Report to:	Cabinet Council	**Date of Meeting:**	10 February 2022 3 March 2022
Subject:	Capital Strategy 2022/23 to 2026/27		
Report of:	Executive Director of Corporate Resources and Customer Services	**Wards Affected:**	All Wards
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	**Included in Forward Plan:**	Yes
Exempt / Confidential Report:	No		

Summary:

The Capital Strategy sets out the long-term context in which capital expenditure, borrowing and investment decisions are made and considers the impact of these decisions on the priorities within the Council's Core Purpose and Framework for Change Programme and the promises made in the 2030 Vision for Sefton.

At the heart of the Capital Strategy is the Council's core objective to continue deliver financial sustainability. As such a flexible capital investment programme is more important than ever as a method to stimulate and enable economic growth and strategic investment, ensuring best use of existing assets and of generating future income streams to pay for and deliver day to day services.

Recommendation(s):

<u>Cabinet is asked to:</u>

Recommend that Council approve the Capital Strategy as set out in Appendix A.

<u>Council is recommended to:</u>

Approve the Capital Strategy as set out in Appendix A.

Reasons for the Recommendation(s):

The Capital Strategy is a key policy document for Sefton Council and follows guidance issued in the Prudential Code for Capital Finance in Local Authorities (2017 Edition).

Alternative Options Considered and Rejected: (including any Risk Implications)

None

What will it cost and how will it be financed?

(A) Revenue Costs
N/A

(B) Capital Costs
N/A

Implications of the Proposals:

The following implications of this proposal have been considered and where there are specific implications, these are set out as follows:

Resource Implications (Financial, IT, Staffing and Assets):
The Capital Strategy outlines the governance and framework for future capital investment decisions. Proposals may have an impact on physical assets and/or ongoing revenue income and expenditure, and this will be assessed during the approval process.

Legal Implications:
The Council's decision-making processes resulting in the implementation of any capital programme must be transparent.

Equality Implications:
N/A

Climate Emergency Implications:

The recommendations within this report will

Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

There are no direct climate change implications from the proposals set out in this report.

Contribution to the Council's Core Purpose:

Protect the most vulnerable:
The Capital Strategy will enable the Council to continue to seek to protect the most vulnerable within available resources.

Facilitate confident and resilient communities:
The Capital Strategy demonstrates a clear commitment to early intervention and prevention and working with partners, communities and local businesses to reduce the reliance on the public sector.

<u>Commission, broker and provide core services:</u> The Capital Strategy recognises that where it is necessary to do so, the Council will continue to be a provider of those core services that the community expects to see delivered but will use new service delivery models and new forms of partnership.
<u>Place – leadership and influencer:</u> The Capital Strategy will see the Council continue to demonstrate strong and effective leadership building on its proven track record of engagement, consultation, listening and considering feedback in the decision-making process. The Council continues to work with partners towards common goals, moving away from traditional ways of working focused around delivering services and is demonstrating a greater role in influencing, shaping, enabling and building community capacity.
<u>Drivers of change and reform:</u> The Capital Strategy demonstrates the Council is playing a key role in leading and driving change and reform to improve outcomes for Sefton residents and continuously improve the Borough.
<u>Facilitate sustainable economic prosperity</u>: The Capital Strategy clearly articulates the Council's approach to investing in order to achieve financial sustainability and the ambitions of Sefton 2030.
<u>Greater income for social investment</u>: The Capital Strategy recognises the Council's commitment to developing a commercial nature, looking at what it can do either by itself or with others to generate income and a surplus that can be reinvested into delivering social purpose.
<u>Cleaner Greener</u>: The Capital Strategy recognises the Council's commitment to work with others to maintain Sefton's natural beauty and ensure that its many assets provide a contribution to Sefton's economy, people's wellbeing and the achievement of the 2030 Vision.

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD6684/22) is the author of the report.

The Chief Legal and Democratic Officer (LD4884/22) has been consulted and any comments have been incorporated into the report.

(B) External Consultations

N/A

Implementation Date for the Decision

Officers will be authorised to implement all decisions within this report immediately following Council on 3 March 2022.

