be carried forward into the new Council's overall asset portfolio.

5.2 PWLB will no longer lend to local authorities that plan to buy commercial assets primarily for yield. PWLB will still be available to all local authorities for refinancing. To borrow from the PWLB, local authorities will now be required to submit a summary of their planned capital spending and PWLB borrowing for the following three years including a commentary outlining the expenditure plans of the Council.

5.3 PWLB has Defined the activities as follow:

- Service spending is activity that would normally captured in the following areas in the MHCLG Capital Outturn Return (COR): education, highways & transport, social care, public health, culture & related services, environmental & regulatory services, police, and fire & rescue services.
- Housing is activity normally captured in the HRA and General Fund housing sections of the COR, or housing delivered through a local authority housing company. This is given separately from ‘service spending’ because of the relative concentration of cross-subsidy and other innovative financing arrangements in housing projects.
- Regeneration projects would usually have one or more of the following characteristics:

  a. the project is addressing an economic or social market failure by providing services, facilities, or other amenities that are of value to local people and would not otherwise be provided by the private sector

  b. the local authority is making a significant investment in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment

  c. the project involves or generates significant additional activity that would not otherwise happen without the local authority’s intervention, creating jobs and/or social or economic value

  d. while some parts of the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services

- Treasury management covers refinancing or extending existing debt from any source, and the externalisation of internal borrowing.

5.4 The Council will carefully consider these criteria when prioritising capital projects against the strategic objectives and ensuring affordability and the borrowing position should any decisions be affected.

6. Property Asset Management Plan

6.1 The Property Asset Management Plan is currently being updated for North Northamptonshire to fully consider the unitary authority changes.

6.2 The revised strategy will fully maximise the One Public Estate approach to rationalise its operational estate through increased utilisation and then to dispose surplus assets to generate capital and direct- (property related) revenue savings. There will also be an emphasis to support a business-case approach to target capital investment in new and existing properties to unlock ongoing revenue savings or income.

6.3 The split between the major classes of fixed assets as at 31/03/2022 is shown in the table below.

Balance Sheet	Notes	31 March 2022 £'000
Property, Plant and Equipment	21	1,280,641
Heritage Assets	24	10,105
Investment Property	22	214,382
Intangible Assets	23	508
Long-Term Investments	37	32,947
Long-Term Debtors	26	5,387
Long Term Assets		**1,543,968**

7. Borrowing and Treasury management

Treasury Management Strategy

7.1 The purpose of the Treasury Management Strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.

7.2 The Treasury Management Strategy incorporates:

- The Council's capital financing and borrowing strategy for the coming year;
- The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008;
- The Affordable Borrowing Limit as required by the Local Government Act 2003;
- The Annual Investment Strategy for the coming year as required by the MHCLG revised guidance on Local Government Investments issued in 2018.

7.3 The strategy takes into account the impact of the Council's Medium Term Financial Plan (MTFP), its revenue budget and Capital Programme, the balance sheet position and the outlook for interest rates.

7.4 The Council takes advice from its external treasury partners/advisors in making decisions on the current financial climate and markets in relation to whether to undertake short term or long term borrowing and in considering the management of its financial balances.

7.5 Discretionary funding commitments are either financed through capital receipts or borrowing. Any borrowing undertaken must eventually be repaid and this can come from a single source or a combination of the following sources:

- Annual set aside provision of revenue resources (known as Minimum
  Revenue Provision [MRP]) This represents the repayment of the original debt over the assessed life of the asset;
- Capital receipts from sale of assets.

7.6 The Council's cumulative amount of debt financing outstanding is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces as MRP and capital receipts are used to replace it. Based on the current committed Capital Programme and Development Pool borrowing requirement the Council's estimated CFR is as follows:

Table 1 – Prudential Indicator Estimates of Capital Financing Requirement.

