



Capital Strategy 2023 to 2024



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INTRODUCTION AND PURPOSE

West Suffolk Council's main vision is to be ambitious in supporting and investing in our West Suffolk communities, business and the environment, to encourage and manage growth in prosperity and quality of life for all.

Our energies and resources will therefore be continued to be focused on the following strategic priorities:

- Growth in West Suffolk's economy for the benefit of all out residents and UK plc
- Resilient families and communities that are healthy and active
- Increased and improved provision of appropriate housing in West Suffolk in both our towns and rural areas

This Capital Strategy is intended to give a high-level overview of how capital expenditure and financing plans are decided upon and how they contribute to the delivery of the Council's Strategic Framework, Medium Term Financial Strategy and overall service delivery.

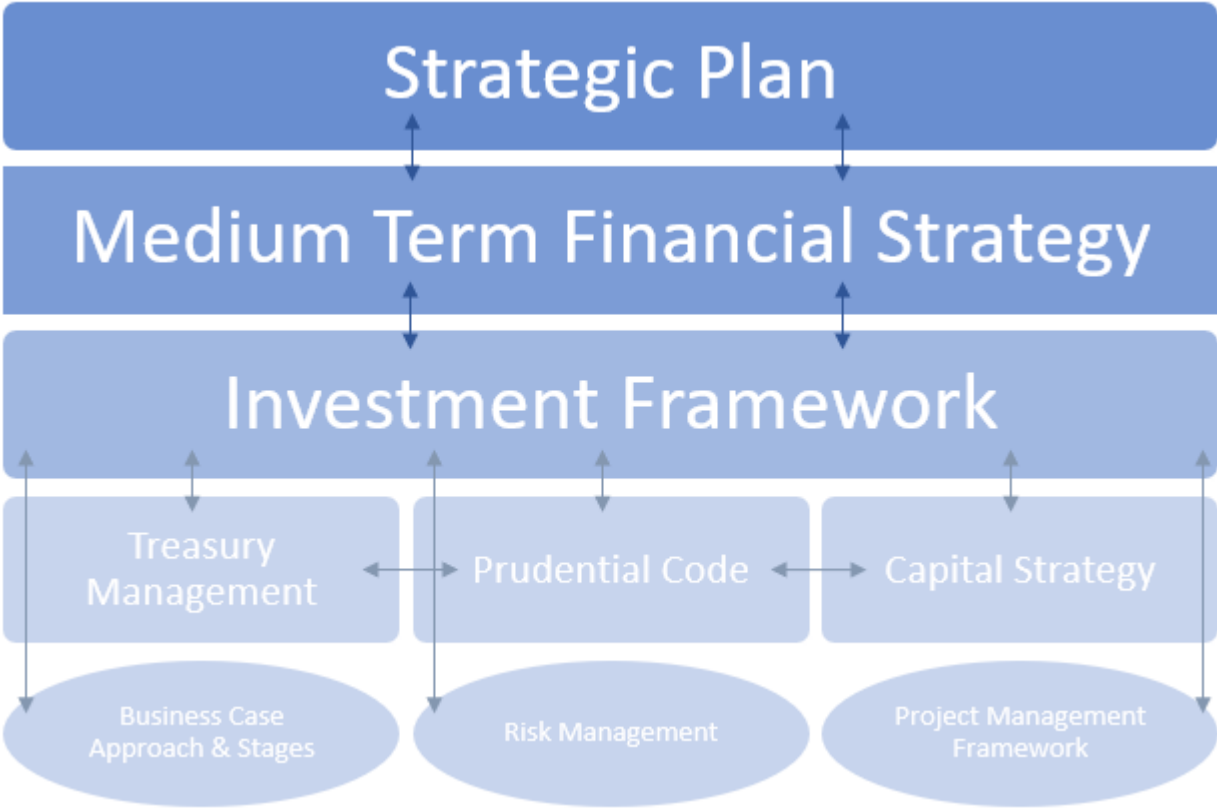
With our West Suffolk Strategic Priorities, statutory and discretionary responsibilities and increasingly complex demands on the Council's services, investment activity covers many areas over and above the normal treasury management of our cash balances and borrowing.

West Suffolk has a number of agreed strategies, frameworks, policies and guidance to support its capital and investment decisions. This strategy seeks to reference these from a single document. See diagram below.