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Appendices:

Appendix A – Capital Strategy 2022/23 to 2026/27

Background Papers:
There are no background papers available for inspection.

1. Introduction

1.1 The CIPFA Prudential Code for Capital Finance in Local Authorities (2017 Edition) requires all Local Authorities to adopt a Capital Strategy. It is mandatory for all authorities to have this approved and in place and have it considered alongside the Council's other key budget reports such as the Treasury Management Strategy.

1.2 The Council has adopted CIPFA's 2017 Prudential Code for Capital Finance in Local Authorities. CIPFA published a revised Prudential Code for Capital Finance in Local Authorities in December 2021. The new codes take effect immediately, except that authorities may defer introducing revised reporting requirements until 2023/24. Sefton will therefore adopt the revised changes to the Capital Strategy for 2023/24 to allow time for proper scrutiny to take place.

2. Content

2.1 The content of the capital strategy is defined; however, it is recognised that individual authorities final document will reflect its own individual circumstances. As such the document aims to provide information on how the capital programme and future decisions will be made and what considerations will be taken into account in the management of the programme.

2.2 The key areas that will be included in the capital strategy are:

- governance and prioritisation
- capital expenditure and resources
- asset management and strategy
- commercial investment
- debt, borrowing and treasury management
- risk management
- knowledge and skills.

2.3 A summary of the Council's current capital programme is included as part of the Council's main budget report also on today's agenda, and this will be updated as future capital decisions are made.

Appendix A

Corporate Resources and Customer Services

Capital Strategy

2022/23 to 2026/27

Sefton Council

1. Background

1.1 The Capital Strategy is a key policy document for Sefton and follows guidance issued in the Prudential Code for Capital Finance in Local Authorities (2017 Edition), and it was first presented in 2019/20. It is an overarching document which sets the policy framework and governance for the development, management and monitoring of capital investment and the use of capital resources. The strategy reflects the Council's Vision for 2030, Core Purpose, and sets out how capital expenditure will play a significant role in its delivery through the Framework for Change and Growth Programme. The Capital Strategy is aligned to the Treasury Management Strategy, Medium Term Financial Plan (MTFP), Asset Management Strategy and the Disposal Policy and all other approved policies and frameworks.

1.2 During 2016 Sefton Council led on developing a new and exciting vision for the future of the Borough. The Imagine Sefton 2030 consultation engaged with thousands of people, local businesses and potential investors to create a vision that collectively promotes shared prosperity, coordinated public investment and a healthy environment and population. On the back of this work the Vision 2030 was agreed in November 2016, together with the Vision Outcomes Framework and the Council's Core Purpose.

1.3 The Council's major change programme - the Framework for Change - is the way in which the Council will deliver the 2030 Vision whilst maintaining its commitment to financial sustainability.

1.4 There are three pillars that underpin the programme, and which will help the Council deliver against its stated objectives. These are:

- Economic Growth and Strategic Investment – physical regeneration and enabling infrastructure for our economic growth priorities and supporting investment opportunities the Council may wish to directly sponsor or support in an enabling or commissioning role where there is a sound commercial and financial justification/reason to do so.

- Council of 2023 – this will further enable the Council to define what it will do and how (within the budget available); what outcomes are expected, how these will be measured, what resources will be allocated and where it will focus its influence.

- Demand Management – demand led budgets across the Council (for example Adult Social Care and Children's Social Care) must due to the size, complexity and demand for these services, undergo continual review to ensure that the cost base for these services provides value for money, an early intervention and prevention programme is embedded, and residents are supported in 'moving down the system' so as to reduce the demand for Council services and particularly those at the acute end. Significant additional investment is being made in Children's Social Care and Adult Social Care and so it is critical that these services achieve that value for money and operate as efficiently as possible.

1.5 One of the fundamental requirements and drivers to maintain and continually update the Council's Capital Strategy is the greater emphasis on locally generated income (e.g. Council Tax and Business Rates) to support local government funding. The reliance on this income to support the delivery of frontline services means that it is important that the Council, working with its partners, optimises the opportunity. As a result, development of economic growth is important in ensuring that financial sustainability for the Council is achieved, and the ambitions as set out in Vision 2030 are met. This is particularly relevant and important as a result of the global pandemic and the impact on residents, communities and businesses.

