APPENDIX B

Capital Strategy

2024/25

1. Introduction & Background

1.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities requires local authorities to produce a 'Capital Strategy'. The purpose of the Capital Strategy is to demonstrate that the Council's capital expenditure and investment decisions are taken in line with corporate priorities and properly take account of Stewardship, Value for money, Prudence, Sustainability, and Affordability

1.2. The Capital Strategy is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future sustainability. It allows authorities to give greater weight to local circumstances and explain their approach to borrowing and investment.

1.3. The Capital Strategy forms part of the Council's integrated revenue, capital financial planning and sets out the long-term context in which capital expenditure and investment decisions are made. It is an integral component of the Medium Term Financial Plan (MTFP) and is aligned with the Council's Borough Plan, Asset Management Strategy, Housing Revenue Account Business Plan, and Treasury Management Strategy.

1.4. The strategy will provide for a balanced, sustainable capital programme over the medium term planning period ensuring that limited resources are applied in the most effective, efficient and economical way to contribute to the achievement of the Council's Borough Plan.

1.5. The strategy sets out how the Council will prioritise its capital spending plans within the resources available and indicates the action to be taken to maximise resources for capital spending. The strategy is strategic in nature and will focus upon the process for determining capital investment priorities.

1.6. The strategy sets out the strategic approach to the management of debt and borrowing. The detailed implications of this are contained within the Treasury Management Strategy (TMS) which is updated annually.

1.7. The Capital Strategy will be updated annually alongside the Council's MTFP. There will also be a fundamental review of the strategy alongside a revision of the Borough Plan.

2. Corporate Priorities

2.1. The Capital Strategy is driven by local priorities. The Council's spending strategy is set out in the Borough Plan formally adopted by the Council. Following the elections in May 2023 there was a fundamental review of the former Corporate Plan focussing on the period 2023-2027 (up to the end of the current political administration). The Borough Plan was agreed by Council on 17th October 2023.

2.2. The Council's 4-year Borough Plan (2023-2027)[1] establishes the Council's vision, corporate objectives, and key priorities for the medium term. It establishes the Council's commitment in the delivery of service and community leadership to the residents of the High Peak. The Council's vision is expressed as *"Working together to protect and invest in the High Peak with the Council on your side".* This vision is articulated further by five aims within which are specific objectives which inform the activities of the Council in the delivery of services and community leadership. The plan further details priority outcomes and priority actions:

Aim 1: Supporting our communities to create a healthier, safer, cleaner High Peak

Aim 2: Future proof housing

Aim 3: Protect and create by supporting economic growth, development & regeneration

Aim 4: Protect and improve the environment including responding to the climate emergency

Aim 5: A responsive, smart, financially resilient and forward thinking council

3. Capital Spending Priorities

3.1. The Council's capital investment priorities are determined by the corporate priorities set out above. The key capital investment priorities for the Council are therefore as follows:

Corporate Property – the Council will invest in maintaining the properties that support the delivery of services direct to residents.

Affordable Housing –the Council is committed to maintaining a "fit for purpose" housing stock that meets the needs of tenants and in addition will support the additional provision of housing by other registered providers.

Other Corporate Assets – the Council will invest in other assets that support the delivery of services e.g. transport fleet.

Private Sector Housing Renewal – the Council will support investment in the improvement in housing conditions throughout the borough.

Enabling Growth – the Council will support the growth of business and employment opportunities within the district in addition to housing development in line with the commitments set out in the Local Plan.

Service Transformation – the Council will invest in projects that improve service performance or reduce service expenditure on an "invest to save" basis that will include investment in ICT.

4. Asset Management Planning

[1] https://www.highpeak.gov.uk/article/7757/Borough-Plan

4.1. The overriding objective of asset management is to ensure that the Council maintains a portfolio of property assets that is appropriate, fit for purpose and affordable.

4.2. The Council's property portfolio consists of:

- ***Operational property*** i.e. assets that support core business and service delivery
- ***Investment properties*** held to support economic growth and / or to provide a financial return to the Council e.g. industrial units
- ***Community assets*** e.g. parks, playgrounds and open spaces

4.3. Asset management is an important part of the council's management arrangements and is crucial to the delivery of value for money services. The Council through production of its Asset Management Plan (AMP) is committed to:

- Optimise the Council's land and property portfolio through proactive estate management and effective corporate arrangements for the acquisition and disposal;
- A regular review of the condition of retained properties including a long-term (30-year) assessment of the necessary investment to maintain the assets fit for purpose; and
- Realise the value of any properties that have been declared surplus to requirements in a timely manner, having regard to the market conditions.

