

# Appendix J1:

## Capital Strategy 2022 - 2026

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## 1. Purpose of the Capital Strategy

The Capital Strategy 2021-25 underpins the council's Medium-Term Financial Strategy and combined forms a key component of the council's strategic response to the financial challenges it faces and its ambitions for the borough, as set out in the corporate plan: The Barnet Plan 2021-2025.

It sets out the council's approach to capital investment and provides both a mechanism to ensure capital investment is driven by and aligned with the council's corporate plan and a framework by which decisions on the capital programme are made and monitored.

The objectives of the Capital Strategy are to:

- Maintain an affordable rolling multi-year capital programme.
- Ensure capital resources are aligned with the council's strategic vision and corporate priorities.
- Prioritise the use of Capital resources to maximise outcomes for Residents.
- Use the Infrastructure Delivery Plan (IDP) to inform the strategic vision of the council by prioritising Capital delivery for the next 15 years.
- Maximise available resources by actively seeking appropriate external from the Community Infrastructure Levy (CIL), Section 106 or Grant income.
- Undertake prudential borrowing only when there is enough money to meet, in full, the implications of capital expenditure, both borrowing and running costs.

This document sets out how the council will deliver those objectives, including the governance and financing arrangements.

The corporate plan is based on four strategic outcomes and supporting priorities. These, together with the outlined approach to delivering these within financial constraints, have shaped the broad priorities for the council's Capital Strategy:

- Driving and supporting responsible growth and development as a critical component of financial sustainability and independence:
  - for example, Brent Cross regeneration.
- Improving outcomes and supporting a reduction in demand on services:
  - for example, investment in green spaces and leisure centres and reduced demand for local health and care services.
- Enabling delivery of high value efficiencies in the MTFS:
  - for example, enabling the delivery of MTFS savings such as reductions in temporary accommodation costs through investment in housing.
- Enabling delivery of new statutory requirements:
  - for example, the systems replacement within Adult Social Care enabling the council to work in a way best suited to discharging statutory duties.

The Capital Strategy will be reviewed and revised annually, to ensure it reflects the needs and priorities of the council.

## 2. Barnet 2021-2025

The council's corporate plan – The Barnet Plan 2021-2025 - sets our vision and strategic priorities for the MTFS period. This includes outcomes we want to achieve for the borough, the priorities we will focus limited resources on, and our approach for how we will deliver these. Placing residents at the heart of everything we do, the Plan is built around 4 core, cross cutting themes:

Barnet is:

- **Clean Safe and Well Run:** A place where our streets are clean and antisocial behaviour is dealt with, so residents feel safe. Providing good quality, customer friendly services in all that we do.
- **Family Friendly:** Creating a Family Friendly Barnet, enabling opportunities for our children and young people to achieve their best.
- **Healthy:** A place with fantastic facilities for all ages, enabling people to live happy and healthy lives.
- **Thriving:** A place fit for the future, where all residents, businesses and visitors benefit from improved sustainable infrastructure & opportunity.

With prevention and equalities running through all that we do.

The Infrastructure Delivery Plan (IDP) with the Capital Delivery Plan sets out the council's revised direction and purpose for Capital Delivery. This document has defined a list of developments which will meet the most critical needs and objectives on a priority basis.

The approach to delivery matches what the council wants to achieve, against a backdrop of resources available for us to deliver them. The IDP has a list of core developments that the council will deliver in due course. This list is under constant review and embraces the opportunity to push new schemes forward, to ensure that the local infrastructure matches the growth of the borough.

This section highlights the key aims and achievements of the current Capital Programme, the emphasis of which will evolve and adapt over time.

### Capital Strategy Outcomes

The council has allocated over £345.7m of investment for housing matters including housing strategy, homelessness, social housing & housing grants and commissioning of environmental health functions for private sector housing from 2020/21 onwards.

Initiatives include:

- Continuing open market purchases of affordable homes. Acquisition of 620 homes over the next 4 years with 125 already completed.
- Development of 126 Extra Care homes at affordable rents for vulnerable older people, diversifying Barnet's accommodation to support older people and allow them to remain independent, give them security of tenure and further quality of life.
- 337 homes funded through Right to Buy receipts, GLA grant and HRA borrowing for general needs using infill on an existing estate, improving the layout and amenities of the estate for the community

systems, and the replacement of water mains, domestic and communal heating systems, aerials, one off electrical rewiring and re-roofing.

- Major repairs work on some of regeneration estates to bring them to compliant and decent home standards, where regeneration projects are not expected to start for several years, including development work to make homes lettable to increase the supply of accommodation in the area.
- Capital spend to ensure all of council's high-risk properties (high rise, sheltered schemes and hostels) meet or exceed the requirements of the fire regulations ensuring the tenants and leaseholders are safe and that the council is proactively meeting the expected changes to the building regulations.
- Providing adaptations for properties to make them accessible for tenants.