1.6 The Capital Strategy also recognises that regeneration is a priority and that where it is appropriate to do so the Council can acquire strategic property for regeneration purposes where business cases provide a satisfactory payback period / profile.

1.7 The Strategy is brought forward in the recognition that Cabinet has approved and published a number of Town Centre Investment Frameworks and other policies and that should the opportunity present itself the Council might be the investor, subject to consideration of a robust business case in accordance with the Financial Procedure Rules.

1.8 The Capital Strategy will be the framework from which capital expenditure and investment decisions in Sefton are made to enable the Framework for Change to have the desired impact. The decision-making process will consider stewardship, value for money, prudence, sustainability and (long-term) affordability. The Capital Strategy contains:

- An overview of the governance process for prioritisation, approval and monitoring of capital expenditure;
- A longer-term view of capital expenditure plans;
- An overview of asset management planning;
- The authority's approach to commercial activities including due diligence and risk appetite;
- Expectations around debt and use of borrowing to support capital expenditure;
- The knowledge and skills in the authority in relation to capital investment activities.

2. Capital Programme Governance and Prioritisation

2.1 All capital programme expenditure will be governed through the Capital Strategy framework. Individual programmes and projects will commonly fall into three main categories:

- Capital maintenance and improvement – to sustain the condition of existing assets and/or to avoid the short, medium and long-term revenue costs of "do nothing".
- Capital Investment for financial return – i.e. for commercial purposes to deliver an ongoing revenue return.
- Capital Investment for non-financial return – investment in an asset of strategic importance linked to the 2030 Vision and Council's Core Purpose.

2.2 This categorisation will help to determine, for officers and members, the route that a project proposal must follow in order to gain approval into the capital programme. It will clarify the governance pathway and the degree of due diligence required before approval to spend is granted.

2.3 A robust planning and prioritisation process has been designed with clear approval stages at which risk, reward, value for money and alignment to the Council's priorities is tested.

2.4 The Capital Strategy proposes a governance structure that enables the effective management of whole capital programme. New capital schemes will typically take one of three routes to approval for inclusion in the capital programme.

A. For recurrent capital schemes funded 100% from external resources the Finance Procedure Rules state:
- Schemes up to and including £100k can be approved by the Section 151 Officer and Chief Executive;
- In excess of £100k up to and including £250k can be approved by the S151 Officer and Cabinet Member – Regulatory, Compliance and Corporate Services;
- In excess of £250k up to and including £1m can be approved by Cabinet;
- In excess of £1m+ can be approved by Council with a recommendation from Cabinet.

B. Council approves the inclusion of capital block grant allocations within the capital programme. The respective Cabinet Members in conjunction with the Council's Section 151 Officer have delegated authority to allocate capital grants to capital projects to be included within the capital programme up to a level of £1m per individual scheme. Schemes above this threshold will require approval by Council.

C. Projects that require the use of council resources and meet strategic objectives will follow internal governance arrangements before submission to Cabinet and where appropriate Council for approval as set out in the Council's Financial Procedure Rules.

2.5 The Council will approve this strategy and in accordance with the Council's constitution and legislation, Cabinet will make decisions to implement the strategy.

2.6 Financial management and performance of the Council's approved and published Capital Programme is reported to Cabinet and Overview and Scrutiny Committee with an Annual Report being produced at the end of each financial year.

2.7 The Capital Programme will be continually updated as part of each budget cycle to take into account any decisions made in the year.

3. Capital Expenditure and Resources

3.1 Capital expenditure is broadly defined as expenditure on the acquisition of a tangible asset, or expenditure which enhances (rather than merely maintains), the value of an existing asset and/or the useful life of an asset and increasing usability, provided that the asset yields benefits to the Council and the services it provides is for a period of more than one year. Sefton’s de minimis level for new assets is currently £10,000. This limit can be varied at the discretion of the Section 151 Officer.

