Corporate Policy & Resources Committee

19 January 2022

Title	Draft - Capital Strategy 2021/22 to 2025/26 and summaries the position up to 2070/71
Purpose of the report	To make recommendations to Council
Report Author	Paul Taylor Chief Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Affordable Housing Recovery Environment Service Delivery
Recommendations	**Committee is asked to: (added for completeness at this stage)** 1. recommend to Council that it approve the Capital Strategy as set out in this report 2. approve that all development and investment projects, along with all significant projects follow the previously approved business case governance process as set out in section 8 of this report 3. approve that no financing sources, unless stipulated in regulations or necessary agreements, are ring fenced 4. approve the council plans to continue its use of capital receipts to fund the revenue costs of eligible proposals (subject to full business cases for each project). 5. approve the financing of the capital programme and revenue implications as set out in section 13 of this report. 6. approve the financing of the capital programme being delegated to the Corporate Policy & Resources Committee to provide sufficient flexibility to allow for the most effective use of Council resources
Reason for Recommendation	The Council is required by law to approve before start of each financial year a Capital Strategy setting out its approach to identifying needs for capital expenditure. managing capital expenditure, financing it, and managing risks associated with delivering capital objectives. .

	When long term investment decisions are undertaken, decision makers can rely on clear and informed information. This would include: • A long-term view of capital expenditure plans and any financial risks to which the Council is exposed. • Ensuring due regard to the long-term financing, affordability implications and potential risks. • A clear overview of the Council's asset management planning arrangements and any maintenance requirements that have resource and business planning implications. The Capital Strategy will continue to help support informed decision making in the delivery of Spelthorne Borough council's long-term plans and ambitions.

1. About this report

1.1 This is a draft report for development and feedback from Councillors, prior to the final report being submitted to the Corporate Policy & Resources Committee in February.

1.2 Officers have reviewed over 30 different Council's Capital Strategy Reports and as Chartered Institute of Public Finance & Accounting (CIPFA) state there is no one size fits all. The standards were variable.

1.3 Were we have yet to populate charts, particularly those that show the results for 2070/71, we have use £xxxx or xxxx to indicate figures or information to follow.

1.4 Further you will see a few sentences in blue ink, which is an aide memoire to me to add more information.

1.5 One of the key aims is to introduce a clear 50-year planning horizon and provide Councillors with indicative figures of what the Council's finances might look like, based on the current decision making. Particularly, as we have a 50-year plan for our investment properties and for Knowle Green Estates Ltd.

1.6 Therefore, would you please review the report and identify the areas that you feel should be in the report, areas that you think should come out, areas that require further development and areas that we should consider including in the report.

2. Introduction

2.1 The Capital Strategy is an important document which is important to get right. It is important to provide Councillors to have an opportunity to input and refine the Strategy, so what is set out in this report is very much a first draft with it anticipated that a refined version will be brought back to the Committee in February

2.2 If you think of Capital Strategy as a requirement only, you have already missed the point. The development of a capital strategy is a best practice approach to longer-term strategic planning to assist council how their approach to capital expenditure can address evolving service needs. When it is done well, it adds significant value, not only to the successful management of a local government organisation, but more importantly to the future success and wellbeing of the population, stakeholders, and area that it serves.

A capital strategy is not simply a document: it is a whole organisation approach to effective, long-term planning and investment, with outputs and outcomes that lead to healthy, vibrant, green, and resilient communities, businesses, organisations, and geographic areas. If we are not fully embracing the spirit of the requirement for a capital strategy, we, and the population that we serve – will not be benefiting from this important aspect of strategic planning. CIPFA produced updated Capital Strategy Guidance in 2021. (See Appendix A)

2.3 Since 2019, all Councils have been required to prepare an annual updated Capital Strategy document, however, one size does not fit all and therefore Councils have over the last two years prepared a range of documents to suit their needs and planning horizons, which in the case of Spelthorne Borough Council, must cover a 50-year period to match with its long-term investment property strategy.

2.4 A 50-year planning horizon is required to ensure that Council gives due consideration to the impact of its decision making today, on the future capital and financing for the success and wellbeing of the population and stakeholders within the Borough tomorrow.

2.5 After extensive consultation, CIPFA acknowledged that each Council is different and therefore, they should develop a Capital Strategy Framework that meets their own needs and circumstances.