Adherence to the principles of this Capital Strategy should ensure that capital expenditure and investment decisions are taken in line with the West Suffolk Strategic Framework and Medium Term Financial Strategy and take account of stewardship, value for money, prudence, sustainability, proportionality and affordability. This Capital Strategy has been written in conjunction with the Council's Treasury Management Policy Statement and Investment Strategy 2023 to 2024.

This Capital Strategy has been developed in line with the CIPFA Prudential Code for Capital Finance in Local Authorities 2021. This is a working document, which officers will keep under review.

Diagram of West Suffolk’s wider strategies and frameworks (non-exhaustive)



Capital Expenditure

Capital Programme

As part of the annual budget setting process, the Council sets its capital programme for the next ten years. This process is done in conjunction with service areas and takes into account both service plans and the overall council strategic plan.

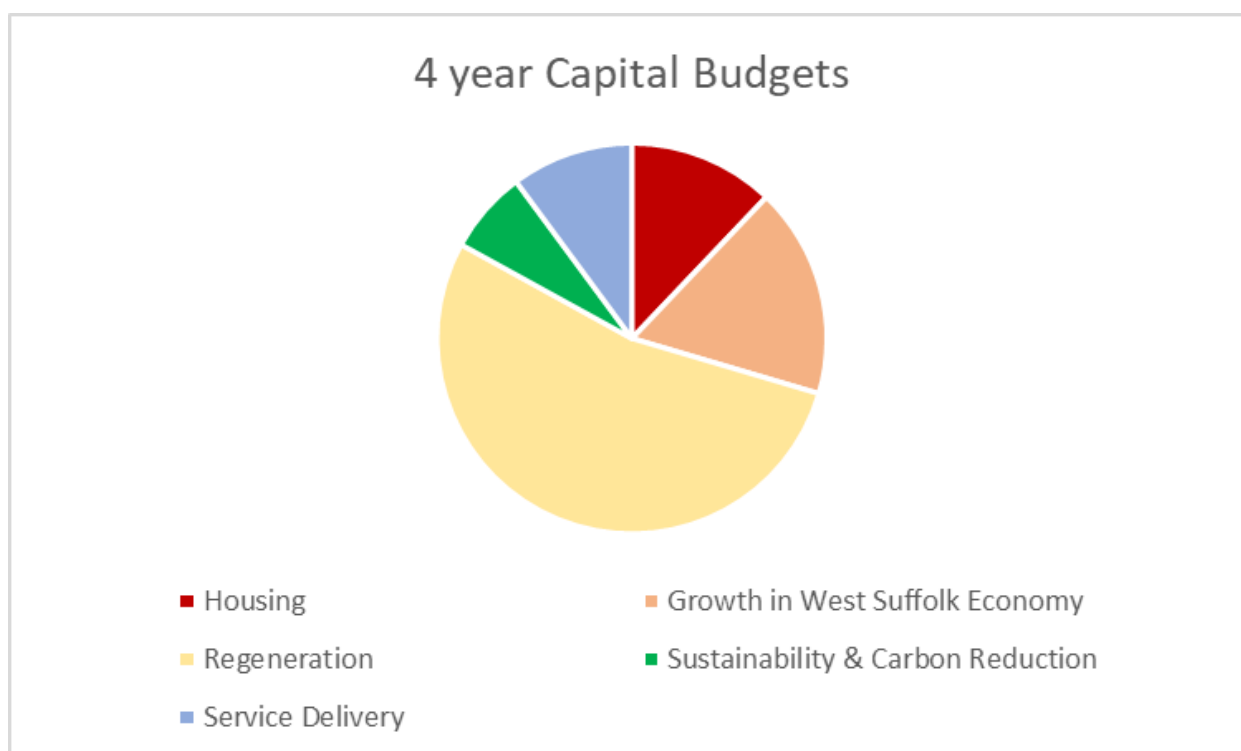
The detail of planned capital expenditure for West Suffolk Council over the next ten years is set out within the West Suffolk Medium Term Financial Strategy (Attachment D, Appendix 2). The below table gives details of planned capital expenditure over the next four years.

