Appendix 1

Capital & Investment Strategy 2024/25

Contents

1. Purpose of the Capital & Investment Strategy

1.1 The main purpose of the Capital & Investment Strategy is to define how Buckinghamshire Council will maximise the impact of its limited capital resources to deliver its key aims and priorities. It considers future capital investment needs, especially in relation to regeneration and the growth agenda, and ensures the optimum impact of those investments. It also helps the Council to be clear on its priorities for bidding for external funding.

1.2 In managing its Capital and Investment Strategy, the Council will have regard to its statutory obligations within the context of a changing operational environment, the longer-term impact of its decisions, the delivery of value for money and the risks associated with any particular course of action.

1.3 The strategy is designed to fully comply with the Prudential Code of Practice for local authority capital investment by the Chartered Institute of Public Finance and Accountancy (CIPFA) in parallel with guidance to local authorities from the Department for Levelling Up, Housing and Communities (DLUC). The main purpose of the Code is to ensure that capital investment proposals are affordable, prudent and sustainable.

1.4 By the very nature of capital investment, it is necessary that this strategy takes a longer-term view. However, the strategy also focusses on the medium term to fit in with the Medium-Term Financial Plan (MTFP) Capital Programme, the latest version of which covers the period 2024/25 – 2027/28.

1.5 The Capital and Investment Strategy supports the delivery of the Council's aims and priorities, which are set out in the 2020-25 Corporate Plan:

The key priorities set out in the Corporate Plan are:

- increasing prosperity
- strengthening our communities
- improving our environment
- protecting the vulnerable

1.6 The Strategy is set within a legislative context to ensure that the Council can meet its statutory obligations. In the context of the capital strategy, examples of the statutory requirements are the need to provide sufficient school places, to maintain the highway infrastructure to certain standards and to provide suitable disposal facilities for waste.

1.7 This Capital and Investment Strategy is underpinned by a number of other key strategic and policy documents, such as:

- Housing Strategy
- Highways Asset Management Plan

- Strategic Asset Management Plan
- Accommodation Strategy
- Agricultural Estates Management Policy
- Regeneration Strategies
- Leisure Strategy
- Schools Capacity Survey

1.8 There are several strategies and policy documents which are currently in development, and which will shape the future capital programme in the Council, including:

- Buckinghamshire Local Plan
- Buckinghamshire Local Transport Plan

1.9 There are 2 partnership boards that have been established to provide oversight on the delivery of 2 major regeneration strategies: The Aylesbury Garden Town Board, which oversees the implementation of the Aylesbury Garden Town masterplan; and the High Wycombe Regeneration Board which oversees the delivery of the Wycombe Regeneration Strategy covering regeneration in the High Wycombe area. In addition, the Regeneration Board in Chesham is developing the aspiration for regeneration within the town, subject to appropriate funding.

1.10 The recent Chartered Institute of Public Finance and Accountancy (CIPFA) consultation has resulted in an updated Prudential Code for Capital Finance in Local Authorities (2021 Edition), which strengthens the basic principle that local authorities must not borrow to invest primarily for commercial return. Following the Prudential Code and guidance this Strategy includes the Investment Strategy and needs to be read in conjunction with the Treasury Management Strategy. This strategy is also cognisant of the latest guidance issued by CIPFA on Prudential Property Investment.

2. The Context of the Capital Strategy

Growth and Demographic Change in Buckinghamshire

2.1 The population of Buckinghamshire has increased by 15.4% over the last two decades. There were 73,970 more people in the County in 2021 than in 2001. Population in the County is expected to continue to grow for the next two decades, and the Council needs to take account of these changes in planning its future service provision. Data projections from the Office for National Statistics (ONS) predict that the population will rise from 553,100 in 2021 to 575,000 by 2040. Construction of new dwellings in the County could also lead to population increases well beyond those currently predicted by the ONS.

2.2 Beyond the current confirmed plans for housing growth there are many pressures in the system to go further as indicated by the Government figures mentioned in the previous paragraph. The Government has been keen to push forward housing growth through the concept of Garden Towns and the Council has agreed with Homes

England Housing Infrastructure Fund (HIF) forward funding of just over £172m to create the infrastructure to support the development of the Aylesbury Garden Town. The Council also has HIF funding of £12m for the Princes Risborough expansion area.

2.3 Notwithstanding the overall growth in the population the nature of the population is also changing. Buckinghamshire already has one of the highest rates of increase in people aged over 85 of all county areas in the country. The diversity of the ethnic and socio-economic make-up of Buckinghamshire is also increasing. There is also the need for temporary accommodation to support refugees that come into the local area. These changes are likely to increase the demand on a range of public services, particularly care services. This too will need to be factored into the longer-term planning of service provision. Although there is anticipated to be an overall increase in children over the next decade, the birth rate has dropped in the last 2 years, although an overall increase in school places is expected over the next decade due to the anticipated housing growth, which adds to the challenge of the timing of school place provision.

2.4 The location of Buckinghamshire also creates a unique set of circumstances which impacts on economic development and other infrastructure demands which are likely to have capital implications. The high-speed rail line (HS2) will run through the county and have significant knock-on impacts as it is developed. The proximity of the south of the county to London and Heathrow Airport is likely to place an increased burden on transport infrastructure. The north of the county lies at the heart of plans to link Oxford and Cambridge with the East-West Railway and the capital programme includes development of a new station car park at Winslow to be operated by the Council.