2.6 This first draft of the report is a starting point for development and input from Councillors and officers before submitting the final report to the February meeting of Corporate Policy & Resources Committee, prior to the Council meeting on 24 February, when all the figures for the 2022/23 capital programme will be known.

2.7 This process will be an annual evolutionary process and will take a few years to refine.

3. Executive Summary

3.1 The report sets out the Council's Capital Strategy from 2020/21 to 2024/25 and summarises the position up to 2070/71.

3.2 The proposed capital programme as detailed in Appendix x, proposes a gross budget of £xxxxxm and a net budget of £xxxxm (including capital receipts).

3.3 The Council's long term capital investment is underpinned by the objectives of xxxxxxx of the Corporate Plan. Capital proposals are considered within the Council's overall medium to long-term priorities, and the preparation of the Capital Programme is an integral part of the financial planning process. This includes taking full account of the revenue implications of the projects as part of the revenue budget setting process. Based on the proposed programme at the end of 2070/71 the Council would have to set aside a revenue budget of £xxxm to cover the financing costs of the programme.

3.4 In addition to the capital budgets and revenue implications, the report sets out the following:

(a) Policy and contextual background

(b) The Council's asset base

(c) Delivery Strategies

(d) Budget setting and prioritisation

(e) Governance

(f) Key projects and programmes

(g) Capital funding

(h) Risk management

4. Policy and Contextual background

4.1 Spelthorne Borough Council's vision 20xx/20xx…………provides the starting point for this document, dealing with xxxx, xxxx, xxxx, (expand on this, refer to the 2021/2023 Corporate plan may be a little short term?)

4.2 The Capital Strategy is a major part of these plans.

4.3 In 2016, the Council embarked on an ambitious capital programme with a plan to invest over £1bn in investment properties, to generate sufficient funds to:

(a) Support Council services

(b) Support the regeneration and transformation of the Borough

(c) Deliver much needed affordable housing for our younger residents and families in the Borough.

As part of investing for the future success and wellbeing of the population, and all its stakeholders in Spelthorne.

4.4 As at the 31 March 2021 the draft unaudited accounts show that the Council had total assets with a net book value as shown in the table below:

Asset type	£000
Land & Buildings - Municipal	72,879
Vehicles Plant & Equipment	1,781
Community Assets	158
Assets under Construction	74,205
Heritage Assets	222
Investment Property	939,747
Intangibles	254
Total	**1,089,246**

4.5 The current approved capital programme for 2021/22 is £xxxxm and this excludes items included in Assets Under Construction in the table above.

4.6 In the current 2022/23 Capital Programme budget setting process, the committees are currently evaluating over £65m of bids.

4.7 Based on the Council's current level of assets, the Capital Strategy as outlined in this report could significantly increase the Council's asset base over the next 50 years.

4.8 Most of the capital expenditure is planned to be spent on land and buildings to provide affordable housing through Knowle Green Estates Ltd. (KGE) the Council's wholly owned subsidiary and temporary accommodation through the Council.

4.9 All the land and building acquisition costs together with all design and construction expenditure incurred prior to completion of the final premises are included in the above table and will move into the appropriate category once the project is completed.

4.10 The Council does have a planned maintenance budget for these properties.

4.11 Comment about valuations here

5. Key projects

5.1 There are several key projects and programmes that require future capital investments for the Council to achieve its strategic goals and these are shown below:

(a) Several large-scale developments to deliver 650 apartments as part of our Housing Strategy and commitment to the residents of the Borough, particularly young families.

(b) A new leisure centre in Staines-upon-Thames the first of its kind being built in the UK to Pasivhaus standards, which has involved a £40m investment in a greener building, to protect the wellbeing of our residents over the coming years and making the building carbon neutral.

(c) Continued investment in municipal infrastructure, such as local parks.

(d) An ongoing investment in digital transformation, where we aim to utilise technology to continue to deliver efficient, good quality services.

5.2 Our Capital Programme's delivery objectives continue to take place against a background of financial challenges. The potential impact of the Fair Funding Review could have a significant negative impact on the Council and some difficult decisions lay ahead, as the Council looks to balance the projected deficits for 2023/24 and beyond.

5.3 It is therefore vital that the Council's Capital Strategy delivers a return on investment that is financial, such as capital receipts or new revenue streams, or delivers key strategic priorities

5.4 The Capital Strategy is intended to evolve each year, it is a dynamic plan that will respond to threats, opportunities and will change over time.

