

## **Minute Extract of Strategy and Resources Committee of 01/02/2021:**

### **Minute 255: 10 YEAR CAPITAL STRATEGY 2021 TO 2031**

The Committee considered a report by the Chief Financial Officer (circulated previously) regarding the 10 Year Capital Strategy for 2021 to 2031.

The Head of Resources highlighted the following:

- The Capital Strategy was reviewed annually by Full Council prior to each financial year. The Strategy set out the 'governance arrangements' for capital projects coming forwards as detailed in section 4.3.
- All capital projects required a business case, reviewing options, risks and associated costs. Project Appraisal Group (PAG) comprised of the; Chief Executive, Business Information Systems Manager, Head of Resources and Accountancy Manager who would then meet to score the proposed project.
- In addition to the original approval of the project, a separate approval would also be sought from the Committee and then Full Council to release the capital funds three to six months before the project was due to start.
- Medium Term (2021-2025) as set out in the table in paragraph 4.4 set out the impact of capital financing need, impact this had on the annual borrowing cost and then the overall Medium Term Financial Strategy budget gap, including the additional borrowing.
- For 2022/23 current projections showed a medium term financial strategy budget gap of £2.3m increasing to £2.9m in 2024/25.
- The Council would look to become more entrepreneurial in how it delivered services to generate extra income and reduce costs in line with the commercialisation strategy. The Council would also have to review a number of options for bridging the budget gap and any such financial benefits these may produce; these would be subject to further reports being presented to Members.
- The estimated Capital Financing Requirement (CFR) for March 2021 was £5.76m which increased to its peak in March 2025 at £18.79m. This substantial increase in CFR reflected the £38m capital programme over the medium term including the new Leisure Centre.
- The Council would receive an annual management fee in relation to the running of the new Leisure Centre to help offset an element of the borrowing costs.
- Longer Term (2025-2031) as set in the table in paragraph 4.5. The Council had identified two main areas of capital expenditure within the long term forecast which are necessary to maintain business as normal i.e. the vehicle replacement programme, as the works and recycling fleet have an eight year life cycle; and the on-going maintenance of our ICT infrastructure. Projected investment was required in these two areas. The longer term model then builds this investment into the spend plans and extends the Medium Term Financial Strategy position up until 2031. The CFR was generally on a downward trend from £17.17m in 2025/26 to £14.28m by 2030/31. External borrowing over the longer term remained at a high level, £12m and above, again assuming the under-borrowed position remained prudent and sustainable.

- As a result of the high borrowing, the annual borrowing cost would continue to put pressure on the Council's revenue budget each year. The projected cost of borrowing was £1.57m in 2025/26 increasing to £1.64m in 2030/31.
- For 2025/26 current projections showed a medium term financial strategy budget gap of £3.1m increasing to £3.2m in 2030/31.
- Whilst the medium and long term capital strategy sets out the financial context under which future capital expenditure decisions should be considered, it would not prevent the Council pursuing aspirational projects such as the proposed review of Seven Brethren, Barnstaple and the Future High Streets project.
- The long term outlook for the Council's financial standing strongly supported the need for the Council to become more efficient and commercially minded across all areas of the organisation to generate additional income for the revenue budget. In line with the Council's corporate priorities, a new Commercialisation Strategy had been adopted. This set out the parameters and options for income generation and net revenue gains.

In response to a question, the Chief Executive advised that there had been consultation and engagement with local businesses as part of developing the Barnstaple Vision.

In response to a question, the Head of Resources advised that he would confirm whether the Council had applied for a Green Homes Grant.

**RECOMMENDED** that the Capital Strategy 2021/22 to 2030/31 be approved.