Project Description	2023 to 2024 Total Budget	2024 to 2025 Total Budget	2025 to 2026 Total Budget	2026 to 2027 Total Budget	Total Budget (Over 4 Years)
Resources & Property					
Western Way Development - report number: CAB/WS/22/068	14,000,000	34,000,000	25,000,000		73,000,000
This is the last modelling sum for a phase 1 scheme, plus works to residual frame (£75m - £2m of this is in 2022 to 2023) reported to Council in December 2022.					
Abbeycroft Leisure Loan (report number CAB/WS/20/072)	750,000				750,000
Asset Management Plan - Property					
Property Asset Management Plan	1,635,000	1,979,500	1,000,000	1,000,000	5,614,500
Net Zero Plan - Asset Management Investment	1,000,000	1,000,000	500,000		2,500,000
Planning & Regulatory					
Private Sector Disabled Facilities Grants	900,000	900,000	900,000	900,000	3,600,000
Community Energy Solar Investment	500,000	500,000			1,000,000
Net Zero Plan	2,250,000	1,250,000	1,250,000		4,750,000
Operations					
Car Parking Improvements	440,000	80,000	80,000	80,000	680,000
Vehicle & Plant Purchases	1,629,527	947,000	2,043,000	913,800	5,533,327
Net Zero Plan - Electric Vehicle Fleet Investment	627,000	510,000			1,137,000
Asset Management Plan - Leisure					
Leisure Asset Management Scheme	386,726	300,000	300,000	300,000	1,286,726
Growth					
Barley Homes Investment Facility - report number: CAB/WS/20/079	6,700,000	6,250,000			12,950,000
Investing in our Growth Agenda (Available for projects under the Investing in our Growth Agenda Strategy), Originally a total fund of £40 million, this has increased as other projects have been approved - funding has subsequently been allocated to projects such as Incubation Units at Suffolk Business Park	12,108,692	3,000,000			15,108,692
Haverhill Research Park - Loan Facility Balance - report number: CAB/JT/19/007	586,818				586,818
Incubation Units, Suffolk Business Park - report number: CAB/WS/21/052	4,598,716	3,553,737			8,152,453
Capital Totals:	48,112,479	54,270,237	31,073,000	3,193,800	136,649,516

The budget presented for approval for the years 2023 to 2024 to 2026 to 2027 totals £136.6 million. This also sets out the annual corporate investment being sponsored by each directorate within West Suffolk. This shows where organisational leadership and accountability for delivering our capital investment portfolio are located across the Council.

The rolling nature of our capital programme allows the Council the opportunity to consider new and additional investment into new projects which deliver it's organisational and political objectives.

The chart below details the areas of capital budget over the next four years. Regeneration is the largest area due to the inclusion of the Western Way Development. Details of the main capital expenditure items are below.



Western Way Development

The Western Way Development (WWD) is part of a network of existing or planned community hub projects across the whole West Suffolk area being delivered by partners in the public, charity and community sectors. As well as delivering new employment space, it aims to integrate council and government services, health provision, leisure facilities, an advice centre, third sector organisations and both community and education services on a single site to create better outcomes and save money. The project also offers a significant opportunity to deliver the Council's decarbonisation objectives.

Barley Homes

Barley Homes Ltd is the Council's wholly owned Housing Company, which aims to develop housing for sale in the West Suffolk area. As a principle, it is expected that the sites Barley Homes develop should seek to be compliant with the Council's planning policies in ensuring affordable housing is delivered and commitments to the wider public sector (such as education contributions) are met.

Incubation Units, Suffolk Business Park

The development of 40,000 sq ft of start-up / incubation space for companies mainly in the advanced manufacturing and engineering (AME) sector and its supply chain. This will deliver on the Council's original vision for the employment allocation at Suffolk Business Park.

Financing of Capital Expenditure

The total value of the capital programme over the next four years is approximately £136.6 million. The table below details how this expenditure will be funded, through a combination of grants and contributions, earmarked revenue reserves, useable capital receipts and external borrowing.

	2023 to 2024 millions	2024 to 2025 millions	2025 to 2026 millions	2026 to 2027 millions	Total millions
Gross capital expenditure	£48.11	£54.27	£31.07	£3.19	£136.64
Funded by:					
Grants and contributions	£1.05	£0.90	£0.90	£0.90	£3.75
Earmarked revenue reserves	£4.57	£3.31	£3.30	£2.29	£13.47
Capital receipts reserve	£7.45	£0.20	£0.12	£0.00	£7.77
Borrowing	£35.04	£49.86	£26.75	£0.00	£111.65
Total	£48.11	£54.27	£31.07	£3.19	£136.64

Subject to the year-end outturn position, any carry forwards from the 2022 to 2023 budget will be added to the 2023 to 2024 capital programme budget at the year end.