5.5 The strategy is set over 50 years but is updated annually and includes short-, medium- and long-term investment revenue streams, or delivers key strategic priorities.

6. Our delivery strategies

6.1 The Council's capital programme is categorised into four key areas:

(a) Strategic Investment Acquisitions £xxxm

(b) Affordable Housing £xxxm

(c) Efficiency £xxxm

(d) Operational £xxm, including decarbonising the Council's service delivery.

Strategic Investment Acquisition • Support Council services • Invest in regeneration projects • Provide for the future	**Affordable Housing** • Regeneration of key strategic sites • Provide affordable housing for the residents of SBC
Efficiency • Produce ongoing revenue savings and additional income • Digital transformation enabling residents to have better access services	**Operational** • Reduce running costs • Greener outcomes • Rationalise property portfolio

7. Strategic Investment Acquisition

7.1 Strategic investment acquisitions are where the Council acquires properties to enable the development of key strategic sites for regeneration opportunities, to

(a) Support Council services

(b) Support the regeneration and transformation of the Borough

(c) Deliver much needed affordable housing for our residents and families in the Borough.

8. Property Investment Strategy

8.1 Details to be inserted or refer to appendix/link to document on the website

9. Affordable Housing developments

9.1 SBC has a Housing Strategy to deliver xxxx units by xxxx (provide link to the document on the website or appendix).

9.2 The Council is intending to develop the following properties and deliver 650 apartments based on the Cabinet meetings in February to April 2021 as shown below:

(a) Oast House – 216 affordable rental apartments

(b) West Wing – 25 affordable rental apartments (Delivered)

(c) Ashford – 48 affordable rental apartments

(d) Victory – 127 key worker and affordable apartments

(e) Benwell Phase 1 – 55 private rentals. Apartments (Delivered)

(f) Benwell Phase 2 – 39 affordable rental apartments

(g) Thameside – 140private rental and affordable apartments

(h) Total - 650 apartments

9.3 Upon completion these properties will be transferred, at cost to Knowle Green Estates Ltd (KGE) who administer the buildings and tenants.

9.4 Should the number of apartments delivered change this will result in lost contribution from KGE to SBC towards supporting our revenue budgets and the frontline delivery of services.

9.5 Going forward, it is Council strategy to continue to build new affordable homes across the Borough, where suitable, affordable premises can be found, this could also include existing houses that are suitable for multiple occupancy.

9.6 Each case will be evaluated on its own merits and consider how it assists the Council to achieve its Housing Strategy for residents, in the Borough.

10. Knowle Green Estates Ltd (KGE)

10.1 KGE is a wholly owned subsidiary of Spelthorne Borough Council and following a restructure of its property portfolio in the year end 31 March 2020, has effectively started from scratch.

10.2 The Company has been established to manage each property as mentioned in 8.2 above and is looking at a 50-year time horizon for its properties (see appendix x).

10.3 The model approved by the KGE Board is based on the meetings with Cabinet between February and March 2021 and provides most of its apartments for affordable housing.

10.4 Affordable Housing tenants will include:

(a) Key workers, nurses, police, and teachers

(b) Younger residents

(c) The elderly and vulnerable

10.5 There will be a small element of private rental tenants.

10.6 The Council is introducing a new Componentisation Policy, in accordance with the CIPFA accounting code, to use different rates of depreciation for each component of the building, e.g., land at 0% and roof 4%, which reflects the different useful economic lives of each component part of the building.

10.7 The 50-year projections indicate that are that KGE will be able to provide substantial revenue contributions to SBC over the period and given the profiling of our tenants, will be operating on a small cash surplus based on the properties being delivered to time and to the number of apartments specified.

10.8 Unfortunately, there were significant delays to Benwell Phase 1 and West Wing, and although the number of apartments expected have been delivered, rental income has been delayed.

10.9 Further, there have been considerable delays in obtaining planning permission for the Oast House, Thameside and Benwell phase II and these additional delays are impacting on the business plans of KGE, resulting in the need for additional financial support from SBC, over the next three financial years, until all the buildings have been handed over to KGE.

10.10 The issues causing the delay in obtaining planning permission indicate that there will be fewer apartments being built, nothing has been finalised at the time of writing this report, but a loss of more than 30 apartments would require a review of the strategy and financial projections and how the annual contribution to SBC from KGE will be dealt with. Will it be via dividends, interest rate arbitrage or management charges.