The council has a further £220.6m invested within the overall Brent Cross Programme. Within this total, £10.4m relates to the purchase of critical land acquisitions to progress the scheme; £154m to complete the Thameslink Station construction inclusive of a New Waste Transfer Station. There is £30.3m to be spent on critical infrastructure, which will provide residents and visitors with improved access to the area, pedestrian, cycling and vehicle links across the railway and replace outdated waste and freight facilities.

Finally, £25.4m of third-party land acquisitions funded by the BXS Joint Venture, that will facilitate the comprehensive regeneration of the 151-hectare area including affordable homes, employment, retail, leisure and social infrastructure such as schools, public realm and green space, offering benefits to both the local population, and wider London.

The council is investing £23.085m within the Hendon Hub (The Burroughs) project which includes strategic acquisitions and project costs to take the overall scheme forward. The funds are expected to be recovered if an investor comes on board. The project itself will provide regeneration of buildings in Hendon, and economic, social and place making benefits as well as supporting our strategic partnership with Middlesex University and creating an income stream for affordable and commercial properties. A resolution to grant planning for the scheme was received on 10th January 2022.

The council is spending £11.988m on Disabled Facilities and £3.997m on Assistive Technology for residents, which will also ensure the council meets its statutory duties and prescribed timescales under the Housing Grants, Construction and Regeneration Act 1996.

The council's Children, Education & Safeguarding Committee oversees a capital programme with a budget of £46.787m. The Committee has a wide range of responsibilities for all matters relating to children, schools, and education. Initiatives include;

- Modernisation programme which will oversee improvements to school infrastructure.
- Additional Places programme for Primary & Secondary Schools which has been able to re-provide 60 places at a primary school level and to create an additional 60 new places at a secondary school and facilitated the building of the new 6 form entry Saracens High School.
- Special Educational Need (SEN) Schemes have enabled an additional 126 SEN places to be created since July 2019 as well as the rebuild of the Pupil Referral Unit.
- The creation of new nursery places and a new children's home.

The council continues to spend on our Network Recovery Programme, with a further £27.807m planned in the coming years to improve the boroughs infrastructure, parking, environment, air quality and traffic flow. Additionally, we are investing a further £5.7m to upgrade the borough wide street lighting, replacing them with LED powered columns which are more environmentally efficient and provide a better night perception. The Council has also committed £20m to support the boroughs transport infrastructure.

The council has established a Strategic Opportunities fund of £24.697m to enable strategic purchases which will generate a return to the council.

The council is spending a further £26.8m as part of our Parks and Open Spaces Strategy, which has been developed to guide future investment in parks, ensuring that they are practical and are part of the well-used fabric of the local community. Including planned provision of modern facilities and enhanced outdoor space, contribution to council’s strategic commitments to provide additional sports and playing pitches with increased usage by residents and users.

The council has already invested £45m on the creation of two new leisure centres at Barnet Copthall and Victoria Park in New Barnet.

The Council has prioritised £23.5m of investment to transform our town centres, developing great partnerships with local residents and businesses, that will help to shape the design. The council spent £2.83m upgrading our Waste and Street cleansing vehicles to more fuel-efficient vehicles enabled with routing software to support smarter route planning and execution.

### 3. Capitalisation Policy and Investment Programme

Capital expenditure comprises the purchase, construction or improvement of physical assets, such as buildings, land, vehicles and other property, including streetlights and road signs. It also includes grants and advances that the council may make to other bodies for capital purposes. Full details of the council’s capitalisation policy are disclosed within the Accounting Policies. These can be found within the Statement of Accounts.

Barnet has an ambitious capital investment strategy. The capital programme anticipates investment of more than £1150.353m over the next five years. This is summarised in the following table, with full detail included with the council’s accounts.

Theme Committee	2021-22	2022-23	2023-24	2024-25	2025-26	Total
	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	4,600	4,739	4,221	3,762		17,322
Housing and Growth (Brent Cross)	123,568	47,734	49,301			220,603
Children, Education & Safeguarding	15,317	16,581	10,519	991	2,000	45,409
Community Leadership and Libraries	808	1,000	300			2,108
Environment	20,593	32,753	27,155	10,778	4,580	95,860
Housing and Growth Committee	79,741	113,376	67,643	58,169	26,749	345,677
Policy & Resources	20,802	4,559	600	600		26,560
<b>Total - General Fund</b>	<b>265,429</b>	<b>220,742</b>	<b>159,740</b>	<b>74,299</b>	<b>33,329</b>	<b>753,539</b>
Housing Revenue Account	77,584	116,783	89,531	62,665	50,251	396,814
<b>Total - All Services</b>	<b>343,013</b>	<b>337,525</b>	<b>249,270</b>	<b>136,965</b>	<b>83,580</b>	<b>1,150,353</b>

## Capital Financing

As mentioned in the previous sections, the council's Capital programme is dynamic and will develop over time; based on priority need and resource availability. For example, CIL funding will be further enabled in future years, as council services communicate with external developers for increased contributions towards infrastructural growth around the local area.