3.2 The actual capital expenditure that was incurred in 2020/21 is shown below and the estimated current and future years capital programme that are as follows:

Capital Expenditure					
	2020/21 £m Actual	2021/22 £m Estimate	2022/23 £m Estimate	2023/24 £m Estimate	2024/25 £m Estimate
TOTAL	26.203	43.542	47.015	23.311	20.566

3.3 The estimated levels of expenditure above represent those elements approved by Council which have been included within the Capital Programme.

3.4 The increase in capital expenditure during 2021/22 and 2022/23 represents additional allocations added as part of the traditional capital programme and new schemes included in the Council’s Strategic Investment Programme. Due to the size and complexity of the Council’s capital programme, some schemes may also be rescheduled from previous years and thus increase the overall estimate of expenditure. The majority of the additional expenditure will be funded from external grants, contributions and capital receipts. This may change as grant allocations and additional capital schemes are made known to the Council and are approved for inclusion within the Capital Programme.

3.5 There are also Town Deal proposals currently being progressed which may impact on the estimates of capital expenditure presented in this document (see Section 7 “Town Deal”).

3.6 Capital Expenditure must be incurred in line with the Financial Procedure Rules. The Executive Director of Corporate Resources and Customer Services (Section 151 Officer) is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by Cabinet before submission to Council for approval alongside the annual revenue budget.

3.7 Capital resources are held corporately and are allocated according to the priorities outlined in section 2. The Council will seek to maximise the use of external grants and contributions; and to consider joint funding initiatives with partners if the benefits of doing so align with Council priorities.

3.8 Capital expenditure is typically funded from:

- Government Grants
- Section 106
- External Contributions

- Prudential Borrowing
- Capital Receipts

Prudential Borrowing

3.9 Local authorities are able to borrow to invest in capital works and assets provided that the cost of that borrowing is affordable/repayable and in line with principles set out in the Chartered Institute of Public Finance and Accountings (CIPFA) Prudential Code Guidelines.

3.10 Each year the Council approves a Treasury Management Strategy and a range of prudential indicators that reflect its compliance with the CIPFA guidance and the approach to capital expenditure and borrowing for the forthcoming year. As such, projects that are identified and which support the Council's corporate objectives (including financial sustainability) may utilise prudential borrowing once they have been formally reviewed and subject to robust business case scrutiny. Within such cases a full financial appraisal will be required to ensure that all revenue implications of the cost of borrowing are considered.

3.11 Any capital expenditure funded from prudential borrowing will have a future impact on the revenue budget as the Council is required to set aside a minimum revenue provision (MRP) to repay the principal and interest, i.e. the debt, over the life of the asset.

3.12 The financing of the capital programme will be delegated to and determined by the Executive Director of Corporate Resources and Customer Services (Section 151 Officer). Consideration will be given to the long-term impact of capital expenditure and any ongoing revenue implications. The capital financing charges and any additional running costs arising from capital decisions are incorporated within the annual Budget and Medium-Term Financial Plan. This enables members to consider the consequences of capital spend alongside other competing priorities for revenue funding.

3.13 Capital expenditure decision making is not only about ensuring that the initial allocation of capital funding meets corporate and service priorities but also that the asset is fully utilised, sustainable and affordable throughout its whole life. This overarching commitment to long term affordability is a key principle in all capital expenditure appraisal decisions.

3.14 The Prudential Code was introduced as part of the Local Government Act 2003. It details several measures/parameters known as prudential indicators that are set each year. When setting these indicators, the Prudential Code requires the Council to have regard to service objectives, affordability, prudence and sustainability. The Prudential Indicators Report is approved as part of the annual budget setting process and is also presented for monitoring purposes to the Audit and Governance Committee on a quarterly basis.

3.15 The indicators are based upon capital programme expenditure and its funding requirements and ensure that the budgeted capital expenditure limit is monitored, along with the level of the Capital Financing Requirement which represents the Council's underlying need to borrow for the capital programme. Maximum borrowing limits are set for the Council, the affordability of which is assessed against total income from Government grants, Council Tax and Business Rate payers.

4. Asset Management Strategy

4.1 A core part of the Council's capital programme is informed by the Asset Management Strategy. The schedule of capital improvement works required to support the Council's operational property portfolio is derived from this strategy. The Asset Management Strategy sits alongside the Asset Disposal Policy.