10.11 KGE will need to be mindful of incurring additional Corporation Tax and compliance with HMRC guidance on the use of interest rate margins to move contributions from a subsidiary to a holding company.

11. Efficiency

11.1 Digital Transformation, Partnership etc.

11.2 Detail the pros and cons of each option available and which one is being proposed. Include the risk assessment

12. Operational

12.1 The Council's operational capital strategy is centred on capital improvement works to the Council's operational asset portfolio. This falls into two main categories:

(a) Land and Buildings

(b) Infrastructure

12.2 The main objectives of the operational element of the Capital Strategy are to ensure assets 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 and reduce its environmental footprint.

12.3 Another key objective of the operational element is to ensure that the Council continues to invest in its current buildings and long-term assets to avoid incurring significant future costs, essentially spending now to save money in the future. As well as our municipal buildings, we have other operational assets, including vehicles, plant and equipment.

12.4 The Council has a scheduled programme of condition surveys which ensures the Council's operational estate is fit for purpose. As part of the forward planning of the operational estate, the following areas will be developed in line with the objectives of the Council:

(a) Xxx

(b) Xxx

(c) Xxx

12.5 Operational schemes in the Capital Programme have a total expenditure of £xxm and include the future years spend, capital contingency and landlords' responsibilities in Finance & Resources.

12.6 Every 5 years on a rolling basis, the Council will review its municipal and land and buildings to identify sites, were there are development opportunities for both the Council and others, such a small strip or parcels of land, as well as, looking to pass over the running of community assets, such as village halls, to the community.

13. Governance

13.1 The main forum for reviewing all financial aspects of the capital programme is the…..enter details from Sandy about the process. Development Subcommittee, KGE and risk management

14. Capital Funding

14.1 The Council is required to have a funded capital programme that is affordable, i.e., all capital expenditure should have a source of funding and if that funding source is borrowing, the cost of the borrowing should be built into a balanced revenue budget without adversely impacting on the delivery of services.

14.2 The key sources of funding for the Council are:

(a) Grants

(b) Contributions

(c) S106/Community Infrastructure Levy

(d) Capital Receipts

(e) Direct Revenue Funding

(f) Borrowing

14.3 **Grants**

14.4 These are predominantly government grants and are usually provided to the Council for the specific use of funding either revenue or capital expenditure for certain schemes and programmes, including Disabled Facilities Grant (DFG) can also include Homes England grants. In the future we will want to explore potential for grant funding to support carbon reduction programme.

14.5 **Capital Contributions**

14.6 In comparison to grants, capital contributions are specific contributions received for projects and are normally provided by the government, external agencies, or private companies, who have a specific output or outcome they would like achieved through the capital works the Council is providing. Quite often, the scope of these projects is dependent on this external funding, without which the Council may decide to reduce the objectives and scope of a scheme.

14.7 **Community Infrastructure Levy/ Section 106 Receipts.**

14.8 Community Infrastructure Levy (CIL) is a planning charge introduced by the Planning Act 2008. The Council started charging CIL in May 2016. Developers must pay a levy linked to planning applications - this is based on a Council approved policy and charging schedule. The income from this levy is held corporately and the Council decides how to allocate these funds via a Council.

14.9 The majority of CIL funding is used to fund strategic infrastructure projects with Surrey County Council. Where practical Council should utilise this resource to fund the capital programme.

14.10 S106 differs from CIL, as it is essentially a contract between a developer and the Council and like capital contributions they must be used for specific projects and outcomes rather than a more general objective.

14.11 **Capital Receipts**

14.12 Capital receipts are generated from the sale of non-current assets (i.e., strips of land), and apart from special circumstances, can only be used to fund the capital programme.

14.13 The Council holds all capital receipts corporately, which ensures they can be used to fund the overall programme; therefore, individual services are not reliant on their ability to generate capital receipts.

14.14 As Spelthorne Borough Council is not planning to sell any assets in the short to medium term, unless the offer price is correct, only a small amount of funding in the capital programme will be available from capital receipts.

14.15 **Direct Revenue Financing**

14.16 The Council, can, if it chose to fund capital expenditure via its revenue budget. This can be through in year underspends or via general or earmarked revenue reserves. Any funding of the capital programme via revenue resources would have to be considered considering the Council's overall revenue budget and the Medium-Term Financial Plan. (Re word of the paragraph or remove)

14.17 **Borrowing**

14.18 Borrowing can take the form of internal or external borrowing.

14.19 **Internal borrowing** is a temporary position where the Council uses its cash balances instead of externally borrowing at that point in time. If not used for internal borrowing, these cash balances would be invested on a medium to long term basis providing the Council with a return on investment. As such there is an opportunity cost associated with internal borrowing that is built into the revenue implications of the capital programme.