5. Service delivery & commercial activities and investments

5.1. The CIPFA Management Code requires all investments and investment income to be attributed to one of the following three purposes:

Treasury management Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

5.2. Treasury management investments are considered in the Treasury Management Strategy Statement, whereas Service delivery and Commercial return are considered to be Non-Treasury investments and, as such, are considered here in the Capital Strategy.

5.3. Service delivery investments could include projects contributing to the achievement of the Council's Borough Plan ambitions for example on housing and regeneration; or investments in a company in which the Council has a stake and is established for the delivery of Council services.

5.4. Commercial investments may include investments explicitly taken with the aim of making a financial surplus for the Council, or be fixed assets which are held primarily for financial benefit or to support economic growth. Reasons for commercial investments are: financial returns to fund services to residents, reductions in service spending; pursuing the Council's Growth Strategy, or economic development and regeneration activity in the borough.

5.5. The Council will consider options to invest prudently on a commercial basis and to take advantage of opportunities as they present themselves, supported by our robust governance process.

5.6. Such investments do not always give priority to security and liquidity over yield. In these cases, such a decision will be explicit, with the additional risks set out and the impact on financial sustainability identified and reported. Before considering any such investments the Council will ensure: that it has the appropriate legal powers to undertake such investments; that there is no wider detrimental impact to the Council in progressing a commercial investment (e.g. around overall borrowing powers), and that any investment is proportionate of all investments in order to avoid an excessive level of risk.

5.7. The commercial investments may involve the acquisition of property. CIPFA defines investment property as property held solely to earn rentals or for capital appreciation or both. Historically, property has provided strong investment returns in terms of stable income. Property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants to leave with properties remaining vacant. These risks will continue to be identified and managed through the Council's Risk Management Framework.

6. Loans to Third Parties

6.1. The Council has discretion to grant loans to third parties for several reasons. These loans are treated as capital expenditure. In making loans, the Council is exposing itself to the risk that the borrower defaults on repayments. The Council, in making these loans, will therefore ensure they are prudent and that the risks have been identified and fully considered.

6.2. The Council will periodically review its loan portfolio to ensure that the cumulative exposure of the Council is proportionate and prudent.

6.3. The Council will ensure that a full due diligence exercise is undertaken for each individual loan and will ensure that adequate security is in place. The business case for each loan will consider all the benefits and the risks.

6.4. It will be necessary to assess the level of risk attached to the provision of each individual loan and, consequently, build in a ‘risk premium’ into the interest rate charges to account for this. The factors taken into account in determining this premium include: the level of security, financial position and credit rating, the overall term of the loan, and the value of the loan.

6.5. The step by step process undertaken is outlined below:

STEP 1 – Assessing available market rates	In liaison with the Council’s Advisors, the interest rate the third party would be expected to pay if accessing funding from the market (based on amount/loan term etc) is estimated. This is to ensure the rate the Council is offering is competitive and not undercutting the market. Reference is also made in this consideration to subsidy (formerly known as state aid) implications.
STEP 2 – Assessing credit quality	The next consideration is credit quality – which may then consequently reduce/increase the rate. Factors that are taken into account include: credit ratings (if applicable), the financial position of the borrower, what security is available etc.
STEP 3 – Assessment of Borough Plan objectives	Finally, there is an overall assessment of the purpose of the third-party loan and linking this to the Council’s Borough Plan objectives – local factors based on the outcomes of the loan may have an influence on the rate charged.

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6.6. All loans are agreed by full Council in line with the Council’s constitution. All loans will also be subject to regular monitoring.

7. Capital Expenditure

7.1. Capital spending decisions will appropriately reflect the aspirations and priorities included within the Borough Plan and its supporting strategies.

7.2. Any scheme/ project to be added to the Capital Programme will be subject to a ‘gateway’ process and prioritised according to availability of resources and the longer-term impact on the council’s financial position. The ‘gateway’ process will be undertaken in line with the Council’s agreed project management methodology with a robust business case being developed at the critical stages of project approval and initiation. This process will be overseen by the Council’s Transformation Board.

7.3. The business case will include the following considerations:

- A clear assessment of the cost of financing the capital scheme, net of revenue benefits, profiled over the lifetime of each scheme; and
- Commissioning and procuring for capital schemes will comply with the requirements set out in the Council’s Contract Procedure Rules.