4.2 The main objectives of capital expenditure on operational assets is to ensure that they meet health and safety standards, are fit for purpose in terms of statutory guidance and legislation, as well as helping the Council to reduce costs from unnecessary revenue expenditure on poorly maintained and/or redundant stock. A key objective of the capital strategy is that it links with the Asset Management Strategy to protect current buildings and long-term assets to avoid incurring significant future costs.

4.3 The asset management capital expenditure decision making process must consider the Council's Asset Disposal Policy. A regular review of Council owned assets will identify whether assets should be held for operational or heritage purposes, should form part of the Council's future investment and capital programme or should be disposed of.

4.4 The Asset Management Strategy and Asset Disposal Policy are key documents to inform all long-term capital and revenue implications. These documents are reviewed on an annual basis and a review has taken place this year.

4.5 A structured approach to any disposal and the likely capital receipt will mean that medium and long-term resourcing estimates can be made and aligned to future investment decisions.

5. Commercial Investment

5.1 As reliance on Government funding reduces, the importance of local income generation increases, and this is a key stated central government objective for local government and one which reflects their future model for how local government will be funded. As a result, the Council has had to develop its commercial mindset in order to continue to support the achievement key service priorities, a balanced budget, and at the same time, safely finance the Framework for Change Programme.

5.2 A commercial approach will lead to more commercial activities being developed, assessed and delivered and means that processes and financial controls, regarding material capital investment, need to be robust. Due diligence and ongoing budget management will be effective and proportional to the level of investment and risk. It is also critical that such options are considered not in isolation on a project by project basis, but across the whole portfolio of projects in order that the risk profile for all activity is understood as part of the Council's requirement to deliver financial sustainability.

5.3 The governance structure for all capital investment and expenditure decisions, explained in section 2, contains additional gateway processes which allow further scrutiny, checks and levels of approval for commercial activity in recognition of the enhanced risk involved.

5.4 The Council already operates on a commercial basis in some areas of its core activity. The success of these functions provides assurance in terms of the Council's ability to manage commercial activity.

6. Sandway Homes Limited

6.1 The Council has a 100% wholly owned company in Sandway Homes Limited with Cabinet being the shareholder and a shareholder representative sitting on the Company's Board of Directors. As such Cabinet is responsible for making all decisions in respect of approving the governance arrangements, the Business Plan and any variations to it, in addition to the financial estimates and arrangements including the provision of a debt facility that supports working capital.

6.2 The role of Cabinet reflects the provisions in the Council's Constitution that it should undertake the shareholding function on behalf the Council and take all necessary steps to manage and safeguard any shareholding the Council owns in a company.

6.3 The last Business Plan update was provided to Cabinet in October 2021 with further requested detail being provided in December 2021. This builds on previous annual business plan updates that are provided which then inform budget estimates that are included in the Medium Term Financial Plan for subsequent years. The last Business Plan estimated that a dividend of £1.350m would be paid to the Council in 2024/25 upon completion of Phase 1 and this figure is included in the latest Medium Term Financial Plan.

6.4 The current peak debt estimate for the company is £8.3m with this due to be reached in the first half of 2022 with this reducing to £3.7m by the end of 2022/23.

6.5 A similar arrangement exists for the wholly owned hospitality company, Sefton Hospitality Operations Limited for whom a lower debt facility of £0.5m has been provided.

7. Southport Town Deal

7.1 Southport is set to receive £37.5m in government funding for a range of projects across the town centre and sea front following a successful bid to the Government's Towns Fund. The award represents one of the largest Town Deals that the government has agreed nationally and across 101 towns.

7.2 Cabinet approved the bid submission and Town Investment Plan (TIP) at the October 2020 Cabinet meeting. The process requires leadership of a Town Deal Board, with a private sector Chair, but the Council is required to undertake the role of Accountable Body for the bid and to be the organisation through which funding will flow.