Changes in Innovation and Digital Infrastructure

2.5 As well as changes to the profile of the population, developing the economy needs to reflect changes to the way we work and better still to reflect the way we will work in the future. The pace of change in technological advancement appears to get ever faster, so keeping up with these changes presents a range of challenges.

2.6 The Council has a role in putting in place, or at least facilitating, enabling infrastructure. A good example of this currently might be the increasingly developing market in electric vehicles that will require a more comprehensive network of charging points. However, as is often the case with emerging technologies there are a number of different options available, so identifying which particular solution to support is a key challenge if capital investment is not to be wasted.

2.7 The Council also has a role in economic development to facilitate economic growth and emerging technologies. These opportunities could include a higher level of risk, and as a result the Council will consider each opportunity on a case-by-case basis to ensure that risks are appropriately mitigated and value for money is achieved.

2.8 The Buckinghamshire Integrated Care Partnership is part of the wider Buckinghamshire, Oxfordshire and Berkshire West Integrated Care System. The partnership provides an opportunity for the Council to collaborate with the Integrated Care Board (ICB) and Buckinghamshire Healthcare NHS Trust in particular to deliver improvements to the health and care system, including optimising estate and digital and technological developments, that benefit the residents of Buckinghamshire and deliver excellent value for money for the local health sector and the Council.

2.9 An earmarked reserve has been established for the implementation of new systems. The revenue contribution funding that would have been used to fund a new ERP system is being used to establish this reserve, but it is important to recognise that most system solutions are cloud based, and the implementation costs of these are revenue in nature not capital. By creating this earmarked reserve, it will allow the Council the flexibility to use the optimum systems solution regardless of whether it is a revenue or a capital solution as the reserve can be a revenue contribution to capital if a capital solution needs to be implemented.

Economic, inflation and financial drivers

2.10 The Coronavirus pandemic has had a significant impact on the working arrangements of the residents of Buckinghamshire, with people working from home wherever possible, including a significant proportion of the Council's own staff. As part of the transition to the new unitary Council, the Work Smart programme is providing the framework for future office working for the Council and ensuring the technological infrastructure is in place to support significant homeworking and office collaboration and rationalisation. The Council's accommodation strategy sets out the future needs and will enable the Council to either sell surplus properties to produce capital receipts or to repurpose for wider operational use or to generate a revenue rental income.

2.11 All public sector bodies are under financial pressure as well as there being a need to offer the public a more coherent means of accessing services, and the One Public Estate (OPE) project aims to achieve the rationalisation of publicly held assets. The Council will work closely with its strategic partners to look for opportunities to utilise our collective assets to improve public services and generate savings.

2.12 The Future High Streets Fund is being used to make improvements to the High Wycombe town centre. Any additional surplus assets may also provide opportunities to deliver other important objectives such as an increase in affordable and key worker housing in Buckinghamshire. It is important however, that sufficient capital receipts are realised to enable the capital programme to be funded and the close monitoring of delivery will be important.

2.13 There are a number of international and national issues that is impacting on severe inflationary pressures on the cost of capital projects. The Ukraine conflict has created a price pressure on energy from other sources, leading to significant inflation in the energy market. This feeds through into many aspects of capital costs, including the cost of materials and services. The global supply chain is also impacted with increased costs in logistics and significantly increased transportation costs.

2.14 PWLB interest rates for borrowing have also increased significantly meaning prudential borrowing proposals will need to make a higher level of return to be viable.

3 Capital Investment Objectives

1.1 Capital expenditure is defined as spending that creates an asset for the Council (e.g. buildings, vehicles and equipment), and spending which meets the definition in regulations specified under the Local Government Act 2003. This includes spend on non-current assets that are not owned by the Council such as academies and the award of capital grants and funding agreements.

1.2 The key objectives of capital investment during this strategy period will be to:

- **Support service delivery** in line with the Council's strategic objectives and facilitate the delivery of the Councils substantial and ambitious ongoing efficiency savings. This includes supporting the Better Buckinghamshire review programme and the Accommodation strategy which is aiming to rationalise the Council's office estate. With the current pressures in Revenue budgets, particularly in Adults & Children's Social Care and Temporary Accommodation, there will be a renewed focus on delivering services to alleviate front-line pressures in those area.

- **Support regeneration, economic development, housing delivery and the wider growth agenda**, helping to deliver the future ambitions of the Growth Board, ensuring that there are sufficient school places to meet the demand created by substantial population growth and help to build on the excellent quality of education in Buckinghamshire is a key requirement. The regeneration of towns in Buckinghamshire and the delivery of affordable housing is also a key priority for the Council.

- **Implementation of the Climate Change and Air Quality Strategy.** The Council has a target to achieve its net zero-carbon target by 2050 at the latest. It will achieve this through various measures such as building rationalisation, building and streetlight energy efficiency, boiler replacements, using electric/low carbon vehicles (including refuse vehicles), solar car ports and tree planting.

- **Supporting local communities.** The condition of our highways and footpaths is consistently a priority for our residents and the ease of movement around Buckinghamshire is important for social connectivity and integration, outdoor leisure, such as walking and cycling, as well as the local economy.