	31.3.23 Draft £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
Capital financing requirement	750.093	745.581	745.700	744.460	738.129
Less: Other debt liabilities *	104.123	99.396	93.518	87.197	80.554
Loans CFR	**645.969**	**646.185**	**652.182**	**657.263**	**657.575**
Less: External borrowing **	463.572	438.167	440.219	438.242	438.242
Internal borrowing	**182.398**	**208.018**	**211.964**	**219.021**	**219.333**
Less: Balance sheet resources	407.100	407.100	407.100	407.100	413.900
Treasury investments	**224.702**	**199.082**	**195.136**	**188.079**	**194.567**

* leases and PFI liabilities that form part of the Authority's total debt

** shows only loans to which the Authority is committed and excludes optional refinancing

The CFR reflected above is still draft and is subject to change until the disaggregated balance sheet from the former County Council has been agreed and audited.

BORROWING

7.7 The Council's primary objective when borrowing money is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between:

- Lower cost short-term loans
- Higher cost long-term loans
- Fixed but certain interest rates
- Variable but reactive interest rates

Table 2 - Forecast Borrowing and Investment Balances

	31/12/23 Actual portfolio £m	31/12/23 Average rate %
External borrowing:		
Public Works Loan Board	395.524	3.01
Local authorities	0.200	0.00
LOBO loans from banks	37.000	4.25
Other loans	10.000	3.89
Total external borrowing	**442.724**	**3.13**
Other long-term liabilities:		
Private Finance Initiative	38.812	N/A
Leases	2.964	N/A
Total other long-term liabilities	**41.776**	**N/A**
Total gross external debt	**484.500**	N/A
Treasury investments:		
Local authorities	172.000	5.47
Banks (unsecured)	9.857	5.42
Money market funds	1.586	5.38
Real estate investment trusts	26.602	3.18
Other investments	0.591	0.00
Total treasury investments	**210.636**	**5.16**
Net debt	**273.864**	**N/A**

7.8 Statutory guidance states that debt should remain below the Capital Financing Requirement except in the short-term. As demonstrated above, the Council expects to comply with this requirement over the medium-term horizon.

7.9 In August 2019 some of the predecessor Councils making up North Northants Council reversed their reliance on short-term Local Authority loans (those under 12 months in duration) with long-term borrowing from the Public Works Loan Board at what were historically low rates. In October 2019 HM Treasury increased PWLB rates for new loans with immediate effect and without prior consultation or warning by 1%. This has locked in significant amounts of borrowing at extremely low rates; therefore this borrowing has proven very timely and fortuitous for the Council.

7.10 The operational boundary is the limit which external borrowing is not normally expected to exceed. All things being equal, this should be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing undertaken as impacted by the level of current and future cash resources and the shape of the interest rate yield curve.

Table 3 – Operational Boundary Prudential Indicator.

	2023/24	2024/25	2025/26	2026/27
Authorised Limit - borrowing	781.623	781.884	789.140	795.288
Authorised Limit - PFI and leases	125.989	120.269	113.156	105.508
Authorised Limit - total external debt	**907.612**	**902.153**	**902.297**	**900.797**
Operational Boundary - borrowing	710.57	710.80	717.40	722.99
Operational Boundary - PFI and leases	114.54	109.34	102.87	95.92
Operational Boundary - total external debt	**825.10**	**820.14**	**820.27**	**818.91**

7.11 Each year, the Council is legally obliged to set an Affordable Borrowing Limit (also termed the Authorised Limit for External Debt). The Council also sets a lower Operational Boundary Limit beneath this to act as a warning indicator should debt approach the legal limit.

FINANCING COSTS

7.12 Although capital expenditure is not charged directly to the revenue budget, the consequential impact is. Interest payments to service loans borrowed and MRP contributions are charged to revenue, offset by any investment income receivable. This net annual charge is known as a financing cost, which can be compared to the Net Revenue Stream (the cost of Council services funded by Council Tax, Business Rates and Government Grants) and, when expressed as a percentage, effectively illustrates the Council's debt gearing ratio.

7.13 Table 4 – Prudential Indicator: Proportion of Financing costs to Net Revenue Stream

%	2024/25 Estimate £m
Financing Costs	11.1
Proportion of net revenue stream	2.96%

7.14 Due to the very long-term nature of capital expenditure and financing decisions, the revenue impact is felt for years into the future.