7.4. The Capital Strategy and the Capital Programme will be agreed by the Council in February each year as part of the budget setting process. The Medium Term Financial Plan, Asset Management Plan and Treasury Management Strategy will be considered at the same time. In-year variations of spend (subject to budget tolerance levels) and the re-profiling of schemes will be considered and approved by the Executive.

7.5. The Executive and the Corporate Select Committee receive capital monitoring reports as part of the quarterly performance and financial monitoring reports.

7.6. The Executive considers and approves new bids for inclusion in the capital programme. Approval to spend on individual capital schemes will only be given once this approval has been achieved.

7.7. Each approved scheme will be included in the Council's Transformation Programme and one of the Council's Alliance Leadership Team (ALT) will be assigned as Project Executive and will be responsible/ accountable for the delivery of the scheme.

7.8. Wherever possible, the Council will take a long term view of plans in order to assess affordability and the demand on future capital resources. It is essential for example to consider the lifespan and fitness for purpose of assets. This will be considered through asset management planning (condition surveys) and wider service-based exercises e.g. leisure centre provision evaluation.

7.9. There is a clear demand for long term planning for capital and treasury management purposes. The Council's debt portfolio contains loans that mature up to 2066/67. The debt repayment profile needs to be managed alongside the longer-term expectations for capital expenditure and funding forecasts.

7.10. Long-term forecasts are not easily predicted, and the accuracy of all financial estimates will be limited. However, long-term forecasting is valuable in informing strategic plans taking account of the cumulative sustainability and affordability of existing and planned investments which will need to be repaid over future periods. For major projects and investment, the funding and financial implications need to be planned well in advance.

8. Resourcing Capital Expenditure

8.1. To fund its capital investment, the Council will have access to limited sources of funding. The main sources of funding are:

Capital Receipts: These will be yielded from the disposal of land and property. A programme of disposal will be agreed by the Executive. This will be informed by the asset management planning process. In considering disposals the Council will take account of: potential loss of income from investment properties, projected saving in running costs, and capital costs of major investment required, assessment against fitness of premises for purpose and current patterns of need

The Secretary of State has allowed the flexible use of capital receipts. It is considered that individual local authorities will be best placed to decide which projects will be most effective for their area. The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate ongoing savings. If the Council plans to use this funding option a proposal will be prepared setting out the planned use, listing the projects and the expected savings and/ or improvements in service outcomes for each project, and the impact on the Council's prudential indicators.

Borrowing: Capital projects that cannot be funded from any other source can be funded from borrowing. Local Authorities can borrow to fund schemes where it is prudent to so. They need to consider their ability to pay for the borrowing. The levels of borrowing are determined by using the indicators set out in the Prudential Code. The borrowing repayment and interest charges on the loan need to be met from existing revenue budgets or identify them as new growth in the annual budget setting process and factor them into the MTFP.

The Chief Finance Officer will make an assessment of the overall prudence, affordability and sustainability of the total borrowing requested and the impact of the Council's borrowing will be reported in the Treasury Management Strategy alongside the Prudential Indicators required by CIPFA's Prudential Code for Capital Finance. The Chief Finance Officer will also determine whether the borrowing should be from internal resources or whether to enter into external borrowing. This decision making will be undertaken in line with the Council's Treasury Strategy and will be reported to the Audit & Regulatory Committee as part of the monitoring of treasury management activity.

Revenue Funding: The Council may use revenue budgets to fund capital expenditure. This may be via a capital reserve which has been established to finance capital expenditure as an alternative to external borrowing. The Council will formally review such reserves and their application both as part of the budget setting process and at finalisation of the annual accounts.

S106 contributions: The principal purpose of S106 agreements is to support individual planning applications in line with the Council's planning policies. Wider contributions are constrained by legislation and must be negotiated and justified. The Council will ensure, where possible, that these are focussed towards corporate priorities subject to the legislative constraints.

External Grant Funding: The Council has a history of success in bidding for grants from several sources. There is a risk of reacting to funding opportunities informed by external priorities rather than chasing those that match the Council's priorities/ needs. The Council will seek to ensure that bids are submitted to support investment that is directed to the commitments made in the Borough Plan.

Partnership Funding: third party funding from partners. The Council is aware of the need to be innovative and to work closely with the private, public, and voluntary sectors to deliver outcomes in line with the Borough Plan priorities at a time when there will be reduced levels of capital resources. Any such investments will be considered only if they are more cost effective than the Council investing directly.