- **Supporting healthy and independent lives.** With an expected 40% increase in the 60+ population and a 147% increase in the 90+ population in Buckinghamshire by 2038, the Council is looking to deliver a portfolio of assets that is sufficient to meet current need and requirements for at least the next 10 years. Achieving this objective will also involve moving away from 'building based' provision and promoting independent living for longer amongst all client groups, resulting in more care in the community. The ongoing use of the Disabled Facility Grants as part of the Improved Better Care Fund will be instrumental in this. At the same time the Council will promote the development of locally based provision and local choice to reduce the need for out of county placements.

- **Facilitate the generation of income**, be that from existing commercial assets held predominantly for their rental yield, service-based assets capable of generating income as a by-product or the repurposing of existing assets to deliver the Council's strategic objectives and where an income stream is deliverable as a by-product of that investment.

- **Enhance value for money** by helping to reduce or avoid costs, in particular through utilising technology to help deliver service improvements and process efficiencies, or provision of assets to deliver more efficient Council Services.

1.3 As well as the key objectives set out in 3.2 above there will also be regard for the following:

- Meeting legislative requirements, such as school place planning requirements, or health and safety, and the Social Value Act 2013.
- Maximise community benefits, working in partnership with other agencies.
- Ensure that investments are affordable and sustainable.
- Safeguard the on-going integrity of existing assets (property, highways, ICT, etc.) ensuring they remain fit for purpose, including reducing the maintenance backlog.
- Be forward looking in terms of investing in future technologies and recognising societal behaviour patterns and not the ways of the past.
- Ensure that investments are in line with the relevant approved strategies (i.e., Strategic Asset Management Plan, the Highways Asset Management Plan, Agricultural Estate Strategy etc).

1.4 Where assets are held by the Council that do not fall into the above categories the Council will consider options around disposal. However, it will seek to maximise the return in doing so and therefore will on occasions hold assets awaiting favourable market conditions. The retention of assets in this way will require an explicit decision to do so.

1.5 Based on the above objectives it is envisaged that capital investment will fall into four main categories:

- Assets owned by the Council to support the direct delivery of services by the Council itself.
- Assets owned by the Council to support the delivery of services by third parties where there is a strategic need/advantage in continuing to own the assets.
- Assets held for the purposes of regeneration or economic development.
- Assets held for a financial return to support the financial resilience of the Council.

3.6 In addition the Council may on occasions make capital investments in assets owned by third parties, where doing so facilitates the delivery of Council objectives, or legislative requirements.

4 Areas for Investment

4.1 Given both the Capital Investment Objectives and the Corporate Priorities described above the following list, whilst not necessarily exhaustive, describes key areas where one might expect to see investment directed.

- Investments that facilitate growth, economic development and regeneration in Buckinghamshire, such as Aylesbury Garden Town, Wycombe area regeneration, Princes Risborough growth areas, East West Rail etc
- New infrastructure such as roads and schools to support the growth in housing.
- Structural Maintenance of Highways Infrastructure.
- Structural Maintenance of Properties in which the Council has a continuing interest, including schools within the local authority family of schools.
- Meeting the statutory requirement to provide school places for all primary and secondary age children.
- Investment to increase availability of specialised accommodation to meet needs of increasing numbers of highly vulnerable adults and children.
- Assets which facilitate community involvement in services which meet corporate objectives.
- ICT Infrastructure, both to facilitate modern service delivery from the Council and within the local community, e.g. Broadband connectivity across the community, mobile phone coverage, gigabit connectivity to support the local economy.
- The re-design/re-configuration of assets or services that permit lower on-going revenue costs or halt a trend of increased revenue costs.
- New or enhanced existing assets that allow a secure revenue income stream to the Council.
- Assets that help the Council meet sustainability targets, such as reduced energy consumption/CO_2 emissions, reduced waste disposal via landfill and flood defence.
- Assets which facilitate easier access to services, including the Council's website.
- Assets which facilitate service improvements if these are identified corporate priorities and are financially sustainable on an on-going basis.
- Assets that facilitate the release of other assets, where the net effect is an increase in value to the Council.

4.2 Given that resources are limited it would not be expected that investments will be made in the following, although there might be exceptional circumstances that dictate otherwise.

- Assets which facilitate service improvements, but that are not corporate priorities.

- Assets which result in increased revenue expenditure unless meeting other key priorities.
- Assets that lead to an adverse environmental impact created by the Council unless this is unavoidable in achieving a statutory requirement, or Corporate Plan objective.
- Assets where the risk exposure exceeds the likely benefits.

Financial Investments

4.3 Financial Investments can fall into three categories, as defined by the Statutory Guidance issued under section 15(1)(a) of the Local Government Act 2003: Specified Investments; Loans and Non-specified Investments.

4.4 Specified and non-specified investments are only likely to be undertaken on either a short, or a long-term basis as part of managing the council's cash flows and are therefore covered by the Treasury Management Strategy rather than here.

4.5 Loans may also be used for treasury management purposes, but where they are used in support of service delivery objectives this is covered by the Loans and Guarantees Financial Instruction.

Non-Financial Investments

4.6 For the purposes of this strategy a non-financial investment is a non-financial asset held by the authority primarily or partially to generate a surplus. This might be through an anticipated appreciation in the capital value of the asset, or by way of delivering a regular income stream, or a combination of both. However, in the current financial climate the emphasis is likely to be on assets that generate a regular income stream. Non-financial investments normally involve property assets.