8. **Development Pool**

8.1 **Development Pool Discretionary Funding Detail Over MTFP Period**

The table below shows the Development Pool Schemes requiring discretionary funding, which have been through a prioritisation process, and the rationale for funding approval.

Scheme	Directorate	Scheme Description	2024-25 £	2025-26 £	2026-27 £	2027-28 £	Total £	Funding Source
S106 Funded School Expansions	CFN	Corby Business, Latimer, Wollaston + Christopher Hatton	2,795,000	8,319,500	2,437,500	98,000	13,650,000	S106
New Primary Schools	CFN	Priors Hall	0	7,500,000	7,500,000	0	15,000,000	S106
Primary School Expansions	CFN	Greenfield's	1,072,500	780,000	97,500	0	1,950,000	DFE
Secondary School Expansions	CFN	Manor	475,000	2,612,500	162,500	0	3,250,000	DFE/S106
Various SEND schemes	CFN	Schemes to provide new SEND capacity to meet demand across North Northants	3,489,000	9,701,500	3,089,500	130,000	16,410,000	DFE
Children's Trust - Children Centres	NCT	Property condition update	1,170,000	1,837,353	1,127,250	0	4,134,603	Discretionary
Cemeteries condition works	PLACE	Expenditure on NNC Cemetery Grounds and Building Assets to comply with health and safety requirements.	60,000	60,000	60,000	60,000	240,000	Discretionary
Willowbrooke - road slippage	PLACE		1,000,000	0	0	0	1,000,000	Discretionary

Scheme	Directorate	Scheme Description	2024-25 £	2025-26 £	2026-27 £	2027-28 £	Total £	Funding Source
Traffic Signals replacement	PLACE		0	1,100,000	0	0	1,100,000	Discretionary
A509 Isham Bypass	PLACE	Road scheme.	6,076,000	3,816,000	44,824,500	44,824,500	99,541,000	DfT, Developer, LA
A43 Northampton to Kettering Phase 3 (Overstone Grange to Holcot/Sywell)	PLACE	Dualling of the A43 Northampton to Kettering (This section spans the boundary between North Northants and West Northants). NNC contribution only	832,000	2,297,000	0	0	3,129,000	DfT, Developer, LA
Flood Alleviation	PLACE	As bid for from Environment Agency and funding secured from external bodies e.g. Anglian Water.	250,000	250,000	0	0	500,000	External Funding
Estate Stock Condition and compliance works	PLACE	Expenditure on NCC properties relating to replacement and repair of boiler and ventilation systems, roofs and building fabric works. Also covers health and safety, water quality and fire regulations requirements.	1,000,000	1,000,000	0	0	2,000,000	Capital Receipts

Scheme	Directorate	Scheme Description	2024-25 £	2025-26 £	2026-27 £	2027-28 £	Total £	Funding Source
Decarbonisation project	PLACE	Salix	3,859,000	0	0	0	3,859,000	Grant (subject to grant bid)
Sladebrook Reservoir	PLACE	Further phase of capital works to the reservoir to meet the council's statutory duties.	330,000	0	0	0	330,000	Grant
Local Authority Tree Fund 2024/25	PLACE	Grant funding for tree planting in open space	0	80,000	0	0	80,000	Grant
Play Area investment in Country Parks	PLACE	To invest in new play equipment to support growth in parking income.	300,000	0	0	0	300,000	s.106
Public Sector Decarbonisation Fund	PLACE	Match funding for capital investment in carbon reduction schemes	601,000	0	0	0	601,000	Capital Receipts
Replacement of gym equipment	COMMUNITIES	Lodge Park and Corby Pool	500,000	0	0	0	500,000	Discretionary
Castle Theatre	COMMUNITIES		740,000	0	0	0	740,000	Capital Receipts
Rockingham Road Pavilion	COMMUNITIES		200,000	0	0	0	200,000	Discretionary
Empty Properties	COMMUNITIES		308,000	0	0	0	308,000	Capital Receipts
Burton Latimer Community Leisure	COMMUNITIES		790,000	0	0	0	790,000	Grant & External Contributions
Totals			**25,847,500**	**39,353,853**	**59,298,750**	**45,112,500**	**169,612,603**	