The financing of the capital programme set out in section 3 is summarised as follows:

Theme Committee	Grants	S106	Capital Receipts	RCCO/MRA	CIL	Borrowing	Total
	£000	£000	£000	£000	£000	£000	£000
Adults and Safeguarding	12,439	417	90		3,997	379	17,322
Housing and Growth (Brent Cross)	206,724		900			12,979	220,603
Children, Education & Safeguarding	42,723	2	342		406	1,935	45,409
Community Leadership and Libraries					1,730	378	2,108
Environment	710	6,095	428		51,945	36,681	95,860
Housing and Growth Committee	53,395	7,480	14,747	491	40,535	229,029	345,677
Policy & Resources	1	45	927		5,000	20,587	26,560
<b>Total - General Fund</b>	<b>315,993</b>	<b>14,040</b>	<b>17,434</b>	<b>491</b>	<b>103,613</b>	<b>301,968</b>	<b>753,539</b>
Housing Revenue Account	23,995	1,501	14,038	76,328		280,952	396,814
<b>Total - All Services</b>	<b>339,988</b>	<b>15,541</b>	<b>31,472</b>	<b>76,819</b>	<b>103,613</b>	<b>582,920</b>	<b>1,150,353</b>

The council seeks to maximise external funding opportunities, such as grants or section 106, and limiting internal sources, such as revenue funding. Capital funding sources are described below.

**External Capital Grants** - Grant funding is one of the largest sources of financing for the Capital Programme. Most grants are awarded by Central Government departments, but some are received from external bodies, including The Lottery Fund or Sport England.

Grants can be specific to a scheme, have conditions attached (such as time and criteria restrictions), or for general use.

**Capital receipts** - The income received over the value of £10,000 from the disposal of Fixed Assets or the repayment of loans for capital purposes is defined as a capital receipt. They can normally only be used to fund capital expenditure or repay debt. Some capital receipts have additional restrictions on their use. The council seeks to obtain the highest possible receipt achievable from each disposal after considering wider community or service benefits. The council ring-fences receipts generated from the disposal of HRA assets to fund HRA projects.

### **Section 106 (s106) and Community Infrastructure Levy (CIL)**

Planning Obligations, commonly referred to as Section 106 agreements, are used to mitigate the impact of unacceptable developments, making them acceptable in planning terms. Section 106 agreements can require the developer to pay money to the council, to address these impacts. For example, by providing funding to mitigate parking or highways impacts.

**Community Infrastructure Levy** is a fixed charge levied on new development to fund infrastructure. The money can be used to support development by funding infrastructure that the council, local community, and neighbourhoods want.

**Private finance initiative (PFI) / Public private partnerships (PPP)**

The council makes use of additional Government support through PFI and PPP and has dedicated resources to manage schemes that are funded via this source. The council currently has a street lighting programme that is funded this way.

**Borrowing (known as prudential borrowing)**

The council can determine the level of its borrowing for capital financing purposes, based upon its own views regarding; the affordability, prudence and sustainability of that borrowing, in line with the CIPFA Prudential Code for Capital Finance. Borrowing levels for the Capital Programme are therefore, constrained by this assessment and by the availability of the revenue budget to meet the cost of this borrowing which is built into the council's Medium-Term Financial Strategy (MTFS).

**Revenue Funding** - The council can use revenue resources to fund capital projects on a direct basis. However, given the pressures on the revenue budget of the council, it is unlikely that the council will choose to undertake this method of funding if other sources are available.

## 4. Governance

### Oversight and decision making

The Capital Strategy Board (CSB) has oversight of the council's capital programme. The CSB is an officer body with a remit to discuss capital strategy at a senior director cross cutting level. It takes any decision-making power from the delegated authority of officers attending as set out in the Financial Regulations and the council's Constitution. It makes decisions solely in accordance with the existing priorities agreed in the budgetary framework. It also ensures that necessary consultation is carried out with the council Management Team (CMT) and (P&R) and relevant directors as part of the decision- making process. Any decision or policy that is outside the agreed budget or policy framework is referred to P&R Committee and/or council in accordance with the Constitution.