4.7 The Council will consider appropriate opportunities; however, it will not involve the investment in property assets purely for yield. Due to the consolidated portfolio inherited by Buckinghamshire Council, the impact of home working on future office capacity requirements, and the need to mitigate revenue pressures, the Council will look to repurpose some of its portfolio to meet its corporate plan objectives, especially in respect of regeneration, affordable housing, mitigation of service revenue pressures and economic development.

4.8 In addition, on occasions the Council may choose to purchase land or property for strategic reasons rather than just for a return and therefore expected rates of return may be narrower than a pure investment. This might be to protect existing service provision but will most likely be linked to its community leadership role in accommodating and facilitating regeneration, economic development and housing growth. This will require well documented business cases and formal decisions.

5 Funding Capital Investment

5.1 There are a number of potential sources of financing for the capital programme. These can be described as follows:

Grant Funding - often specifically for capital purposes and also often from central government, but they may come from, or through, other agencies. Non-Ringfenced capital grants will be treated as corporate resource and used across the capital programme flexibily. Ringfenced grants will be used for the purposes for which they are issued.

Capital Receipts - receipts arising from the disposal of existing assets are constrained to only be useable for the purposes of funding new assets. Such funds when generated are held in a Capital Receipts Reserve until such time as used. The use of surplus land to deliver additional council priorities such as affordable housing, key worker housing, supported living etc can have an impact on the residual capital receipt value to the Council. These impacts will be reflected in the financial implications of reports and there is close monitoring of the delivery of capital receipts to ensure they are in line with the capital programme funding assumptions. Capital Receipts will be treated as a corporate resource and used across the capital programme flexibly.

Developer Contributions - S106 agreements and/or the Community Infrastructure Levy (CIL) effectively impose a tax on new development in order to fund infrastructure required as a consequence of the development. S106 agreements tend to relate to specific capital investment projects, but where it is more generic, the Council will use this funding to meet its capital investment priorities where these satisfy the conditions of the s106 agreement. CIL funding is more flexible in its use and the element that is retained by the Council (15% or 25% is given to the parish/town council depending upon whether they have a neighbourhood plan). Under CIL Regulations, the Council as Charging Authority must spend its retained CIL on “the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of its area”, and the Planning Act 2008 states that ‘infrastructure’ includes roads and other transport facilities, flood defences, schools and other educational facilities, medical facilities, sporting and recreational facilities and open spaces. CIL will therefore be used to fund capital investment which meets these criteria.

Partner Contributions - some projects may be jointly funded between the Council and other agencies, such as schools, other councils or other public bodies.

Prudential Borrowing - the Council is able to borrow in order to fund its capital expenditure provided that the revenue financing costs of such borrowing are affordable and sustainable. Prudential borrowing will be considered as a source of capital funding in accordance with the Government’s guidelines and with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities.

Revenue Contributions to Capital - the Council is able to use its revenue resources to fund its capital expenditure, but obviously this then reduces the funding available for recurrent expenditure.

Use of Earmarked Reserves - essentially this is just a mechanism for deferring the application of one of the sources listed above, e.g. revenue contributions, or capital receipts. A typical example is the use of a Repairs and Renewals Fund.

Leasing - essentially this is a specialised form of borrowing linked directly to the rental of an asset.

5.2 The choice of funding for the capital programme and projects within it will depend upon the overall availability of resources and any constraints applicable to particular sources.

- Wherever possible external resources such as partner contributions or grants will be the first preference for funding projects. It is likely that developer or partner contributions will only be available for specific projects. It is also possible that some grant funding is ring-fenced for specific purposes, although this tends not to be the case in recent times.
- Prudential borrowing will be the second choice of funding but will only be used where there is a strong business case offering an appropriate rate of return. The use of the £100m Prudential Borrowing allocation approved by Council as part of the MTFP Capital Programme, will only be released following approval of a business case by Cabinet.
- Finally, the Council's own resources (capital receipts and revenue contributions) will be used where available and affordable.

5.3 The Council will consider arranging borrowing via the Municipal Borrowing Agency (MBA) or other alternatives, providing it is prudent to do so and a rate below PWLB rates can be achieved. This borrowing route will be subject to approval by Cabinet before it is undertaken.

5.4 The Council will aim to maximise its funding for capital expenditure by bidding for grant funding, disposing of surplus assets, seeking to maximise its leverage with partners in respect of joint funding opportunities, etc. Indeed, the ability to respond to the very substantial growth agenda will be heavily dependent upon the ability to attract additional resources. This may come in the form of additional funding from Government, such as Housing Infrastructure Fund (HIF), developer contributions, or working in partnership with other bodies e.g. other public bodies, or the business community. A Location Asset Strategic Review (LASR) was carried out which identified opportunities to reduce the overall public property estate and thus generate capital receipts. However, this will need to be continually reviewed as there may be longer term strategic reasons to hold on to assets, improve the operational efficiency and/or repurpose to generate income as part of the consideration.

5.5 Although the Council will continue to bid for all the resources it can, the Government's austerity measures are leading to a tightening of grant funding and the levelling up agenda may place Buckinghamshire as a lower priority area than the rest of the country.