14.20 The Council's main objective when borrowing externally is to achieve an appropriate balance between securing low interest costs and achieving cost certainty over the period for which funds are required, particularly when dealing with assets under construction, which are funded via the short-term money market, as interest rates are currently cheaper.

14.21 **External borrowing** occurs when the Council borrows money from the open market, via financial institutions and investors or the government, via the Public Works Loan Board (PWLB. (Insert current PWLB rate)

14.22 In September 2021, the PWLB implemented new lending criteria so that councils focus on housing delivery, regeneration, and service delivery projects rather than invest for a return to support services.

14.23 This now means that SBC must regularly assess how to finance its external borrowing needs and the financial viability of capital projects in their capital programme due to this unexpected increase in the cost of borrowing.

14.24 The Council have built this into the interest cost as part of the revenue implications of the programme.

14.25 Although the Capital Programme may identify a need to borrow to fund capital expenditure, the timing and type of borrowing (internal/external) is dependent on cashflow modelling in line with the Council's Treasury Management Strategy. (Page link to report).

14.26 As a general principle, SBC will borrow from the short-term money market as the loan interest rates are cheaper than borrowing from PWLB. Although it must be noted that the short-term money market is geared to the bank of England base rate which can be volatile and quick to react to market changes. Whereas the PWLB interest rate is dependent on the more stable Gilts Rate.

14.27 The Council’s total borrowing requirement based on capital expenditure incurred historically but to be financed is represented by the Capital Financing Requirement (CFR). This is published in the statement of accounts, and as at 31 March 2021 was £xxx.xm.

14.28 The forecast trend in our CFR over the next 50 years is shown in the chart below

14.29 Insert chart

14.30 All capital financing costs, i.e., interest costs and minimum revenue provision must be treated as a revenue cost and built into the Council’s MTFP. In essence, the more the Council borrows, the greater the call on the revenue budget which then requires further service savings to be identified to fund this in the longer term.

14.31 **Therefore, the formulation of an SBC strategy for repatriating funds from KGE is so critical and needs to be expediated within the next 6 months.**

15. Capital Programme Funding: 2020/21 to 2024/25

15.1 The table below summarises the Council’s funding of the proposed Capital Programme as outlined in this report:

15.2 Insert table Funding of the Capital Programme

15.3 In total £xxxm (xx%) of the programme is to be funded via external or internal sources of funding, with the remainder via borrowing (both internal and external).

15.4 The tables below outline the main streams of external funding

15.5 Insert table of funding sources

16. Revenue implications of the programme

16.1 Insert table of the Revenue Implications of the Capital Programme to 2070/71

16.2 The Council aims to maximise its balance sheet assets and as such can utilise cash balances derived from working capital (such items as the appeals provision, reserves, etc.) before it borrows externally to finance the net cost of the capital programme.

16.3 Over the 50-year capital programme it is currently estimated that the Council will incur net financial costs, through its revenue budget of £xxxxm. This is made up of £xxxxxm of financing costs (including MRP), offset by £xxxxxm of commercial income.

16.4 The revenue costs of the capital programme are not uniform across the 50 years of the capital programme and are subject to significant fluctuations in line with the profiling of capital expenditure and funding (particularly capital receipts). To manage these fluctuations, the Council is operating a sinking fund which ensures the revenue budget increases are consistent with surplus balances at the start of the programme being transfer to a capital financing reserve, which will then be drawn down in later years. Based on current estimates and assumptions at the end of 2070/71 the capital financing budget will be approximately £xxxm,

16.5 This represents an increase/decrease of about £xxxm compared to the current base budgets for capital financing This is an annual budget that would have to be put aside as part of the Council's revenue budget.

17. Minimum Revenue Provision (MRP)

17.1 MRP is applied where the Council must set aside a revenue allocation for provision of debt repayments (borrowing in the capital programme). MRP replaces other capital charges (e.g., depreciation) in the statement of accounts and has an impact on the council's bottom line.

17.2 MRP will increase and decrease throughout the programme and is sensitive to both expenditure and funding changes.

17.3 The Council will continue to balance the use of capital receipts, internal borrowing, and external borrowing to ensure the most efficient use of resources, including the need to fund MRP.

