Appendix A

North Northamptonshire Council

Capital Strategy 2025-26

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 South Midlands Authorities Group, 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 This Capital Strategy provides an outline plan of a 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 may 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 (SCB). They are not part of the approved capital programme and prioritisation of the schemes will be required to ensure sustainability over the long-term.

2.4 Schemes move forward to delivery (The Committed Capital Programme) following full approval. 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. For these schemes outside of the Capital Strategy, the approval process is set out in table 1 below, based on value and funding source.

Table 1

New Capital Schemes Identified In-Year or Schemes Moving From The Development Pool			
Funding source **(including mix funding)**	**Total Value of Scheme**	**Approval required**	**Reporting required**
External grant S106 Other External Contribution ONLY	£500k +	Executive Committee, once approved by SCB	1) Executive Committee CUR to approve budget 2) Separate Executive Report to approve scheme itself
	£50k - £499k	SCB	1) Report to Executive Committee in CUR to note approval given by SCB.
	£0 - £49.99k	CFO	1) Report to SCB to NOTE approval given by CFO outside of SCB 2) Report to Executive Committee in CUR to note approval given by CFO under delegation
Council Capital Receipts/Reserves (fully funded, or contains and element of)	£500k +	Executive Committee, once approved by SCB	1) Executive Committee CUR to approve budget 2) Separate Executive Report to approve scheme itself
	£50k - £499k	Executive Committee, once approved by SCB	1) Executive Committee CUR to approve budget
	£0 - £49.99k	SCB	1) Report to Executive Committee in CUR to note approval given by SCB.
Borrowing (fully funded, or contains and element of)	£500k +	Full Council, once approved by SCB and Executive Committee	1) Full Council and Executive Committee CUR to approve budget 2) Separate Executive Report to approve scheme itself
	£50k - £499k	Executive Committee, once approved by SCB	1) Executive Committee CUR to approve budget
	£0 - £49.99k	SCB	Report to Executive Committee in CUR to note approval given by SCB.

Schemes lower that the thresholds for approval required at Executive Committee and/or Full Council may be submitted to them for formal sign off at the Chief Finance Officers discretion.

2.5 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.

2.6 The CFO can authorise the following changes to the Capital Programme in-year:

Table 2

CFO delegated changes to approved Capital Programme	Reporting required
Updates to existing schemes expenditure budgets that reflect total grants awarded, where the allocation of the grant changes after formal approval	To SCB and Executive CUR to note

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 (SCB)

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 board is advisory in nature to the CFO, and the CFO retains the delegated powers of decision making. The CFO's decision on matters discussed at SCB is final.

2.12 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 £500k, 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.

2.13 The Membership of SCB will comprise of the following officers with voting rights:

- Chief Finance Officer (or nominated deputy)
- Members of CLN (or nominated deputy)

As appropriate, according to the schemes being discussed, the following officers will also be in attendance:

- Project Managers
- Assets and Environment Officers
- Finance Team Officers
- Procurement Team Officers
- Legal Officers

Plus any other officers at the discretion of the CFO.

Assessment of the revenue implications of capital investment

2.14 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

2.15 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.

North Northamptonshire Corporate Leadership Team

2.16 The North Northamptonshire Corporate Leadership Team (CLT) reviews and provides sign off for the Capital Update Report as well as consideration of the strategic direction on the use of funding sources.

Strategic Capital Board

2.17 The Strategic Capital Board monitors progress on schemes in delivery. It challenges delivery and contracts and updates CLT on any significant financial and delivery risks.

Knowledge and Skills

2.18 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.

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

2.20 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.

2.21 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.

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

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

Completion of Capital Schemes and Lessons Learned

2.24 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

2.25 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 £10k 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).

Table 3

NNC - Capital Expenditure	2025-26 Spend £000	2026-27 Spend £000	2027-28 Spend £000	2028-29 Spend £000	Total Spend £000
General Fund	69,969	33,814	28,865	20,952	**153,599**
Housing Revenue Account	13,083	13,504	13,928	14,379	**54,895**
NNC Total	**83,052**	**47,318**	**42,793**	**35,331**	**208,494**

3.6 Details of the capital programme by project are included within Appendix B and C as part of the Capital Programme Report 2025-29.