Actual borrowing requirements may be lower compared to the business cases in the capital programme. This is because it is not prudent for the Council to borrow until the cashflow is required. The borrowing process is a matter for the Treasury Management team to manage in line with the agreed Treasury Management and Investment Strategies.

Capital Receipts

Part of the funding arrangements for the capital programme is the use of useable capital receipts. Capital receipts can only be replenished through the disposal of surplus assets and repayment of capital loans. The table below is a summary estimate of the likely level of new capital receipts over the next four years.

	2023 to 2024 millions	2024 to 2025 millions	2025 to 2026 millions	2026 to 2027 millions
Council share of right to buy receipts	£0.50	£0.50	£0.50	£0.50
Barley Home loan repayments to be made available through agreed loan facility	£0.00	£6.01	£0.89	£0.00
Other asset disposals	£3.36	£0.06	£0.17	£0.05
Total	£3.86	£6.57	£1.56	£0.55

In the short to medium term, the council's useable capital receipts reserves move from £10.69 million to £14.01 million. Note that the Barley Homes repayments are likely to be reinvested in the delivery of further housing sites as subsequent business plans are agreed, so £6.9 million of the total balance will be reserved for this purpose.

The Prudential Code

This Capital Strategy draws together the framework for capital investment decisions. The strategy for funding this investment portfolio is underpinned by the Prudential Code for Local Authority Investment, which was introduced by the Local Government Act 2003.

The Prudential Code has the following key objectives:

- a local authority's capital expenditure plans and investment plans are affordable and proportionate
- all external borrowing and other long-term liabilities are within prudent and sustainable levels
- the risks associated with investments for commercial purposes are proportionate to their financial capacity, and
- treasury management decisions are taken in accordance with good professional practice.

To demonstrate that these objectives have been fulfilled, the Prudential Code details the indicators that must be set and monitored. These are designed to support and record local decision-making, and not to be comparative performance indicators. The Prudential Indicators are approved annually as part of the budget setting process by Council (Attachment D, Appendix 4).

Capital Expenditure Governance For Projects

Projects that are identified, that will support our Strategic Priorities and Medium Term Financial Strategy, are assessed against our approved Investment Framework and are required to go through an approval process prior to accessing any capital funding. This approval is subject to the Council's democratic decision making process. However, each proposal is required to go through a rigorous process of evaluation and scrutiny prior to reaching a formal council report.

Each project will be subject to a highly competent professional business case. Evidencing the strategic case, economic case, commercial case, financial case and management case.

Each project will need to demonstrate that it positively contributes towards the delivery and desired outcomes set out in our strategic priorities, unless investment is required to maintain our statutory obligations.

Each project will be assessed for the opportunity for innovative delivery and financing solutions, exploring where appropriate investments away from the traditional local government funding models.

Each project and potential partner will be considered against the general ethos and values of local government and the wider public sector.

The project evaluation, assessment framework and business case development stages will focus on the following areas for each proposal:

- strategic fit;
- deliverability within existing resource commitments;
- risk profile;
- added value; and
- financial return.

An opportunity will be rejected at any stage if it is not appraised by members as an appropriate investment decision. For example, it doesn't have a sufficient strategic fit or bears an imbalance between investment, risk and returns.

As projects are developed, they require production of:

- Project Initiation Document;
- Stakeholder engagement analysis;
- Risk log;
- Issues log;
- Lessons learned log; and
- Detailed project plan including delivery and decision timetable and resource requirements.

During implementation, project plans, risk registers and financial schedules are reviewed monthly, and a Project Status Report (PSR) is submitted to the Programme Office Support Team each month. Any significant variance from any component of the plan is elevated for Leadership Team review.

The overall capital programme is monitored monthly by the Leadership Team and reported to the Performance and Audit Scrutiny Committee on a quarterly basis, highlighting forecast variances to plan in terms of investment.

Affordability

Affordability is critical in applying the Capital Strategy and assisting the decision making process when considering projects for inclusion into the Capital Programme.

All projects need to have a clear funding source with commitment for the entirety of the projects. Funding can come from:

- Capital receipts;
- Borrowing;
- Revenue Reserves;
- External Grants; or
- S106 funding.

Where external borrowing is to be used, the affordability is of greater importance as the interest costs and capital repayment of that borrowing need to be considered and included in the evaluation.

The current and projected affordability position of West Suffolk Council is shown below.