5.6 Historically the Council has provided a reasonable level of revenue contributions to fund the capital programme. However, as part of measures to keep the revenue budget in balance in the face of reduced funding and increasing service pressures the capacity to do this has been reduced to a relatively low level.

5.7 A £0.8m feasibility revenue budget has been identified and there are earmarked reserves available for feasibility work, but the Council may want to look at opportunities to increase the level of feasibility funding available when it has an opportunity to do so, given the increased importance of maximising the revenue earning potential of assets held. Generally, feasibility work is a one-off revenue cost, but it is important to mitigate risk and deliver an optimum investment solution.

5.8 Given the nature and lead in times in relation to regeneration and new road schemes, the Council wants to develop a longer-term strategic capital programme to cover the longer timeframes relating these significant areas of capital investment. Initial work has started on achieving this, but more work needs to be done as the key strategies identified in Section 1.7 above are developed and approved.

5.9 Any capital investment decision which involves prudential borrowing must include the cost of servicing the debt as part of a robust business case. Investment decisions will be approved by Cabinet and will be supported when the cashable cost reductions (or increased income) exceed the financing costs of any borrowing needed to fund the investment over its life, with a reasonable tolerance to cover off risk and scenario sensitivity. Any approval will be subject to appropriate due diligence and relevant surveys being undertaken. There will be an annual post-implementation review of projects that have been approved via the Prudential Borrowing facility to ensure that benefits have been delivered in line with approval and reported back to Cabinet.

5.10 Bids may be made against the prudential borrowing facility to provide loans to our companies or partners such as Consilio Aylesbury Vale Estates but will ensure that the business case is robust and there is no risk to the Council.

Prudential Borrowing

5.11 There are HM Treasury restrictions on borrowing to ensure that councils are not buying investment assets (land or buildings) primarily for yield. The Council should not have any proposals to invest primarily for yield in its Capital Programme over a 3-year period, nor can it finance such investments from other sources as an alternative to PWLB borrowing, otherwise the Council will have to pay back any PWLB borrowing taken out during the year and may be prevented from accessing PWLB in the future. Buckinghamshire Council is not planning to undertake any capital investment purely for yield.

5.12 On 9th October 2019, HM Treasury increased Public Works Loan Board (PWLB) rates by 1% on the back of concerns that Local Authorities were borrowing from the PWLB in order to invest in commercial investments (retail, offices, industrial parks etc) purely for a yield on that investment.

5.13 The 1% increase was reversed on 26th November 2020 following the end of the HM Treasury consultation on PWLB, but with new restrictions on borrowing to ensure that councils are not buying investment assets (land or buildings) primarily for a yield remain in place.

5.14 Prudential borrowing will only be considered where:

- There is a robust invest to save model, or
- The council has a significant unmet capital need, or
- The investment is not primarily for yield but contributes towards the Council's overall investment approach and wider corporate plan objectives including regeneration, affordable housing, mitigation of service revenue pressures and economic development.
- The project is compliant with the latest CIPFA and HM Treasury guidance on PWLB Borrowing.

6. Minimum Revenue Provision

6.1 Minimum Revenue Provision (MRP) is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme. MRP, which is largely defined by regulation, is aimed at ensuring that the council does not have time expired/fully depreciated assets, but still has associated outstanding debt.

6.2 Where capital expenditure was incurred before 1 April 2008 MRP will be charged on a straight-line basis over 50 years (from 1 April 2016) in line with previous budget approvals. For capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council will calculate MRP using the asset life annuity method. Using this method MRP is calculated in a similar way as calculating the capital repayment element of a fixed rate repayment mortgage. Where borrowing relates to historic balances from the former County and District Councils, the calculation is based on the outstanding balances on 1 April 2020 and the remaining asset lives.

6.3 In accordance with provisions in the guidance, MRP will be first charged in the year following the date that an asset becomes operational.

6.4 The asset life annuity method calculation requires estimated useful lives of assets to be input into the calculations. These life periods will be determined under delegated powers to the Service Director Finance, with regard to the statutory guidance. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the asset life annuity method would not be appropriate.

6.5 As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

6.6 Recognising the impact of MRP on the revenue budget is an important element in determining the affordability and sustainability of borrowing to fund an asset. Essentially, if there is no on-going capacity within the revenue budget to afford the

MRP then one shouldn't take out the borrowing in the first place. This is why a robust business case demonstrating a rate of return in excess of costs (including MRP) is important.

7. Capital Risks

7.1 **Cost Inflation** – as well as general inflation, there is also the added HS2 construction cost pressures in the area. This is mitigated by ensuring there is sufficient contingency provided in capital project cost estimates and undertaking value engineering to stay within agreed budgets when cost pressures emerge. Funding can only be released where an appropriate business case is provided to release capital funding to the relevant capital governance board.

7.2 **Capital Maintenance** – Our assets will deteriorate if we do not invest sufficient capital maintenance in our existing assets. Work is still being undertaken to get condition surveys for our entire property portfolio, but when completed an assessment of the maintenance needs and provision will made and maintenance expenditure closely monitored in the meantime for our property and highways assets.

7.3 **Capital Receipts** – A shortfall in the generation of capital receipts would impact on the available investment in the capital programme. Realisation of capital receipts is closely monitored and if there was any shortfall the programme would be reviewed for reductions to future years when looking at future years' capital programmes if alternative funding could not be found.