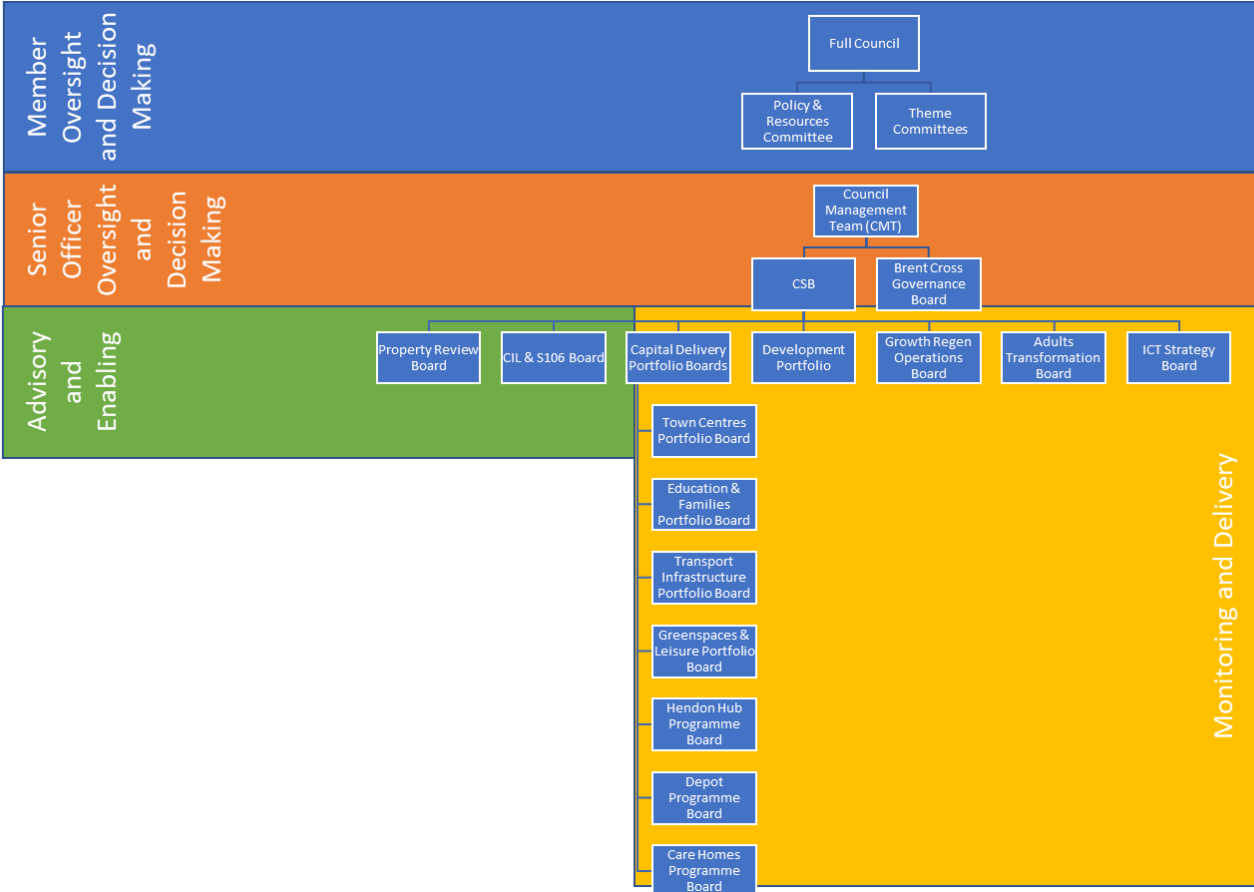
The role of the Capital Strategy Board (CSB) is as follows:

- lead on the development and maintenance of a Capital Strategy that is consistent with council priorities;
- identify and monitor the resources available to fund the capital programme ensuring all approved schemes are fully funded;
- within this framework, develop and manage the Capital Programme; and,
- monitor the progress of the capital programme and key variances between plans and performance.

The CSB reports to the Council Management Team. Decisions are recommended to Policy & Resource Committee who are responsible for strategic policy, finance and corporate risk management including recommending the Capital and Revenue Budget, Medium Term Financial Strategy and Corporate Plan to Full Council.

An overview of the CSB's governance role and its place in the council's structure is provided in the below diagram:





## Additions to the Capital Programme

Throughout the financial year, business areas put forward proposals for new projects that are required to meet the needs of their services for consideration at the Capital Strategy Board.

Service areas must ensure that proposed additions to the Capital Programme go through the following vital steps to ensure their programmes can be presented and approved at Capital Strategy Board.

### Business cases

Prior to being presented at CSB, it is essential, especially for large infrastructural projects, that all proposed schemes requiring capital investment prepare a Strategic Outline Case (SOC). There are some council schemes which may not need to do so, as they are of a reactive nature. For example, urgent maintenance and improvements to Care Homes or Borough Highways. For all other Capital Investment, an SOC should be prepared.

As each detailed business case stage is completed it is key to ensure the economic and financial cases are clearly presented. To ensure a reflective presentation of the impact to Barnet as an area and to the council, an investment appraisal, prepared to Her Majesty's Treasury (HMT) Green Book Guidance will be undertaken. It is recommended that this approach be taken on all projects that require procurement through the Find a Tender scheme due to their anticipated cost of works (for 2022 this is £2m). For the year 2022/23, it will be a requirement that capital projects in excess of £10m will need a full investment appraisal and business case approach.

Officers through their knowledge and experience may identify lower value schemes that also require a full investment appraisal and will recommend this to Policy & Resources Committee accordingly.

The appraisal will include, at a minimum, a full Net Present Value (NPV) calculation as well as modelling the General Fund (GF) and/or Housing Revenue Account (HRA) revenue implications. Additionally, the appraisal will provide added information that will inform the council's position in relation to taxes and levies to ensure there is no breach of partial exemption rules.

For a project to be deemed viable the minimum requirement would be a positive NPV and a net nil impact to the GF / HRA post borrowing costs as a minimum. In instances where this is not the case clearly defined additional community benefits would need to be considered by officers prior to a decision being recommended to the relevant committee.

Where the council is acquiring assets the specific criteria for acceptance, over and above an investment appraisal, are identified under the Asset Acquisition Strategy.

### Property Review Board

Preparation of Strategic Outline Cases and presentation at the Property Review Board (PRB). This will ensure that:

- There is advanced knowledge of potential Capital investment;
- Communication across the appropriate channels;

- PRB aims to determine best use of assets, property opportunities, endorsing the use of resources or the re-purposing of existing assets.
- Improve the discipline of including proposed additions into the CSB Forward Plan, having already produced documentation which has been reviewed and overseen.

### CIL/S106 Review Board

Advanced knowledge of programmes and inclusion into the IDP is crucial. This will enable council services to use the IDP to search for external opportunities for funding. This includes discussions with external developers for additional CIL/S106.

There is a quarterly CIL/S106 board, which meets to review and make recommendations relating to;

- The current Infrastructure Delivery Plan (IDP), specifically opportunities to negotiate s106 agreements.
- S106 funding and ensuring timely allocation and expenditure.
- CIL funding utilisation:
  - Strategic CIL approved by Policy & Resources Committee with subsequent Business Case approval by Theme Committee for the Capital Programme
  - Neighbourhood CIL approved by Policy & Resources Committee with subsequent allocation through Area Committees
- CIL forecast revenues by financial quarter over the funding utilisation period (to review potential cashflow mis-matches).
- CIL charging schedule and rates.

### Capital Strategy Board (CSB)

Once a scheme has gone through the appropriate channels, it can be included onto the CSB Forward Plan. This will provide board members knowledge that a bid will be presented, potential well in advance. Significantly, CMT members will then have ample time to review the SOC's and contest the viability, risk, and potential of Capital Investments.

CSB can also approve CIL/S106 Revenue funding. to aid the development of Strategic Outline Cases before the Capital programmes progress.

Service Areas will include a bid form supporting Capital additions. This should fulfil the following minimum information requirements:

- Description of the scheme,
- The estimated financial implications, both capital and revenue,
- The expected outputs, outcomes, and contribution to the council's Priorities,
- Risk assessment and appraisal with potential mitigations, and
- Any urgency considerations (e.g., statutory requirements or health and safety issues).

Service areas should also consider the opportunity cost of pursuing a scheme as a key consideration within their bid forms, especially for schemes involving property.

Business cases are scrutinised by the Capital Strategy Board where representatives will discuss and appraise the schemes based on reference to the capital strategy, corporate priorities, and evaluation criteria contained within the capital bid form. Recommendations are then put to CMT

for consideration.

These proposals along with the officer approved Capital Programme are then presented as part of the Budget Report to Policy & Resources Committee each quarter, with the February Budget referred to Full Council for approval; thereby setting the full capital programme for future years.

Schemes that have not been recommended for prioritisation for use of strategic CIL from CSB, can be notified to area committees through the area representatives and may be considered as part of prioritisation of the Neighborhood Portion of CIL expenditure. The budgets for Area committees are currently set at £150k per year for each committee.

### Monitoring and Reviewing the Capital Programme

The decision-making framework and monitoring arrangements support effective delivery of the programme by ensuring projects are and continue to be realistic, not only financially but also regarding timescales for delivery and benefits realisation. Quarterly reports are developed based on the outcome of reviews at Finance Business Partner level and additional review and challenge at the Capital Strategy Board. The reports are scrutinised by elected members through the Financial Performance & Contracts Committee and provide a basis for the CSB to understand and address risks and change forecasts where appropriate.

### Changes to the Capital Programme

Any slippages or accelerated spending or deletions to the capital programme are approved by the Policy and Resources Committee.

#### Deletions

Regular formal challenge of capital schemes is provided throughout the capital programme from multiple sources such as, Finance Business Partners (FBPs) and CSB members.

Scrutiny is applied when expenditure has not yet been incurred or is lower than the anticipated profile of payments. Consequently, deletions are identified which remove projects which are recognised as no longer being required. Removing unnecessarily planned capital expenditure not only reduces the revenue requirement but also supports good financial management in accurately forecasting project costs and reducing slippage.

#### Slippage & Accelerated Spend

In addition to the process of challenge of continued inclusion within the capital programme, scrutiny by FBPs or CSB members has been provided to the profiling assumptions of every scheme. As major capital works can span many financial years, there is a need to plan over a longer time horizon. Expanding the planning period enables existing schemes to spread the cost over a more reasonable delivery period.

## 5. Treasury Management

The council's Treasury Management Strategy supports the Capital Investment Strategy by ensuring that the council's capital investment and associated borrowing is financially sustainable. It includes:

- New borrowing requirements and debt management arrangements,
- A Minimum Revenue Provision Policy Statement,
- The Annual Investment Strategy,
- The Treasury Management Policy Statement, and
- Prudential Indicators for Capital and Treasury Management.

### Capital Financing Requirement (CFR)

This council's capital expenditure plans are set out in section 3, with section 4 showing how this will be financed, including the amounts that need to be financed by borrowing.

Expenditure which is financed by borrowing (be it internal or external) gives rise to an increase in the council's Capital Financing Requirement. The CFR is therefore a measure of the council's indebtedness and represents its underlying borrowing need; it will increase with unfunded capital expenditure and decrease through the application of revenue resources to fund the borrowing (MRP).

The table shows external debt projections (the treasury management operations) against the underlying capital borrowing need (the Capital Financing Requirement):

Capital Financing £'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
CFR – non housing	392,264	528,628	673,268	729,159	787,994	811,864
CFR – housing	212,807	238,959	285,140	329,888	367,434	398,572
<b>Total CFR</b>	<b>605,071</b>	<b>767,587</b>	<b>958,408</b>	<b>1,059,047</b>	<b>1,155,428</b>	<b>1,210,436</b>
<b>Movement in CFR</b>	<b>57,612</b>	<b>150,106</b>	<b>175,860</b>	<b>83,278</b>	<b>78,659</b>	<b>36,961</b>
<b>Movement in CFR represented by</b>						
Financing need for the year	70,376	162,516	190,820	100,638	96,401	55,008
Less MRP and other financing movements	-12,764	-12,410	-14,961	-17,361	-17,742	-18,047
<b>Movement in CFR</b>	<b>57,612</b>	<b>150,106</b>	<b>175,860</b>	<b>83,278</b>	<b>78,659</b>	<b>36,961</b>

The CFR distinguishes between the amounts relating to the Housing Revenue Account (HRA) and those that do not. This reflects the statutory requirement for the HRA to be a ring-fenced account that is self-sufficient and does not subsidise nor is subsidised by other council financing arrangements.

## Borrowing Activity

The council's forward projections for borrowing are summarised below. The table shows the actual external debt against the CFR, highlighting any over or under borrowing.

External Debt £'000	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Debt at 1 April	352,080	387,080	537,080	737,080	867,080	977,080
Actual / Expected change in Debt	35,000	150,000	200,000	130,000	110,000	90,000
Other long-term liabilities (OLTL)	14,319	13,834	13,461	13,088	12,715	12,342
Expected change in OLTL	-485	-373	-373	-373	-373	-373
<b>Actual gross debt at 31 March</b>	<b>400,914</b>	<b>550,541</b>	<b>750,168</b>	<b>879,795</b>	<b>989,422</b>	<b>1,079,049</b>
The Capital Financing Requirement	<b>605,071</b>	<b>767,587</b>	<b>958,408</b>	<b>1,059,047</b>	<b>1,155,428</b>	<b>1,210,436</b>
Under / (over) borrowing	<b>204,157</b>	<b>217,046</b>	<b>208,240</b>	<b>179,252</b>	<b>166,006</b>	<b>131,387</b>

As part of ensuring the financial sustainability of the council and its investment the council sets a series of prudential indicators, including limits on levels of borrowing.

**The operational boundary** – This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund “under borrowing” by other cash resources. The limits below are based on projected CFR with a reduction of £100 million to reflect retained reserves.

Operational boundary £'000	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Prior Year TMSS	Estimate	Estimate	Estimate	Estimate
Debt	387,080	639,242	845,320	946,332	1,043,086	1,098,467
Other liabilities long term	13,834	13,461	13,088	12,715	12,342	11,969
<b>Total</b>	<b>400,914</b>	<b>652,703</b>	<b>858,408</b>	<b>959,047</b>	<b>1,055,428</b>	<b>1,110,436</b>

**The authorised limit for external debt** represents the maximum level of external borrowing. It reflects the level of external debt that could be afforded in the short term but may not be sustainable in the longer term. The authorised limit is presented to Full Council for consideration and approval, as part of the Treasury Management Strategy Statement.

Operational boundary £'000	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Prior Year TMSS	Estimate	Estimate	Estimate	Estimate
Debt	387,080	639,242	845,320	946,332	1,043,086	1,098,467
Other liabilities long term	13,834	13,461	13,088	12,715	12,342	11,969
<b>Total</b>	<b>400,914</b>	<b>652,703</b>	<b>858,408</b>	<b>959,047</b>	<b>1,055,428</b>	<b>1,110,436</b>

## HRA Debt Limit

Until October 2018, the council was limited to a maximum HRA CFR through the HRA self-financing regime. This limit was £240.043 million. The council has now set a voluntary limit of £350 million.

HRA Debt Limit £'000	2019/20 Actual	2020/21 Prior Year TMSS	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA debt cap	240,043	350,000	350,000	350,000	350,000	350,000
HRA CFR	212,807	243,982	285,140	329,888	367,434	398,572
<b>HRA headroom</b>	<b>27,236</b>	<b>106,018</b>	<b>64,860</b>	<b>20,112</b>	<b>-17,434</b>	<b>-48,572</b>

## Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is an annual charge to the revenue accounts that is applied to reduce the council's Capital Financing Requirement (CFR). The council is required to determine a methodology that represents a prudent and sustainable reduction in the CFR over the life of which the assets are utilised. This is set out in the MRP Policy Statement, which is included within the Treasury Management Strategy Statement. Key features are:

- For any capital expenditure incurred prior to 1 April 2008 or financed from supported borrowing, the Authority will be charging MRP over 50 years on an annuity basis.
- For any capital expenditure carried out after 1 April 2008 being financed by unsupported borrowing the Authority will be adopting the asset life method. This is where MRP will be based on the capital expenditure divided by a determined asset life or profile of benefits to give annual instalments. The annual instalment may be calculated by the equal instalment method, annuity method or other methods as justified by the circumstances of the case at the discretion of the s151 Officer. With effect from 1 April 2020 all repayments will be calculated on an annuity basis.
- The annuity method has the advantage of linking MRP to the flow of benefits from an asset where the benefits are expected to increase in later years and is particularly relevant in connection with projects promoting regeneration or administrative efficiencies or schemes where revenues will increase over time.
- There is no requirement on the HRA to make a minimum revenue provision as this is expected to be met by the depreciation charge. However, the council is currently applying transitional arrangements that substitute depreciation for Major Repairs Allowance (MRA) estimate.
- MHCLG Guidance also allows local authorities to choose to charge more MRP than they consider prudent in any given year via a Voluntary Revenue Provision (VRP). If it does so, this will be disclosed in the Authority's Statement of Accounts.

## 6. Corporate Asset Management and Disposal Plans

The council holds property to sustain and support its corporate objectives as set out in the Corporate Plan, and other strategies. At the last valuation date, the council's property portfolio's estimated value was ~~£1.776.9 bn~~ £1.776.9 bn. The aim of the latest Corporate Asset Management Plan is to set out the council's short-term vision, aspirations and objectives for its land and property assets portfolio, and to outline a longer-term plan for how it intends to achieve these outcomes.

The Corporate Asset Management Plan (CAMP) is a key tool, which sets out the London Borough of Barnet's property objectives, focusing on how the council intends to utilise its asset base to deliver its Corporate Plan.

As defined in the 2020 CAMP, the priorities for the estate are to remain flexible and to accommodate the evolving needs of the council. This will be especially important during the recovery from Covid 19, and Estates will therefore continue to engage with directorates to understand their objectives and how the estate can best support them, whilst still exploiting asset rationalisation, savings and income generating opportunities. The team has developed a consistent approach to decision making via an internal Property Review Programme Board, to ensure that demands on space are being prioritised, and diverse stakeholders' needs managed well. Providing flexible office space, whilst ensuring that business continuity can be maintained, also remains a priority and maintaining robust operational resilience to external incidents that may occur in the borough is vital. Physical property and safety procedures clearly form part of this resilience.

Central Government is consulting on setting EPC building rating to a 'B' by 2030 (the minimum is currently 'E'), which will affect the non-domestic buildings the Council can lease – consultation came to an end in June 2021. The outcome of the consultation will impact the Estate as investment in buildings may be required prior to agreeing new leases. The council is coincidentally developing a Sustainability Strategy which will set out the council's aims and ambitions in relation to sustainability so the approach to reaching EPC B will be fundamental to it.

We continue to realise savings from exiting the leases for Barnet House (vacated March 2021) and North London Business Park Building 2 (vacated June 2020), we will also be reviewing energy contracts and delivering de-carbonisation projects that should result in further savings in 22/23. Additional income will be generated by renting out space in existing buildings, including the Colindale office, where it is appropriate to do so, and lease renewals and rent reviews will be carried out promptly. Work to drive forward development schemes and site disposals will continue to be a priority, building on some excellent progress made in 20/21. These schemes, if successful, will result in a combination of short-term receipts and longer-term revenue that can be cycled back into council services. The Council will also continue to review the Community Benefit Assessment Tool (CBAT) arrangements and will present recommendations for potential improvements, to Policy and Resources Committee, once ready.

Responsible asset management will continue. Statutory building compliance remains a top priority and spending to improve the condition of buildings will take place, where it is prudent to do so. Repairs will be conducted promptly, and the implementation of a comprehensive corporate landlord management function will continue. This will centralise maintenance and utility budgets over time, so releasing directorates from the burden of managing buildings and increasing the opportunity to make savings through bulk contracts etc.



## Infrastructure Delivery Plan

The council expects 46,000 new homes to be developed within the borough within the next 15 years and needs to ensure that the appropriate infrastructure is in place to support the growth.

