



Governance Scrutiny Group

Thursday, 20 February 2025

Capital and Investment Strategy 2025/26

Report of the Director – Finance and Corporate Services

1. Purpose of report

- 1.1. The purpose of this report is to provide the Group with details of the Capital and Investment Strategy for 2025/26 to 2029/30 focusing on both traditional treasury activity and the Council's commercial property investments in line with CIPFA's Prudential and Treasury Management Codes.
- 1.2. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (updated December 2021) along with revised guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) when carrying out capital and treasury management activities.
- 1.3. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable and proportionate, and all borrowing and other long-term liabilities are at prudent and sustainable levels, and that treasury management decisions are taken in accordance with the Council's treasury management strategy.
- 1.4. The Capital and Investment Strategy 2025/26 to 2029/30 (Appendix A) reflects Government Guidance, and the CIPFA Treasury Management and Prudential codes.

2. Recommendation

- 2.1. It is **RECOMMENDED** that the Governance Scrutiny Group scrutinise and recommend for approval by Full Council:
 - a) The Capital Strategy and Capital Prudential Indicators and limits for 2025/26 to 2029/30 contained within Appendix A (paragraphs 4 to 15);
 - b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 16 and 17) which sets out the Council's policy on MRP;
 - c) The Treasury Management Strategy 2025/26 to 2029/30 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 67);

- d) The Treasury Management Policy Statement for 2025/26 (Appendix B); and
- e) The Commercial Investments Indicators and Limits for 2025/26 to 2029/30 contained within Appendix A (paragraphs 68 to 81).

3. Reasons for Recommendation

- 3.1. To comply with the Council's Financial Regulations, and the Local Government Act 2003 which requires the Council to adhere to the CIPFA Prudential Code for Capital Finance in Local Authorities.

4. Supporting Information

Capital Prudential Indicators

- 4.1. Appendix A (paragraphs 4 to 15) details the Capital Strategy and Capital Prudential Indicators for 2025/26 to 2029/30.
- 4.2. The Capital Prudential Indicators highlight the following:
 - Projected capital expenditure plans and funding
 - The Council's Borrowing Need (the Capital Financing Requirement or CFR)
 - The on-going impact of the capital programme on the investment balance.

Minimum Revenue Provision Policy

- 4.3. Appendix A (paragraphs 16 and 17) contains the Minimum Revenue Provision (MRP) Policy Statement, which details the methodology used to calculate the charge to the revenue account for the cost of borrowing to fund capital expenditure.
- 4.4. The Government Guidance and the Council's MRP Policy includes limits to the period over which the cost of borrowing can be recovered from the revenue account (a maximum of 40 and 50 years respectively for property and land). It also clarifies the position on Voluntary Revenue Provision (VRP) and that in times of financial crisis then there is the option to not apply VRP.

Treasury Management Strategy

- 4.5. Appendix A (paragraphs 18 to 67) details the Treasury Management Strategy which covers:
 - The current economic climate and prospects for interest rates
 - The Council's debt and investment projections
 - The limits and prudence of future debt levels
 - The affordability impact of the capital programme
 - The Council's borrowing and investment strategies
 - Specific limits on treasury activities; and
 - Any local treasury issues.

Commercial Investments

- 4.6. The revised definition of investments in the CIPFA Treasury Code includes assets which the organisation holds primarily for financial returns, such as investment property portfolios.
- 4.7. Paragraph 69 of the Capital and Investment Strategy confirms the latest guidance from MHCLG that Local Authorities cannot borrow to fund non-financial assets solely to generate a profit. Whilst the Council adheres to this the appraisal techniques previously used are discussed in paragraph 4.8.
- 4.8. Appendix A (paragraphs 68 to 81) details the appraisal techniques used to assess commercial investments, and provides a risk assessment of the level of commercial investments by identifying:
 - The limit on the Council's dependency on commercial income; and
 - How risk is spread across both commercial sectors and the size of investments proportionately in relation to asset value.

Conclusion

- 4.9 The Capital Prudential Indicators and Treasury Management Strategy give both a position statement and details of the future position of the Council's Capital, Commercial Investment and Treasury plans. The documents comply with best professional practice and as such will go forward for approval by Full Council. Positively the Council still remains debt free and continues to invest in its asset base via its own funds and retains a healthy level of well managed investments.

5. Risks and Uncertainties

- 5.1. The report identifies the risks relating to interest rates, use of counterparties for investments and the returns from commercial investments.
- 5.2. There is a risk to the lifespan of this strategy due to Local Government Reorganisation. Updates will be reported to Governance Scrutiny Group and Full Council.

6. Implications

6.1. Financial Implications

Financial Implications are covered in the Capital and Investment Strategy (Appendix A) and integrated into the Council's Medium Term Financial Strategy 2025/26 to 2029/30.

6.2. Legal Implications

The Strategy demonstrates compliance with The Local Government Act 2003 and adherence to the CIPFA Prudential Code for Capital Finance in Local Authorities.

6.3. Equalities Implications

There are no equalities implications associated with the recommendations of this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no equalities implications associated with the recommendations of this report.

6.5 Biodiversity Net Gain Implications

There are no Biodiversity Net Gain Implications associated with the recommendations in this report.

7. Link to Corporate Priorities

The Environment	Helping to protect the environment by consideration of carbon footprint and fossil-based investments as referred to in paragraph 39 in Appendix A
Quality of Life	No direct impact
Efficient Services	Responsible income generation and maximising returns
Sustainable Growth	No direct impact

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group scrutinise and recommend for approval by Full Council:

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- e) The Commercial Investments Indicators and limits for 2025/26 to 2029/30 contained within Appendix A (paragraphs 68 to 81).

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Background papers available for Inspection:	Council Financial Regulations Treasury Management in the Public Services: Code of Practice (CIPFA) The Prudential Code for Capital Finance in Local Authorities (CIPFA) Guidance on Local Government Investments (MHCLG) Statutory Guidance on Minimum Revenue Provision (MHCLG)
List of appendices:	Appendix A – Capital and Investment Strategy 2025/26 – 2029/30 Appendix B – Treasury Management Policy Statement