7.4 **Government Capital Grants** – Although the grant funding assumptions in the capital programme are prudent and realistic, there is always the risk that the Government's Levelling Up agenda could reduce the level of capital grant funding the council receives. Again, any shortfall in grant funding would be adjusted for when reviewing the capital programme each financial year if alternative funding could not be found.

7.5 **Capital Slippage** – If capital expenditure isn't profiled accurately then there is the risk of significant underspend against the programme. The profile of expenditure is reviewed and challenged each year to try and get it as accurate as possible. This is much more of a service delivery risk than a financial risk, but there can be financial implications from the delay in the delivery of benefits.

7.6 **Interest Rate Increases** – A prudent assumption is made for the likely interest rates for any borrowing costs in the programme or bids for prudential borrowing. The biggest impact could be on those capital schemes that the Council would like to support but which are only marginally viable, where any rise in interest rates may make a bid against the Prudential Borrowing facility unviable.

8. Capital Governance and Processes

Overview

8.1 This Capital Strategy sets out the framework for the governance of capital assets for the organisation. Primary responsibility for the development of the Strategy rests with the Service Director Finance (s151 officer), although ultimate accountability for its approval rests with Full Council in line with the Prudential Code.

8.2 The development or purchase of new assets, maintenance of existing assets and disposal of surplus assets are matters of operational and financial significance and therefore require robust governance arrangements. For this reason, the Corporate Management Team (CMT) will play a pivotal role in these governance arrangements, providing co-ordination and consistency across the organisation.

8.3 Whilst this Strategy sets out the framework for identifying, approving, implementing and reviewing capital projects, the details are set out in the Financial Instructions for Capital.

8.4 The Capital & Investment Strategy sets out the governance arrangements for all aspects of the Capital Programme including decision making, performance management, business cases and change requests, risks & issues, reporting, oversight and project management.

Cabinet

8.5 Cabinet has formal oversight of the performance of the Council Capital Programme and will be the decision-maker in line with responsibilities set out in the council's constitution. Cabinet recommends the Capital and Investment strategy and 4-year Capital programme, which receives final approval from Council as part of the annual budget setting process. Cabinet reviews the overall performance of the Council Capital Programme, based on reporting by exception, with a focus on key risks and issues, and any variations in time, scope, and cost.

8.6 Where new unringfenced capital funding becomes available after the Capital Programme has been set by Council, approval for the use of the funding can be made by Leader Decision or by Cabinet, following advice from the section 151 officer. Ringfenced funded and related expenditure will be added by the section 151 officer in line with the condition of the award and reported quarterly to Cabinet. All other changes to the Capital Programme are approved either by Cabinet or Leader decision, through review and sign-off of an appropriate business case or through the quarterly approval of smaller change requests.

Capital Gateway Process

8.7 The Capital Programme agreed annually by full Council provides in principle support for individual projects. However, the release of funds to facilitate each project is subject to an appropriate business case passing through the Capital Gateway process and approved by Cabinet or Leader decision.

Corporate Capital Investment Board

8.8 The Corporate Capital Investment Board is a non-public advisory board, the purpose of which is to review the overall performance of the capital programme and make recommendations to Cabinet. The Board is chaired by the Cabinet Member for Accessible Housing and Resources. The Member representatives are the Leader, Cabinet Member for Climate Change & Environment, Cabinet Member for Transport, Cabinet Member for Education & Children's Services, Cabinet Member for Planning & Regeneration, Deputy Cabinet Member for Accessible Housing and Resources.

- To review at least quarterly the overall performance of the capital programme (including corporate and ring-fenced funding), including reprioritisation of existing schemes in light of emerging priorities and cost pressures, and provide assurance on key issues and risks.
- Detailed consideration of business cases and recommendation for the release of unreleased capital budgets, quarterly to Cabinet.
- Review and recommend the update of key Capital Strategies, including the Capital & Investment Strategy, Accommodation Strategy, Schools, Highways and IT Strategies.
- Review and recommend to Cabinet the Capital Programme as part of the overall MTFP on an annual basis.
- Maximise funding and external bidding in line with overall objectives of the Capital & Investment Strategy.
- To review the performance of the Property portfolio
- To oversee the Agricultural Estate, ensure that environmental policies and protection of the green belt are fully considered and agreed with the Cabinet Member for Climate Change and Environment.

Strategic Property Finance Board

8.9 The Strategic Property Finance Board is a non-public advisory board. The purpose of the Board is to ensure that we utilise our property assets to support key corporate priorities and responsibilities, impact positively on revenue and maximise value for money. The Board is chaired by the Leader and member representatives are the Cabinet Member for Accessible Housing and Resources and Cabinet Member for Transport. The Board will consider the Council's full portfolio of assets and put in place arrangements for overseeing disposals, utilisation for key priorities and use as a source of ongoing revenue income and make recommendations to Cabinet on this basis.

8.10 The Strategic Property Finance Board will determine the use of land and buildings under each of the following categories:

- Investment & Development
- Strategic Sites & Regeneration
- Council Operations
- Agricultural Estate

- Schools & Social
- Leisure & Recreational

8.11 The Board will develop a programme of activity designed to implement the agreed strategy, ensure that sufficient resource is available to manage the strategy and monitoring delivery plans and to analyse and challenge key performance indicators relating to the asset base of the Council including the performance of the Property portfolio.