	Actuals 31 March 2022 millions	Forecast 31 March 2023 millions	Budget 31 March 2024 millions	Budget 31 March 2025 millions	Budget 31 March 2026 millions
Annual Interest payable	£0.23	£0.35	£1.51	£1.49	£1.39
Annual repayment cost (MRP)	£0.76	£0.72	£0.76	£0.78	£0.80
Annual Interest payable as % of gross revenue income budget	0.40%	0.82%	4.21%	4.25%	3.66%
Annual repayment cost as % of gross revenue income budget	1.31%	1.69%	2.12%	2.24%	2.12%

Proportionality

The concept of proportionality, alongside that of affordability, is a key consideration when considering funding projects through borrowing.

The costs and risks associated with that borrowing should be looked at as part of the whole financial position of the council. Awareness of the scale and relationship with the asset base and revenue delivery is essential to informed decision making.

This relationship and trend between borrowing, asset base and yield from the investments that the council has made will be monitored on a regular basis and referred to when any new projects that require borrowing are proposed. This will provide key insight on the proportionality and affordability of each new project within the context of the whole portfolio and financial position of the council.

Risk Management

Our approach to risk, as set out in our approved risk management framework, is based on context, proportionality, judgement and evidence-based decision making that considers each capital investment project on a case by case basis and is documented at all stages, following the core principles below:

- a positive approach;
- contextual decision making;
- informed risk-taking;
- proportionality;
- decision risk vs delivery risk;
- documented decision; and
- continuous improvement.

In addition our Investment Framework requires that projects are assigned an overall investment risk, based on an assessment of the individual business cases including risk and likelihood of returns, (high, medium or low) in order to manage the Council's overall investment portfolio and exposure.

It also requires that projects are assessed against the Council's wider capital programme commitments, aspirations and asset management plans to ensure that the overall capital programme is affordable, prudent and sustainable.

Project management risk is identified and monitored in West Suffolk's Risk Register. Controls and actions are in place to mitigate this risk. Ensuring this risk is monitored and within an acceptable residual range. Staff training is acknowledged as a control. Therefore part of our wider risk management process and proportional to our risk appetite.

Statement of Accounts

The capital expenditure carried out in the year is reflected in the Balance Sheet of the Statement of Accounts ensuring stewardship of assets is demonstrated.

The accurate monitoring and recording of capital expenditure ensures that this document is free from material error. The Statement of Accounts is externally audited at the end of each financial year to certify that it presents a true and fair view of the financial position of the Council.

Procurement Strategy

The manner in which capital monies are spent is determined by the Procurement Strategy which, along with the Contract Procedure Rules and Financial Regulations, set the framework for the supply of goods and services to the Council, and how these goods and services should best be obtained to secure value for money.

Debt, Borrowing and Treasury Management

For the purposes of this document, "Treasury Management Activities" are defined as:-

"The management of the Local Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance consistent with those risks."

The West Suffolk approved Annual Treasury Management and Investment Strategy links to the Capital Strategy and programme in determining the Council's approach to borrowing and investment, including borrowing to fund capital expenditure. The Treasury Management Strategy is closely related to the Prudential Code and Prudential Indicators discussed above.

The Council has an integrated Treasury Management Strategy, and has adopted the CIPFA Code of Practice for Treasury Management in Public Services. The Treasury Management Strategy deals with borrowing and investment arising as a consequence of all the financial transactions of the authority, not exclusively those arising from capital spending.

The Treasury Management Code of Practice lays out the Treasury Management Practices (TMPs) that have been adopted by the Council and the indicators that will be used to ensure that the correct approach is taken to:

- Risk management;
- Performance measurement;
- Decision making and analysis;
- Approved instruments, methods and techniques;
- Organisation, clarity and segregation of responsibilities and dealing arrangements;
- Reporting requirements and management information arrangements;
- Budgeting, accounting and audit arrangements;
- Cash and cash flow management;
- Money laundering;
- Training and qualifications;
- Use of external service providers; and
- Corporate governance.

The detail behind each of these can be found within the Council's approved Treasury Management Code of Practice.

Investments for service or commercial purposes

The Council (not its wholly owned companies) does not embark on capital projects / investments where the outcome is purely to generate a financial return. Project outcomes are always assessed with an eye to the social and economic outcomes, as well as the financial returns that could be generated.

This is even more in focus with the recent changes to the PWLB lending criteria, which will mean that access to the PWLB is restricted if authorities undertake debt for yield investments. That is, investments which are purely for financial returns.