7.3 The objective of the Town Deal Fund is to drive the economic regeneration of towns to deliver long term economic and productivity growth through:

- Urban regeneration, planning and land use
- Skills and enterprise infrastructure
- Transport and Digital Connectivity

7.4 The Capital Strategy sets the governance framework from which the Council as Accountable Body for the bid will ensure: good governance, transparency, public consultation (building on the Community Engagement Plan – May 2020), developing detailed and robust business cases, monitoring and evaluating projects, receiving and accounting for the funding allocation, and which Council approvals will be required in accordance with Financial Procedure Rules.

7.5 The first 5% of the Town Deal funding (£1.875m) has been released to Sefton to support pre-development work and project progression, with work ongoing on business cases during 2022 to enable final approval and release of the balance of the Town Deal funding. There has also been approval in principle from the Liverpool City Region Combined Authority for additional support linked to one specific Town Deal project (the Marine Lake Events Centre) of up to £20m - subject to the appropriate funding requirements being met.

8. Non-Financial Investment Strategy

8.1 The Council's non-treasury investments consist of an Investment Property portfolio of over 210 properties. They delivered a return for the Council after deducting for the cost of maintenance, net income of £2.196m in 2020/21, which contributes towards the provision of services.

8.2 The investment property portfolio is fully owned by the Council and no outstanding loans are held against it. No new investment properties have been added for several years. Any future purchases of such assets will follow the procedures set out in sections 2 and 3.

8.3 All properties classified as investment properties are revalued on an annual basis as part of the Statement of Account process and valuations are externally audited. The value at 31st March 2021 was £49.11m. All investment properties are valued at greater than original purchase price and have hence produced an unrealised capital return.

8.4 The liquidity of the portfolio will depend upon the prevailing market conditions. However, access to funds is not considered an issue as the portfolio does not provide security against loans and is providing an adequate return.

8.5 Any loans made by the Council that will support projects aligned to the Framework for Change programme, will require a full business case including robust due diligence and will be approved in accordance with the Councils governance processes. Any loan granted will be within the Council's approved prudential indicators.

9. Debt, Borrowing and Treasury Management

9.1 The Council has adopted CIPFA's revised 2017 Code of Practice on Treasury Management in public services which recommends the production of an annual

Treasury Management Policy and Strategy documents. These documents are approved as part of the annual budget setting process and are monitored by the Audit and Governance Committee. The strategy document sets out in detail how the treasury management activities are to be undertaken in a particular year to comply with the Council's Treasury Management policy.

9.2 The Treasury Management Strategy details how the Council will manage its borrowing, investments and cash flow and therefore forms an important part of the overall Capital Strategy. The Capital Programme and the mix of funding sources determines the borrowing requirement of the Council, which will require management of the Council's cash flow to ensure that the Council can meet both its future revenue and capital obligations.

9.3 If the Council is required to borrow funds, it can seek to support the capital programme through prudential borrowing from the Public Works Loan Board (PWLB). This borrowing is not supported by government grant. It means that there will be a future charge to the revenue budget to pay back the principal amount borrowed plus accrued interest. As a result, robust financial appraisals are used to determine a future financial benefit from the initial investment, which will be able to fund the future charge to the revenue budget and potentially achieve further cashable savings or income generation, for instance an invest to save (or earn) scheme, strategic investment or major regeneration schemes.

9.4 An evaluation of funding options will be undertaken with external advisor support, thus ensuring the most advantageous position for the Council by securing the greatest value for money option to fund new capital schemes.

9.5 The Council's borrowing limit is contained within the Prudential Indicators Report:

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Authorised Limit	223	220	213	216

9.6 In recent years, the Council has followed a policy of internal borrowing, whereby borrowing for the capital programme is deferred whilst the Council holds healthy cash balances. This is advantageous as it avoids cost of carry and reduces the overall borrowing costs. This position requires careful management of interest rate risk in conjunction with our treasury consultants.

9.7 The Council has regard to the Department for Levelling Up, Housing and Communities' (DLUHC) guidance on the application of minimum revenue provision (MRP). The recommended MRP policy is summarised below:

Category	Basis of MRP Calculation
Supported Borrowing	Annuity Basis over 50 years (commencing from 1 April 2015)
Unsupported (prudential) borrowing	Annuity Basis – Calculated using the estimated life method

Standard asset lives applied to calculate MRP charge vary from 3 years for intangible assets to 50 years for land.