9. Forecast Expenditure and Resources

9.1. Paragraph 2 and Annex A of the MTFP Appendix A presents the capital programmes for both the general fund and HRA including detail about the major elements of the programmes and shows how they are funded or where they give rise to a borrowing requirement.

General Fund Capital Programme	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**Total £'000**
Expenditure:						
Housing	504,000	321,860	305,470	804,700	948,220	2,884,250
Asset Management	6,675,070	4,435,120	1,199,480	1,694,630	1,791,100	15,795,400
Housing Grants	582,150	555,000	555,000	555,000	555,000	2,802,150
ICT Strategy	50,000	72,800	113,480	50,000	50,000	336,280
Fleet Management	539,210	1,426,680	1,353,500	1,827,000	278,000	5,424,390
Leisure	2,265,050	3,413,710		250,000		5,928,760
Regeneration	821,570	700,000	1,512,680	1,186,150		4,220,400
Waste			920,830			920,830
Total Programme	**11,437,050**	**10,925,170**	**5,960,440**	**6,367,480**	**3,622,320**	**38,312,460**
Financed by:						
External Contributions	2,461,080	555,000	1,475,830	555,000	555,000	5,601,910
Planning Obligations	102,870	82,110				184,980
Capital Receipts (land)	150,000	1,000,000	2,895,000	2,150,000	2,077,100	8,272,100
Capital Receipts (one for one)	504,000	321,860	305,470	804,700	948,220	2,884,250
Capital Receipts (vehicles)	79,500	25,750	53,000	36,000	42,000	236,250
Earmarked Reserves	460,000					460,000
Borrowing	7,679,600	8,940,450	1,231,140	2,821,780		20,672,970
Total Financing	11,437,050	10,925,170	5,960,440	6,367,480	3,622,320	38,312,460

HRA Capital Programme	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**Total £'000**
Expenditure						
Asset Management	6,722,520	7,438,950	6,534,480	4,773,380	4,773,380	30,242,710

HRA Capital Programme	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Works						
Commissioning/ Decarbonisation	100,000	683,000	100,000	100,000	100,000	1,083,000
Vehicle replacement		51,110				51,110
Repurchase Dwellings	291,410	200,000	200,000	200,000	200,000	1,091,410
ICT Strategy		188,000				188,000
Housing for Refugees (match funded by LAHF)	1,325,340	1,188,490				2,513,830
Total Programme	8,439,270	9,749,550	6,834,480	5,073,380	5,073,380	35,170,060
Financed by:						
Major Repairs Reserve	2,289,000	2,289,000	2,289,000	2,289,000	2,289,000	11,445,000
HRA Contribution	4,533,520	3,489,060	2,745,480	2,584,380	2,584,380	15,936,820
Capital Receipts (one for one)	116,570	80,000	80,000	80,000	80,000	436,570
Capital Receipts (other)	174,840	120,000	120,000	120,000	120,000	654,840
Capital Receipts (refugees)	614,320	666,490				1,280,810
Local Authority Housing Fund (LAHF)	711,020	522,000				1,233,020
Mayoral Devolution Fund (Decarbonisation)		583,000				583,000
Borrowing		2,000,000	1,600,000			3,600,000
Total Financing	8,439,270	9,749,550	6,834,480	5,073,380	5,073,380	35,170,060

10. Long-term Considerations

10.1. There are a number of functions where there are long term capital spending liabilities that have been identified.

10.2. **Asset Management Plan – Non-Housing Portfolio**: The Council is developing a revised Asset Management Strategy to ensure the future delivery of efficient asset management. This work is being progressed following the recent completion of updated condition surveys which have provided the 30-year costs of maintaining the general fund asset stock. The MTFP includes this iteration up to 2027/28, the development of the plan will look further into the long-term:

	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	Total £
Asset Management:						
Public Buildings	*6,375,070*	*2,213,550*	*476,430*	*777,860*	*1,035,930*	*10,878,840*
Car Parks	*200,000*			*377,680*	*57,840*	*635,520*
Public Conveniences		*545,900*	*7,100*	*6,230*	*294,440*	*853,670*
Waterways Infrastructure	*50,000*	*1,255,570*				*1,305,570*
Leisure Centres		*276,500*	*564,610*	*468,250*	*270,660*	*1,580,020*
Depots & Park Buildings	*50,000*	*143,600*	*151,340*	*64,610*	*132,230*	*541,780*
Asset Management	**6,675,070**	**4,435,120**	**1,199,480**	**1,694,630**	**1,791,100**	**15,795,400**

10.3. The overall outcomes of the existing surveys raised the following issues:

- A number of the Council’s operational assets are dated in appearance and require investment;
- The Council’s car parks require capital investment;
- There are structural issues associated with a number of the Council’s buildings that require resolution;
- There are urgent works related to health and safety requirements that need to be resolved; and
- Investment is required to the electrical and mechanical infrastructure of a number of buildings.

10.4. In order to address the uncertainty of affordability for the longer term plan, the Council agreed to a number of actions to reduce the impact of the necessary capital spending, which should be considered before investment in each of the assets is made: asset rationalisation, shared use of assets, reduction in specification and functionality, generate additional capital receipts, identify grants to support investment, generate additional revenue from asset holdings

10.5. Review of Strategic Land Holdings: In order to address a number of the considerations above, the Council agreed to review its strategic land holdings with a view to developing options to either generate additional capital receipts or opportunities to generate ongoing financial returns.

10.6. The outcomes from this review were agreed by the Executive in July 2018 following recommendations by the Corporate Select Committee through the work of its Asset Management Working Group.

10.7. The review identified several work streams that formed the foundations of the emerging strategy. There are five areas of focus:

- Routine Land Disposal Work
- Accelerated Housing Delivery Project
- Housing Infrastructure Fund Bids
- Assessment of Other Land Holdings
- Housing Estate Environmental Review

10.8. The programme of land disposals that emerged from the strategy are in three categories:

- Sites identified as surplus and earmarked immediately for disposal
- Medium Term (to be considered in 2 to 4 years timescale)
- Long term (difficult sites with negative values / HRA sites / smaller sites identified from assessment of other land holdings)

10.9. The strategy was estimated to yield approximately £7.4 million over a four year period (which is reviewed and reprofiled at each update of the MTFP). A delivery plan identifying timescales, benefit realisation and cash flow analysis is included in the Medium Term Financial Plan.

10.10. The current 2024/25 – 2027/28 MTFP anticipates the capital programme will be funded by £8.27 million of capital receipts from land disposals during the life of the plan.

10.11. **Leisure Centres**: Given the age and condition of the leisure centres, the conditions surveys concluded that significant capital investment was required over the next 30 years in order that these assets remain fit for purpose.

10.12. The Council commissioned a review of its leisure centre provision in the context of its sports facility needs focusing on sports halls, swimming pools and other indoor provision. The purpose of undertaking this review was to inform the Council on options for future provision of council leisure centres and other sports facility based services from 2018 and beyond.

10.13. The outcome from this review in effect set out a position statement on the suggested facility hierarchy and approach, along with recommendations for the phasing of future facility developments and rationalisation. The aim is to ensure that the Council can develop a more sustainable solution in relation to meeting customer needs, affordability, and partner aspirations, whilst supporting the overall vision of the Council’s Move More Strategy.

10.14. Major projects emerging from the review include significant refurbishments work at New Mills Leisure Centre.

10.15. **Operational Depot Provision:** Major investments in the operational depot facilities which have been leased/ licensed to Alliance Environmental Services Ltd (AES) has been deferred until the opportunity has been taken to review the requirements of AES in light of the scope of services provided and the emerging requirements of the national review of waste collection and recycling provision.

10.16. **HRA Stock Condition**: The last housing stock conditions surveys were undertaken in 2017. Provision has been made in the budget to undertake new surveys in 2024/25 to provide updated cost projections over the next 30 years in maintaining the stock; meeting the Decent Homes Standard (DHS); and improving the energy rating assessment of the stock in response to the climate change agenda.

10.17. Housing Estate Environmental Reviews**:** The Council has previously completed environmental reviews of individual estates at Fairfield, Buxton, Gamesley and New Mills to identify necessary works and potential environmental improvements.

10.18. Housing development and acquisition opportunities which potentially can be used to improve the long-term sustainability of the Council's Housing Revenue Account (HRA) or allow for the offset of affordable housing requirements from other sites. The outcomes from this can be used in conjunction with the garage site survey, which also identifies development opportunities. In both cases there will need to be further work undertaken to confirm that any sites are suitable for redevelopment and a business case considered based on the financial, planning and infrastructure implications

10.19. This information will feed into the update of the HRA 30 year Business Plan.

11. Debt, Borrowing & Treasury Management

11.1. Effective treasury management is critical to the safeguarding and management of the financial resources at the Council's disposal. Investment and borrowing decisions are made in accordance with the Council's formally adopted Treasury Management Strategy. The Treasury Management Strategy is presented annually and approved by Full Council.

11.2. There are key prudential indicators set in respect of the impact of capital expenditure. The report details the forecast borrowing requirement over a four year period, the consequential borrowing costs and the impact of the Council's capital financing requirement (CFR). The CFR is the total outstanding capital expenditure which has not yet been paid for either from revenue or capital resources, essentially the Council's underlying borrowing need.

11.3. The table below summarises the impact of the Council's capital expenditure plans on the CFR:

	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
	actual	estimate	estimate	estimate	estimate	estimate
	£'000	£'000	£'000	£'000	£'000	£'000

CFR – general	33,754	40,631	48,615	48,711	50,373	49,157
CFR – housing	50,764	50,129	51,494	52,459	51,824	51,189
Total CFR	**84,518**	**90,760**	**100,109**	**101,170**	**102,197**	**100,346**
Movement in CFR	4,221	6,242	9,349	1,061	1,027	(1,851)
Represented by:						
Net financing need for the year	5,548	7,680	10,940	2,831	2,822	0
Less Minimum & Voluntary Revenue Provision	(1,327)	(1,438)	(1,591)	(1,770)	(1,795)	(1,851)
Movement in CFR	**4,221**	**6,242**	**9,349**	**1,061**	**1,027**	**(1,851)**

11.4. Where a borrowing requirement is identified, an assessment takes place on the most cost effective way to fund this. This could result in 'external borrowing' from the Public Works Loan Board (PWLB), other Local Authorities, direct from the market or by utilising lease arrangements.

11.5. Alternatively, 'internal borrowing' (the use of cash balances) could be used temporarily, particularly in the current interest rate climate where borrowing rates are high and predicted to fall towards the end of the MTFP. This is kept under careful review balancing temporary availability of cash reserves with interest rate forecasts.

11.6. The Council's forward debt projections are shown in the table below in relation to the CFR:

	March23 Actual £'000	**March 24 Estimate £'000**	**March 25 Estimate £'000**	**March 26 Estimate £'000**	**March 27 Estimate £'000**	**March 28 Estimate £'000**
External Borrowing	61,777	63,777	67,777	69,377	69,629	71,629
Other long-term liabilities*						
Gross Debt at 31 March	**61,777**	**63,777**	**67,777**	**69,377**	**69,629**	**71,629**
Change in Debt position	(1,300)	2,000	4,000	1,600	252	2,000
CFR	**84,518**	**90,760**	**100,109**	**101,170**	**102,197**	**100,346**
(Under)/ over borrowing**	(22,741)	(26,983)	(32,332)	(31,793)	(32,568)	(28,717)

* Other *long-term liabilities will include Right-of-Use assets under accounting standard IFRS16 to be adopted from 2024/25. The impact is expected to be immaterial therefore is not included at this stage. Should any changes be significant, the CFR limit and forecast will be revised during the year.*

*** Subject to considerations around whether to externally / internally borrow*

12. Risk Management

12.1. There are several key risks that will impact upon the successful implementation of the Council's Capital Strategy.

12.2. The Council operates effective risk management through its Risk Management Framework. Risk management is the process of identifying risks, evaluating their potential consequences, and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the Council caused by undesired events and of ensuring that the element of risk in all activities is properly understood.

12.3. In order to manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored. It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in capital assets held primarily for financial returns.

12.4. An assessment of risk should therefore be built into each individual capital project and the major risks that identified should be recorded in the Projects Risk Register which is reported to the Council's Audit & Regulatory Committee.

12.5. The risks associated with the Capital Strategy are detailed below with the mitigating actions:

Risk	Mitigating Actions
Diminishing Resources	• The Capital Financing Requirement (CFR) carefully monitored and managed • New grant / funding opportunities explored • Partnership opportunities explored to share investment
Project Delivery	• Spending / Funding closely monitored • Projects managed through the Council's project management methodology • Major projects reported through the council's performance framework
Commercial Investments	• Exposure to non-repayment carefully managed through the contract management arrangements • Disinvestment potential will be regularly considered
VAT Partial Exemption	• Each capital investment will be closely reviewed to assess its VAT implications.