The Council has developed strategies which detail how it will go about investing in both our communities (through the Investing in our Growth Agenda) and our own property estate (through the Asset Management Strategy and Plan). More information on these strategies is detailed below.

This strategy ensures compliance with paragraphs 51 to 53 of the Prudential Code in relation to investments for commercial purposes.

The council makes investments for service delivery purposes, with details of these below:

Service Investments - Loans

The Council can lend money to a variety of organisations, but will only do this where the loan furthers the Council's statutory duties or supports its Strategic objectives.

The service loans the Council have provided have supported the following:

- Building of a number of new affordable and open market homes in the area through its wholly owned housing company, Barley Homes.
- Building of a new innovation centre on one of the designated Enterprise Zones in the area.
- Support for the leisure provider who runs the Council's leisure centres.

The main risk when making service loans is that the borrower will be unable to repay the principal lent and / or the interest due. In order to limit this risk an assessment is made of the creditworthiness of the borrower, including the use of external credit reports where available. Security is also sought for each loan if possible. Loans are generally only granted in exceptional circumstances, with the approval of Council required for any loan over £25,000.

The portfolio of loans (£3.48 million at the end of December 2022) can be categorised as follows:

- | | |
|---|---------------|
| - Service loans to support leisure provider | £0.50 million |
| - Service loans to support economic development | £2.91 million |
| - Service loans to local businesses | £0.07 million |

Service Investments – Shares

The Council has invested in shares of its subsidiary company, Barley Homes, whose aim is to provide housing within the district that meets local needs and complies with all relevant policies. The Council also holds a small number of tradable shares that

relate to some of the heritage collections that have been bequeathed to it in the past – these shares are not considered service investments for these purposes.

One of the risks of investing in shares is that they could fall in value meaning that the initial outlay may not be recovered. In order to limit this risk the Council has not itself invested in traded shares and will only invest in new shares for companies it has formed directly. Currently the value of shares the Council holds in its subsidiary companies is £600,100 with Barley Homes (Group) Limited.

The Council's direct share investment is limited to its subsidiaries with the intention that they will provide services over the foreseeable future. With this in mind, the Council has not set a maximum period for which such shares should be held. The Council does not have set procedures for ensuring liquidity in the market as it intends to hold the shares indefinitely.

Shares are the only type of investment that the Council has identified that meets the definition of a non-specified investment in the government guidance. The Council's upper limits on non-specified investments will therefore continue to be limited by the Council's holdings in subsidiaries. This is not currently expected to be in excess of the £0.6 million it currently holds with Barley Homes. The Council has not adopted any procedures for determining further categories of non-specified investments since non are likely to meet the definition.

Commercial Investments: Property

The Council invests in local property with the primary intention of promoting economic development and regeneration. It does not currently hold property for investment purposes.

It is unlikely that the Council will look to invest in commercial property with the primary aim of generating yield, as this goes against the latest update of the Prudential Code, and will also restrict access to borrowing from the Public Work Loans Board for the years that spend is incurred on such assets within the Capital Programme.

Growth Investment Strategy

This strategy covers investments in projects that support our Strategic Framework priorities and objectives, particularly around our growth priority and fall outside of standard treasury management activities.

This strategy has been devised in order to meet the following aims:

- Ambitious vision for the towns and rural communities of West Suffolk, set out in the Strategic Framework 2020-2025;
- Delivery on capital and revenue investment to deliver our Growth Agenda;
- All our activities and duties are investments in our communities and our places, seeking to create positive returns from all we do;
- Behaving more commercially – financial returns for investment in our communities; and
- Seeking blended returns across social, economic and financial investments.