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 and capital receipts) accounts for £74m (36%), of the overall committed Capital Programme over the plan period.

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

Table 4

NNC - Capital Funding	2025/26 Funding £000	2026-27 Funding £000	2027-28 Funding £000	2028-29 Funding £000	Total Funding £000
Discretionary Funding	34,731	10,431	9,061	4,679	**58,902**
Capital Receipts/ Reserves	5,237	4,145	3,341	2,465	**15,188**
Grant Funding	30,284	23,819	21,044	18,390	**93,537**
S106	4,298	0	0	0	**4,298**
Contribution from Revenue	8,502	8,923	9,347	9,798	**36,569**
Total Capital Funding	**83,052**	**47,318**	**42,793**	**35,331**	**208,494**

Development Pool

3.11 The Development Pool Schemes for 2025-26 to 2028-29, as shown in Appendix D, identify future schemes that either requiring discretionary funding or are not fully confirmed at this stage. These will go through a prioritisation process with the NNC Leadership Team and SCB, taking into consideration the corporate plan and the impact on the revenue budget.

Table 5

North Northamptonshire Council Total Development Pool	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total Spend £000
Total	65,571	50,741	86,292	60,014	**262,618**

Table 6

Development Pool Indicative Funding	2025/26 £000	2026-27 £000	2027-28 £000	2028-29 £000	Total Funding £000
Discretionary Funding	29,154	17,785	22,120	0	69,059
Capital Receipts/ Reserves	1,909	0	0	0	1,909
Grant Funding	9,368	30,180	64,172	60,014	163,734
S106	25,140	2,776	0	0	27,916
Total	**65,571**	**50,741**	**86,292**	**60,014**	**262,618**

Horizon Scanning

3.12 The following items have been identified as part of horizon scanning where schemes are expected to be brought through the next annual MTFP process, or to a future Strategic Capital Board (if necessary). At present, no formal cost estimates have been assigned to the schemes and therefore do not form part of the development pool:

3.13

Directorate	Potential Future Schemes
Place and Economy	Local Hubs
	Sladebrooke Reservoir
Public Health and Communities	Heritage and Archives
	Burghley Drive Pavilion
	Rockingham Park Pavilion
	Lodge Park Sports Centre Roof
	Priors Hall Golf Course Centre Roof
	Leisure Strategy Capital Investment *(to be identified)*

IFRS 16 - Leases

3.14 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.

3.15 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.

3.16 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.

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

4.7 **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.

4.8 **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 (see Flexible Use of Capital Receipts Policy).

4.9 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.

4.10 In the General Fund, the Council plans to receive £10m of capital receipts in the coming financial year as follows:

Table 7

	2024/25 forecast £000	2025/26 forecast £000	2026/27 forecast £000	2027/28 forecast £000	2028/29 forecast £000
Capital Receipts from Asset Sales	2,157	2,890	5,000	0	0

4.11 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).

The core principles for using capital receipts:

- 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 undersigned agreement with the Government, limited to funding up to 50% 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.

4.12 The Government announced a number of changes on how 1-4-1 receipts could be used. These changes came into effect from 1st April 24 for a two-year period only. At this stage we expect further announcements during 2025/26 for the implementation of the Right to Buy Scheme.

- Right to Buy receipts will be permitted to be used with Section 106 contributions.

- The maximum permitted contribution from Right to Buy receipts to replacement affordable housing will increase from 50% to 100%.

- The cap on the use of Right to Buy receipts on acquisitions to help drive new supply has now been lifted. Previously it had a cap of 50% (currently 50%) will be lifted.

A Further update was announced in the Chancellors Autumn Statement on 30th October 2024, which included the following:

- The government will be reducing the Right to Buy Discounts.

- The maximum discount for the East Midlands is £24k. The maximum discounts reflect the maximum discount levels that applied from 2003 until 2012, before the maximum discounts were increased in 2012. The maximum discounts will no longer increase annually by the Consumer Price Index (CPI) rate of inflation, which applied between 2014 to 2024.

- The new maximum came into effect on 21st November 2024.