Housing Infrastructure Fund Investment Board (HIF Investment Board)

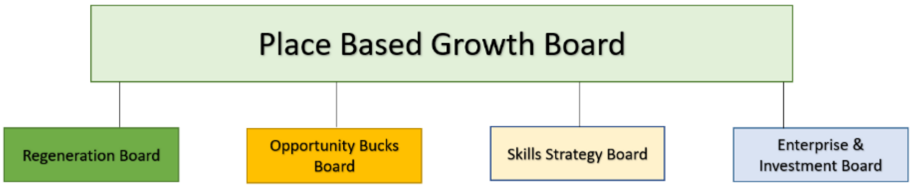
8.12 The HIF Investment Board will cover all projects that receive HIF funding from Homes England. The Board is chaired by the Leader and member representatives are the Cabinet Member for Accessible Housing and Resources, Cabinet Member for Transport, Cabinet Member for Education and Children's Services and Cabinet Member for Climate Change and Environment. The Board is a non-public advisory board that will advise Cabinet in relation to the best use of all the Council's HIF allocations, overseeing all decisions in line with the Council's Capital governance requirements. Specifically, to-

- Develop and prioritise HIF schemes to help inform the annual development of the Council's Capital Programme and four-year Medium Term Financial Plan.
- In year, oversee the delivery of the HIF programme to ensure it is on track (time and budget) by:
  - Ensuring sound business cases underpin the capital programme and associated release of funds.
  - Managing a gated process to formally release capital investment funds from the budget in relation to ringfenced HIF projects within the agreed Capital Programme. Where projects are new or reprofiled, release will be subject to the relevant Cabinet or Leader decision.
  - Robustly monitoring and scrutinise project delivery and expenditure, requesting detailed project reports at appropriate frequency.
  - Ensuring sound application of the council's capitalisation policy.
  - Escalating as required business issues and risks to Cabinet or other relevant Committees, including identifying major capital projects which are off track.
- Ensure that the overarching growth of Aylesbury is suitably resourced and managed to deliver the HIF programme.
- Provide quarterly reports to Homes England on the progress of unlocking and accelerating housing delivery associated with the projects provide quarterly progress reports of all projects and housing sites against key milestones articulated in the HIF funding contracts.

Place Based Growth Board

8.13 The Buckinghamshire Place Based Growth Board is a partnership established to bring together key public and private local partners to ensure the alignment of other relevant strategies and plans and to ensure a single narrative to support the growth ambitions of the county. The Board is chaired by the Leader and plus 4 Cabinet Member representatives. Whilst the Board is not formally constituted and has no formal decision-making powers, it can form collective views, develop a shared position on relevant topics, and endorse programmes of work. Formal decisions will be either recommended to Cabinet or taken as Leader decisions where appropriate.

8.14 Sitting underneath this board are a series of supporting boards, including the Enterprise & Investment Board, the Skills Strategy Board, the Regeneration Board and the Opportunity Bucks Board.



8.15 The Board aims to work by consensus and final approval, adoption, and exercising of statutory powers will remain with the respective sovereign partners, but they can be informed by the consensus of The Board. The Board will sign off bids or opportunities for the securing and allocation of external funding (e.g. government funding) and recommend these for approval as appropriate by Cabinet.

8.16 The core functions and responsibilities of the Board are predominantly strategic and include:

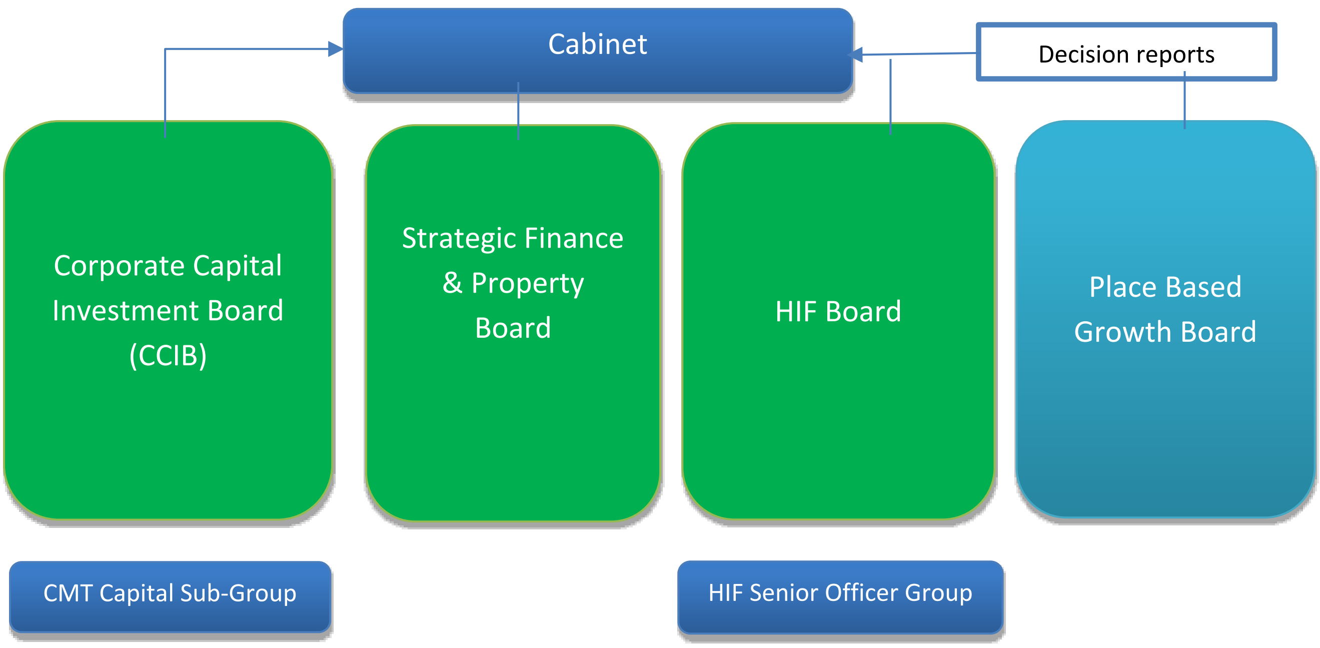
- To work strategically with partners including, the UK Government and national agencies, neighbouring authorities and/or partnerships, private sector organisations, and the sub-national transport body to ensure Buckinghamshire's needs and ambitions are recognised and that future economic growth and development aligns with local priorities.
- Delivery of a unified vision that can help drive economic prosperity, enhance place-making, improve skills delivery and provide targeted support for business and local levelling up activity across the county.
- To enable effective pooling of capital resources into an investment fund as well as any secured external / third party funding. Set priorities and criteria for the fund and facilitate swifter decision making to support investment priorities (Investment Fund).
- To seek, endorse and promote bids or opportunities for the allocation of external funding, resources and private sector investment in Buckinghamshire.