10. Public Works Loan Board (PWLB) Consultation

10.1 Borrowing by local authorities from the PWLB has increased markedly during the last ten years, with many councils borrowing to fund the acquisition of commercial assets with the intention of generating an income stream from such assets. The National Audit Office estimates that £6.6bn of commercial property was purchased by local authorities between 2016/17 and 2018/19 which coincided with a reduction in the price of PWLB loans.

10.2 Government want to guard against councils taking advantage of low rates to purchase commercial assets, and where the anticipated income does not materialise, avoid the risk of taxpayers having to service the loan repayments.

10.3 Following a period of consultation, the government has issued revised lending terms for the PWLB and guidance to support councils to determine if a proposed project is an appropriate use of PWLB loans. The main features of the new lending terms for Councils intending to borrow from the PWLB are:

- Councils are asked to submit a high-level description of their capital spending and financing plans for the following three years, including expected use of the PWLB. Councils will be able to revise these plans in year as required.
- Councils will be asked to provide details of the following:
  - how much they plan to spend each year in each of the following set of categories, which have been developed in consultation with the sector and cover all acceptable capital activity that can be funded via PWLB loans.
    - Service spending
    - Housing
    - Regeneration
    - Preventative; and
    - Treasury Management
  - a short description of the main projects in each of these categories covering 75% of the spending in that category
  - The Section 151 Officer or equivalent must provide assurance that the council is not borrowing in advance of need and does not intent to buy investment assets primarily for yield.

10.4 The decision over whether a project complies with the terms of the PWLB loan is for the authority's Section 151 Officer or equivalent. However, HM Treasury may intervene if it has concerns that issuing the loan is incompatible with HM Treasury guidance.

11. Risk Management

11.1 Risk management across the Council has been reviewed in a process led by the Chief Internal Auditor. A corporate risk register is in place, as are service area risk registers. The final stage has seen operational, project and transformation risk registers developed.

11.2 Section 2 in the strategy describes the consistent approach to project management from concept stage through to full business case approval. The Project Charter has a risk section which means that consideration of risk and its mitigation is at the forefront throughout the project design and feasibility stage.

11.3 Risk management is embedded in project and programme boards. Live projects are subject to challenge in project board meetings from the Project Sponsor and Senior Responsible Officer. Significant risks will move on to Service and Corporate risk registers and be reported through capital scheme updates in the monthly budget monitoring report to Cabinet.

11.4 Treasury management risk is managed in line with DLUHC investment guidance principles of security, liquidity and yield. The Council's risk appetite for financial investments is detailed in the Treasury Management Strategy. The risk appetite is low, security and liquidity being the key principles underlying the investment strategy. The Treasury Team balance the risks associated with cash management, mitigating risks as much as possible to seek maximum financial return.

11.5 Treasury management activity will be reported to Audit and Governance via quarterly reports and an outturn report. Cabinet and Council receive a half yearly report and the annual outturn report.

12. Knowledge and Skills

12.1 The Council has a wide range of expertise to call upon, including professionally qualified legal, finance and property officers, to support the delivery of the Capital Strategy and Framework for Change.

12.2 There is commercial expertise across the Executive Leadership Team and Senior Leadership Board and a commercial approach is being embedded across the organisation.

12.3 Recent changes to the senior management structure have been made to better meet the resource requirements to support Framework for Change going forward.

12.4 Support services, including Finance, Legal, Property and Business Intelligence and Commissioning, are regularly reviewed with a focus on providing the right support and officers with the necessary skills, to work with the frontline service and project managers. Where gaps in knowledge are identified the relevant training is co-ordinated for individuals or teams.

12.5 The Capital Programme and Treasury Management Strategy is managed by a team of qualified accountants who follow a programme of continual professional development, attending tailored courses offered by the Council's retained treasury consultancy.

12.6 As part of the Treasury Management Strategy it is a requirement that all members involved in treasury management understand this complex area. Annual training is open to all members and is delivered by external treasury consultants. A record is maintained of member attendance.