- Local Authorities will be able to retain receipts from the sale of any social housing so that it can be reinvested into their existing stock and new supply.

4.13 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 4.8.

4.14 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

4.15 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. (see Flexible Use of Capital Receipts Policy).

Long term funding challenges

4.16 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.

4.17 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

4.18 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.

4.19 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.

4.20 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 developed 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 31/03/2024 is shown in the table below:

Table 8

Balance Sheet Extract	**31st March 2024 £000**
Property, Plant and Equipment	1,433,984
Heritage Assets	10,240
Investment Property	218,662
Intangible Assets	17
Long-Term Investments	24,992
Long-Term Debtors	5,386
Long Term Assets	**1,693,281**

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 table below shows the replacement of prior years' debt finance:

<u>Table 9</u>

Replacement of prior years' debt finance:	2024/25 Estimate £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 Budget £000	2028/29 Budget £000
Minimum Revenue Provision	3,828	4,695	4,997	5,289	5,564
TOTAL	**3,828**	**4,695**	**4,997**	**5,289**	**5,564**

For further information, see the Council's full MRP Policy statement.

7.7 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 borrowing requirement the Council's estimated CFR is as follows:

Table 10

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Capital financing requirement	633.369	643.318	653.514	662.077	667.765
Less: Other debt liabilities *	43.031	40.575	37.801	34.848	32.269
Loans CFR	**590.339**	**602.743**	**615.713**	**627.229**	**635.496**
Less: External borrowing **	438.083	428.084	438.982	445.899	460.663
Internal borrowing	**152.256**	**174.659**	**176.731**	**181.331**	**174.833**
Less: Balance sheet resources	311.114	345.489	348.237	320.156	322.905
Treasury investments	**158.858**	**170.830**	**171.506**	**138.826**	**148.072**

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

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

BORROWING

7.8 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

For further information, see the Council's Treasury Management Strategy Statement.

7.9 The table below shows current borrowing and investment balances:

Table 11

	31/12/24 Actual portfolio £m	31/12/24 Average rate
External long-term borrowing:		
Public Works Loan Board	384.753	3.00%
LOBO loans from banks	37.000	4.25%
Other loans	10.000	3.89%
Total long-term borrowing	**431.753**	**3.13%**
External short-term borrowing:		
Local authorities	25.200	5.20%
Total external borrowing	**456.953**	**3.24%**
Other long-term liabilities:		
Private Finance Initiative	35.307	N/A
Leases	2.337	N/A
Total other long-term liabilities	**37.644**	**N/A**
Total gross external debt	**494.597**	**N/A**
Treasury investments:		
The UK Government	0.000	0.00%
Local authorities	-161.000	5.22%
Banks (unsecured)	0.000	4.91%
Money market funds	-21.924	4.78%
Real estate investment trusts	-19.655	2.97%
Other investments	-0.215	0.00%
Total treasury investments	**-202.794**	**4.95%**
Net debt	**291.803**	**N/A**

7.10 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.

7.11 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.

7.12 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 12

	2024/25	2025/26	2026/27	2027/28	2028/29
Authorised Limit - Borrowing	781.884	681.284	688.036	695.496	701.681
Authorised Limit - PFI and Leases	120.269	67.801	69.848	67.269	64.824
Authorised Limit - Total External Debt	**902.153**	**749.084**	**757.884**	**762.765**	**766.506**
Operational Boundary - Borrowing	710.800	641.284	648.036	655.496	661.681
Operational Boundary - PFI and Leases	109.340	57.801	59.848	57.269	54.824
Operational Boundary - Total External Debt	**820.140**	**699.084**	**707.884**	**712.765**	**716.506**

7.13 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

7.14 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.

7.15 The following table shows the Prudential Indicator for the Proportion of Financing costs to Net Revenue Stream:

Table 13

%	2024/25 Forecast £m	2025/26 Budget £m	2026/27 Budget £m	2027/28 Budget £m	2028/29 Budget £m
Financing Costs	11.1	10.73	11.5	12.4	12.79
Proportion of net revenue stream	2.96%	1.30%	1.40%	1.49%	1.52%

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