- Overseeing the production of Buckinghamshire's place-based investment proposals and exploring the possibilities of a place-based deal with Government.
- Facilitate the alignment of spatial, economic, environmental, climate change, health and well-being, connectivity, and infrastructure plans for Buckinghamshire in line with The Boards Strategic Vision.

8.17 The relationship between these Boards is illustrated below. Each Board will have an officer group that will review all business cases before they go forward to the relevant Board to ensure that all due diligence has been undertaken beforehand. These Board replace the existing Property Board, IT Board and Highways Board. If it is determined that additional specialist briefings are required to monitor the delivery of specific capital projects, then these will be facilitated on a Portfolio basis.

8.18 All the capital governance boards provide oversight on the delivery of the capital programme. The responsibility and accountability for the delivery of the individual schemes once funding has been released by the relevant governance board rests with the relevant Cabinet member, Corporate Directors and their project managers.

CAPITAL INVESTMENT GOVERNANCE ADVISORY BOARDS



Development of the Capital Programme

8.19 Each year the Capital Programme will be developed as part of the Medium-Term Financial Plan, culminating in approval by full Council in February each year. The table below sets out the broad timeline to be followed.

Jun – Aug	Portfolio groups/Directorates review existing programme and develop capital bids in line with relevant strategies where appropriate. (Robust business cases produced and supported by the relevant Directorate Head of Finance)
Early Sep	Corporate Finance consolidates bids and reports summary to CMT CMT advise on strategy to resolve any gap.
Late Sept/ Early Oct	Corporate Capital Investment Board review bids, prioritise arrive at a proposal for a balanced capital programme
Mid Oct/Nov	CMT reviews proposal and agrees recommendation to Cabinet
Dec	Cabinet approves draft capital programme for consultation
Jan -Feb	Follows MTFP approval process in parallel with the revenue budget

8.20 Bids to the capital programme should be prioritised by both Portfolio groups and the relevant governance boards taking guidance from this Capital Strategy and any relevant service priorities. The following criteria will be used to prioritise bids in order to close any gap to the available resources:

a) Statutory requirement (e.g. H&S, school places, disabled facilities, waste collection, household waste recycling centres, statutory reporting – but only to the extent that is statutorily required).

b) Ringfenced funding has been identified (i.e. s106 or genuinely ringfenced government grants), the scheme is fully funded, **and** aligns with corporate priorities.

c) Strong financial business case resulting in savings paying back the cost of investment within 7 years or less or a capital receipt is generated in excess of the investment assisting financial sustainability.

d) Maintains the life and/or quality of our assets.

e) The scheme leverages ringfenced external funding (i.e. s106 or genuinely ringfenced government grants), the scheme is at least 50% funded **and** aligns with corporate priorities.

f) In line with corporate and directorate priorities as set out in the Capital and Investment Strategy and the Buckinghamshire Strategic Infrastructure Tool.

g) Provides a geographic balance to the consistency of service provision across the Council area.

Monitoring of Progress

8.21 Once the Capital Programme is approved individual schemes will be allocated to the most appropriate governance board. Each Board will then recommend to Cabinet the release resources on individual schemes, subject to the necessary requirements at that stage, e.g. outline business case, full business case, etc.

8.22 Each Board will put in place appropriate arrangements to monitor progress and drive delivery of the individual projects both in financial terms and practical delivery, effectively carrying out a high-level Programme Management Office role.

8.23 The Corporate Capital Investment Board will be convened at least on a 6 monthly basis to review the delivery of the overall capital programme for the Council.

The Buckinghamshire Council Capital Programme for 2024-25 to 2027-28 can be found here [insert link].