18. Risk Management

18.1 Major capital projects require careful management to mitigate the potential risks that can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the capital strategy.

18.2 **General Risks**

18.3 General risks are those that are faced because of the nature of the major projects being undertaken. Most of these risks are outside of the Council's control, but mitigations have been developed as part of the business planning and governance process.

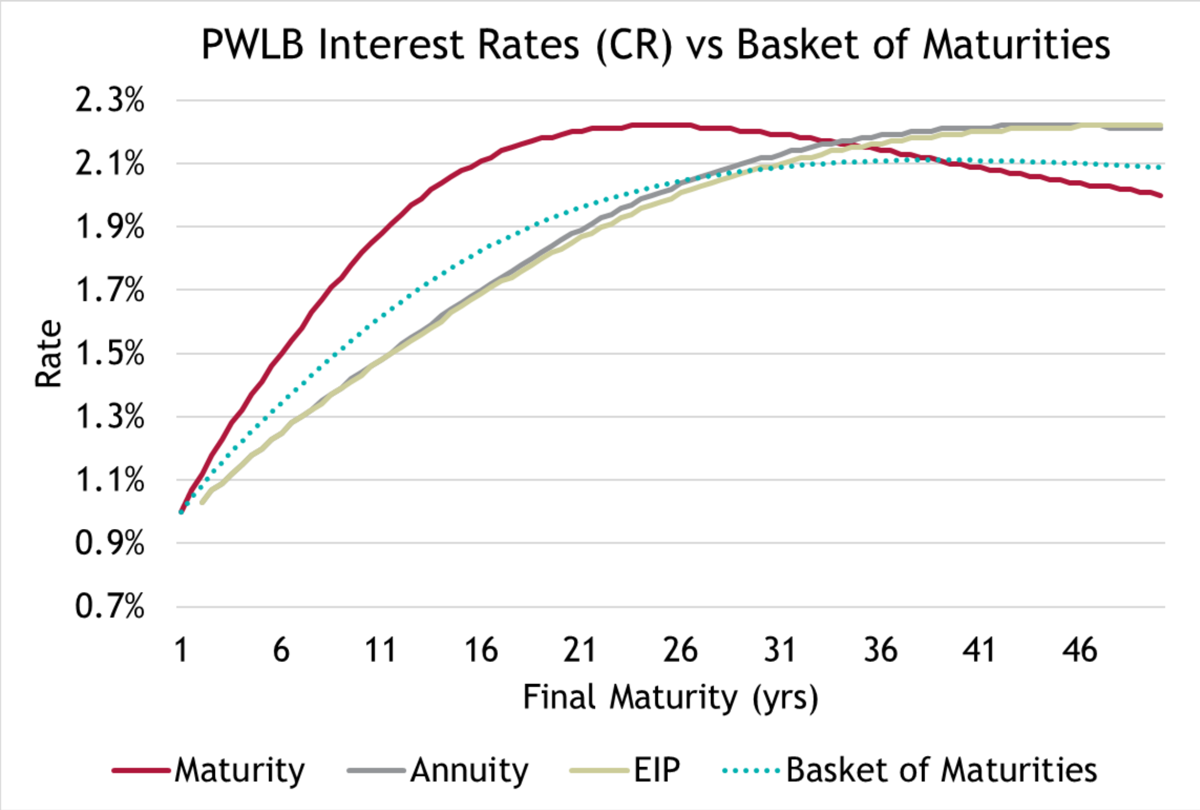
18.4 These risks are set out below along with key mitigations:

18.5 **COVID-19**

18.6 **BREXIT**

18.7 **Interest Rate Risk**

18.8 The Council is planning to externally borrow £xxxxm as set out in this Capital Strategy over the next five years. Interest rates are variable, and a rise could increase the cost of servicing debt to a level that is not affordable. To mitigate this, the Council reviews the financial markets and will obtain a basket of loans that minimise the cash outflows over the term of the loan, noting that in some cases it is more advantageous to take out loans over a shorter term.



18.9 Explain the chart

18.10 **Inflation Risk**

18.11 Construction inflation over and above that budgeted by the council's professionals and advisors, and built into project budgets, could impact on the affordability of the capital programme. A 1% rise in the cost of the programme would increase the cost of the programme by approximately £xxxm.