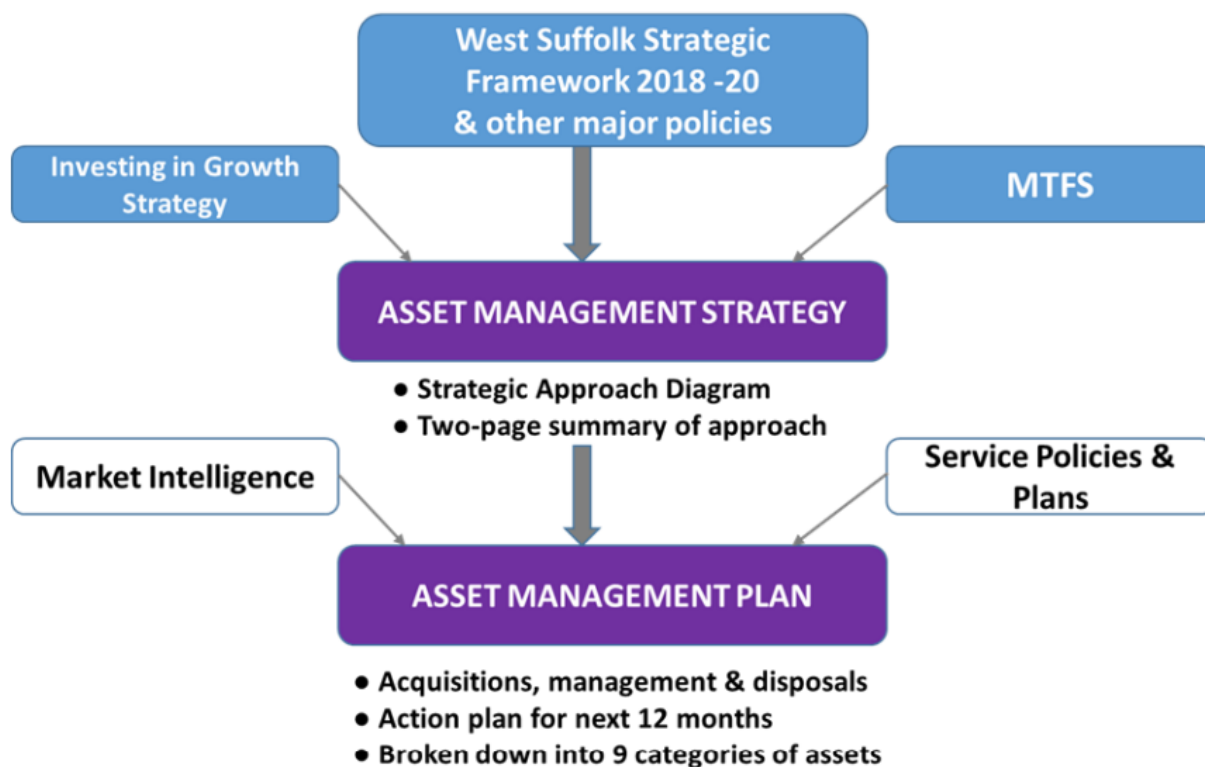


Asset Management

The Capital Strategy is supported by the Council’s Corporate Asset Management Strategy and Plan (AMSaP) which was approved by Council in December 2019.

The West Suffolk Asset Management Strategy and Plan supports our behaving more commercially approach and provides the framework to both enable the Council to maximise the value of its existing assets. Plus through potential future acquisitions ensure we continue to achieve the management of an overall balanced (risk/return) asset portfolio whilst generating a blended return of economic development outcomes and additional revenue income streams to support the delivery of council services. The AMSaP therefore sets out a clear strategic and planned approach to how we acquire, manage, dispose, develop and maximise the potential of the Council’s portfolio of land and property assets and interests.

The AMSaP does not sit on its own, but with a clear strategic and contextual link with other policies and documents across the Council. The following diagram demonstrates how these link together:



Knowledge and Skills

The Council's utilises a matrix approach to management of capital projects. We are able to utilise the skills and knowledge from across the organisation including our in house legal, estates and surveying teams. We are also able to source internal and external project management and quantity surveying where appropriate to the size and scale of the project.

We recognise that certain key projects due to their nature, complexity, scale or overall capacity will likely require appointment of external skills or resource. External services may also need to be appointed where there are a number of partners involved, when it is considered appropriate to appoint independent skill such as a property valuer.

The West Suffolk Workforce Strategy links to the Capital Strategy with the first focus being Skills and Behaviours. The Workforce Strategy is our vision for our people and identifies the areas we need to focus on to achieve our ambitions. It seeks to create the best conditions to influence capacity, capability, cost, culture and customer service; thus increasing productivity and effectiveness.

It aims to look at the composition of the workforce and the current skills set but also to look beyond today and consider the skills sets needed for the future in order to ensure our people are resilient and resourceful and able to meet the challenges ahead.

It identifies skills and behaviours as a property because our ability to lead and manage through a changing agenda, with our focus on a wide range of challenging projects is essential. It is therefore critical that our learning and development programme focuses on skills which are responsive to the needs and demands on our staff.

West Suffolk Workforce Strategy:

