

STRATEGY & RESOURCES SCRUTINY COMMITTEE

15 January 2024

5:30-7:25pm

Present: Robertson (Chair), Baigent, Bennett, Bick, Gawthrop Wood, Holloway, Sheil and Young.

RECOMMENDATION TO COUNCIL (EXECUTIVE COUNCILLOR FOR FINANCE & RESOURCES COUNCILLOR S. SMITH)

CAPITAL STRATEGY 2024/25

This report presents the capital strategy of the council together with a summary capital programme for the General Fund (GF) and Housing Revenue Account (HRA). The previous capital strategy was approved by Council on 23 February 2023. The strategy is focused on providing a framework for delivery of capital expenditure plans over a 10-30 year period. These plans cover spending on operational assets to support service delivery and on investments which provide an income for the council alongside meeting the council's objectives in relation to economic development and place-making, regeneration and climate change mitigation. Governance arrangements are also outlined in order to ensure the capital programme continues to deliver value for money.

The council has a substantial capital programme which is mainly guided by and supports the strategic aims of the council as outlined in the One Cambridge – Fair for All vision and defined in the Annual Statement as published on the council website.

The strategy has been updated to reflect:

- The implementation of a Group-based management structure (paras. 1.7-1.8)
- Establishment of the Development Agency with a remit covering commercial, as well as residential opportunities previously delivered by the Housing Development Agency (HDA) (para. 1.8)
- Approval of an updated asset management plan for the general fund (para. 5.2)
- An update on the Office Accommodation Strategy (para. 5.3)

The council's Section 151 officer is required to report explicitly on the affordability and risk associated with the capital strategy.

As highlighted in the strategy the council ensures that capital projects and schemes are accompanied by detailed funding proposals. Where projects are to be funded from borrowing, either internally from cash balances or externally, a prudent Minimum Revenue Provision charge is made. The council has not borrowed externally to fund capital expenditure in the recent past, the current external borrowing representing debt incurred on the transition from the old housing subsidy system to HRA self-financing.

Where the council has expanded its commercial activities by purchasing commercial properties or by making loans to subsidiaries and joint ventures to facilitate the provision of intermediate housing or the development of sites for market and affordable housing, it ensures that the risks taken are proportionate to the size and scale of the authority. Legal advice is taken alongside the completion of appropriate due diligence and any loans are secured where appropriate. On projects undertaken by joint ventures the council monitors the expected repayment of loans and expected future surpluses carefully. The council has not borrowed externally to fund the increase in commercial activity.

External debt will be used to fund the redevelopment of the Park Street multi-storey car park and future housing developments within the HRA. The council is aware of the risks associated with borrowing to fund regeneration and will continue to seek appropriate external advice before undertaking borrowing to finance new regeneration schemes.

External borrowing may also be used to fund the remainder of the capital programme where capital receipts and cash balances are insufficient. The level of capital spending will be reviewed annually for affordability in the Medium Term Finance Strategy (MTFS), before proposals are brought forward through the budget setting process.

Accordingly, Council is recommended to:

- i. Approve the capital strategy.