18.12 This is mitigated through the provision of contingencies, updating estimates regularly as they change and monitoring the impact through governance processes. This is also mitigated post the signing of contracts with construction companies and developers through fixed price contracts.

18.13 **Legislative Risks**

18.14 Change in Law Risk – Capital schemes need to comply with the latest law and regulations, changes in which can impact construction costs and may be retrospective in their nature. This risk is mitigated by awareness of pipeline legislative changes and provision of contingencies.

18.15 **Market Health/Commercial Risks**

18.16 The Council's capital programme relies on commercial activity as a key supporting strategy. This involves generation of income from property letting, sales receipts and other revenue/capital financial flows such as land deals with developers. In some cases, the Council commits to large projects, based on assumptions about future asset values. Should market movements mean that these assumptions are inaccurate, then the Council may suffer financially.

18.17 To mitigate this risk, the Council relies on expert advice on future asset values in making its decisions.

18.18 **Supplier Financial Stability**, construction companies and developers contracting with the Council that experience financial instability pose a significant risk. They may not be able to raise funding to finance operations, and their potential insolvency could lead to a costly process of changing suppliers without any guarantee of remaining within the overall budget. The Council could suffer direct financial loss, and any defects or other issues may not be resolvable as anticipated.

18.19 To mitigate this risk, the Council carefully considers the financial robustness of any contractor and requests appropriate financial standing assurance and support wherever possible.

18.20 **Transfer Risk**

18.21 When the Council plans and delivers projects, it is important to consider the risks associated with the project and whether the Council (or its subsidiaries such as KGE) is the best placed to take on that risk.

18.22 A key consideration for major capital schemes is whether these will be developer led or whether the Council will self-develop. For a developer led scheme the developer will take on a significant proportion of the risks associated with the project. However, the developer will price this risk in, so it will come at a cost.

18.23 Considerations can include whether there is resource capacity and expertise to take on specific risks in the context of the overall capital programme. The housing subsidiaries are newly incorporated and there may be an initial set-up risk as the company gains experience and embeds its delivery plan.

18.24 **Hybrid working –** a key issue with projects and overspending is the lack of communication between colleagues in the same office, with the onset of Hybrid Working, those small conversation had as you pass a colleague in the corridor or whilst having a cup of tea are going to be lost and the likelihood of missing a key element of the project are enhanced.

18.25 **Project Risks,** relates to the delivery of capital projects, which in many cases can be controlled, influenced, or directly mitigated in ways other than making contingencies available. These risks would mostly relate to unforeseen project delays and cost increases which could arise from a range of circumstances.

18.26 The effective management of these risks is mostly linked to the following strategies:

18.27 **Project Risks**

18.28 Projects are required to maintain a risk register, to ensure effective monitoring.

18.29 **Highlight reporting** - development projects, as an example, create monthly highlight reports to ensure stakeholders are aware of progress and risks of projects on an on-going basis.

18.30 **Appointment of professional teams** - the Development team has recruited and retained the services of experts to provide robust planning and review to advise on financial feasibility and to ensure timely delivery of projects.

18.31 Experts also cover key surveying and financial planning roles to give assurance on quality of work and assumptions.

18.32 **Risk of Revenue Write Off** – the Council commits to feasibility studies on many of its significant capital schemes at the point where spend is revenue in nature or when capital spend may be written off, should the scheme in question not progress.

18.33 This is managed through careful consideration and approval of all expenditure potentially at risk of revenue write-off. There is a further risk that any projects funded may not yield the required ongoing revenue savings and therefore may need to be written off to revenue.

18.34 The Council has an on-going capital programme and will continue to invest in capital projects beyond 2024/25 and will therefore need to ensure that funds are set aside for the future cost of borrowing.

19. Financial implications

19.1 Financial implications are set out in the main body of this report.

20. Legal considerations

20.1 The legal implications for each individual scheme within the capital programme will be considered when approval is sought for that scheme. Each scheme within the capital programme will be approved in accordance with the council's constitution.

21. Equality and Diversity

21.1 To be entered

22. Sustainability/Climate Change Implications

22.1 Each project will be required to provide details of its impact on the sustainability for the Borough and climate.

23. Timetable for implementation

23.1 Set out a timetable, if required, showing when the proposal in the report will be implemented.

Background papers: List the reports highlight/referred to above

Appendices:
List as Appendix list based on report above.
Appendix A – CIPFA – Capital Strategy Guidance 2021