- The council is continuing to develop and review its Infrastructure Delivery Plan which sets out the identified requirements expected in terms of infrastructure delivery, to meet the expected growth across the borough.
- The plan will be utilised to prioritise future capital projects and to identify opportunities to deliver maximum benefit from the resources available.
- The plan will also be utilised to assist in discussions with developers to evidence the requirement for contributions such as S106.
- Prioritised schemes from the infrastructure delivery plan will be developed as part of the council's Capital Delivery Plan.
- The Council has planned for the projects that could be delivered with Community Infrastructure Levy receipts generated from future developments in the borough over the next 5 years. Further allocations will be considered in future years on monitoring of actual project costs and actual CIL receipts generated. While project costs and CIL receipts are regularly monitored it is likely that strategic further CIL allocations will be considered in 2023.

## Development Portfolio

Many assets owned by the council do not currently maximise the potential of the land upon which they are built. Such assets generally offer the potential for redevelopment of the land to provide a mixture of uses.

The council's Housing Strategy 2019-2024 sets out the intent to deliver homes that people can afford by increasing housing supply, regeneration, and growth. The strategy sets out how a continuing pipeline of developing on council Land will secure a range of tenures, including mixed tenure housing with affordable homes funded by private sales, new affordable homes to rent on existing council housing land, extra care and wheelchair accessible homes to reduce demand for care, and private housing for rent.

## 7. Commercial & Investment Strategy

As part of the council's financial resilience agenda, the council intends to invest in and develop a portfolio of assets which provide a commercial return through rental income and/or capital appreciation. The council has therefore established a Strategic Opportunities Fund of £24.697m to enable strategic purchases which will generate a return to the council.

In advance of entering any such investment the council will explicitly assess the risk of any loss which will make clear:

1. The assessment of the market within which it is competing;
2. The nature of that competition the future expected evolution of the market;
3. Any barriers to entry and exit of the market and any ongoing investment requirements;
4. The use of external advisors, explicitly:
  - a. Treasury Management advisors;
  - b. Property Investment advisors – Red Book valuation & Ancillary valuations;

- c. Income & Lease risk assessment;
  - d. Further specialist advisors – Market and Competitor assessments, Full Structural Buildings Survey, Vendor assessment & rationale for disposal;
  - e. Specialist advisors to support s151 assessment of the potential investment.
5. The management arrangements for the use of external advisors;
  6. The credit ratings issued by the credit rating agencies employed where this is relevant, the frequency with which these are monitored and what action is to be taken should these ratings change;
  7. The further sources of information used to assess and monitor the risk.

The council will adopt a balanced portfolio approach to investment, management and turnover of properties in order to ensure risk is balanced across its investments. This will consider the type of properties acquired and their location.

## **8. Risk Identification and Management**

The major risks concerning the Capital Programme are around funding of the current and future projects, variations in the cost from agreed budgets and the projects not delivering the planned outcomes. These risks are minimised by the processes that have been incorporated into the council's normal practices.

### **Funding**

All projects included within the Programme are fully funded. Where external sources of funding are being used, these will only be relied upon when the council is in receipt of funding agreements or where the funds are received in advance. Where conditions apply, careful monitoring will be in place to ensure the terms are met to prevent possible loss. Where borrowing is required, the revenue costs will be built into the MTFS.

### **Cost Variation**

These fall into two categories;

- a. Where the timing of expenditure changes from the budget set; This may result in a change to the borrowing profile of the council and therefore have revenue implications. It may also affect the overall outcome of the project. Delays may require value engineering decisions to ensure the project can be completed or adjustments to benefits delivered.
- b. Where the overall cost of the project changes from the approved budget, Managers are required to ensure adequate budget is in place prior to the commencement of projects. Budget should include a contingency sum to allow for possible anticipated variations where prices are not fixed with contractors.

Careful monitoring and timely reporting is required to reduce the effects of cost variations. Budgets will be re-profiled to ensure timing changes are captured. Managers are required to identify alternative funding sources where overall cost variations occur during the delivery, to contain them before sums are committed.

## Delivery of Outcomes

Outcomes must be measured and compared against original objectives to ensure value for money and to reduce risk. Objectives fall broadly into three main categories:

- a. **To support core service delivery** - Risk may increase if project delays cause disruption to the service and require interim solutions, with both financial and non-financial consequences. The Capital Strategy Board will meet regularly throughout the year to discuss progress on projects and make decisions to minimise risk.
- b. **To produce savings** - If planned savings are not produced from the investment, the revenue budgets may have a shortfall which will have to be addressed. It is therefore essential to carry out careful evaluation and approval of business cases and financial models, prior to the projects commencing.
- c. **To generate income or economic development** - Investment on projects whose primary aim is income generation. Investment portfolio's will be balanced to reduce impact of market changes in an individual sector.

## 9. Knowledge and Skills

The council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The council also has a training and development programme to support staff to study towards relevant professional qualifications.

Where council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. This approach ensures that the council has ready access to knowledge and skills commensurate with its ambition and risk appetite.

Member training was undertaken as part of the induction programme following the last local elections and commencement of current member's term, with training and advice provided to relevant cabinet portfolio members as necessary.