

East Herts Council Report

Date: 6th December 2022

Report by: Councillor Geoffrey Williamson, Deputy Leader & Executive Member for Financial Sustainability

Report title: Draft Capital Strategy and Minimum Revenue Provision Policy 2023/24 Onwards and Draft Strategic Asset Management Plan

Ward(s) affected: All

Summary

The report contains the Council's Draft Capital Strategy and Minimum Revenue Provision (MRP) policy for 2023/24 onwards and the Draft Strategic Asset Management Plan.

RECOMMENDATIONS FOR EXECUTIVE:

- (a) To approve the Draft Capital Strategy and Minimum Revenue Provision policy 2023/24 onwards and Draft Strategic Asset Management Plan for scrutiny by Audit & Governance Committee; and**
- (b) To endorse the principle of selling assets to raise capital receipts to reduce the revenue costs of the capital and authorise officers to prepare an initial list and marketing strategy for assets for sale for approval by Executive**
- (c) To authorise the Head of Strategic Finance & Property, in consultation with the Executive Member for Financial Sustainability, to make any changes to these documents as are necessary to reflect the impact of the local government finance settlement and other emerging information, such as the impact of the business rates revaluation, so that Audit and Governance Committee can scrutinise the most up to date financial position.**

1.0 Proposal(s)

- 1.1 This report proposes that the Executive endorses the Capital Strategy and the Minimum Revenue Provision policy 2023/24 onwards and the Strategic Asset Management Plan for scrutiny by the Audit & Governance Committee.

2.0 Background

- 2.1 The East Herts Council Capital Strategy provides a valuable opportunity for engagement with Full Council to ensure that overall strategy, investment ambition, risk appetite and governance procedures are fully understood by all elected Members and other Council stakeholders.
- 2.2 The East Herts Council Capital Strategy is intended to be a strategic corporate document which will both be influenced by and in turn influence policy and decision making in respect of capital investment.
- 2.3 The Strategy will continue to develop and evolve as external influences do and will be updated as required in order that this Strategy is responsive to the challenges, opportunities, priorities and objectives that the Council must consider.
- 2.4 The current capital programme was formulated over the last three years. Since its formulation economic conditions have deteriorated significantly. Inflation has risen to 11.1%, interest rates are rising and the effects of the disastrous September “fiscal event” has increased Public Works Loans Board (PWL) borrowing so that it is currently 4.12% compared to 2.55% in March. This increase in borrowing costs means that action needs to be taken to ensure the capital programme remains affordable. The action takes two forms. Firstly, assets are being identified for sale to raise capital; receipts, which reduce the need to borrow and reduce revenue costs to service debt. Secondly, the number of schemes proceeding in the programme has been reduced to concentrate on the major projects with other non-

essential items being paused until resources are available to fund them.

- 2.5 As the council continues to deliver, review and update the capital programme, it will do so within the context of the council's Climate Change commitments, most notably the commitment to the council itself becoming carbon neutral by 2030. To that end, the council has devised a carbon assessment tool which it is now beginning to use to assess its existing major projects. As new proposals for capital funding come forward, a carbon assessment will be included as an integral part of the business case to inform decision-making. The Public Sector Decarbonisation grant scheme presents an opportunity for the council to potentially make its buildings operate at zero carbon and with enhanced energy efficiency. A condition survey of Wallfields has been completed and the boiler system requires immediate replacement before winter 2023/24. It is hoped that a further round of the public sector decarbonisation grant will be opened around March 2023 and officers are working on a scheme that will decarbonise the heating system.
- 2.6 Progress updates on the council's Sustainability Action Plan are posted on the council's website each month, with greater detail on projects' carbon assessments and the overall assessment of progress against the council's schedule to achieve carbon neutrality to be added shortly.

3.0 Reason(s)

- 3.1 Revised reporting was required from the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity

undertaken under the Localism Act 2011.

- 3.2 This report includes the fourth capital strategy since the revisions. The first version of the report was welcomed by Members last year and no comments or suggestions for improvement have been received from either internal or external audit.

4.0 Options

- 4.1 Update the Capital Strategy as required, at least once annually in accordance with statutory requirements.

5.0 Risks

- 5.1 Risks are discussed in detail, within the Capital Strategy, including the uncertainty around future funding.

6.0 Implications/Consultations

- 6.1 None

Community Safety

Building and refurbishment schemes design out crime and safety issues and public realm works in particular are required to ensure that the community feel safe.

Data Protection

All investment in IT systems are required to check where data is held and that systems comply with data protection legislation.

Equalities

All capital schemes meet the necessary legislation and are subject to access audits. Design also takes into account dementia friendly design elements particularly around colour.

Environmental Sustainability

The council has established a carbon assessment tool that it is beginning to apply to existing capital projects. In the future, a carbon assessment of proposed capital projects will be included within the overall business case so as to inform

decision-making. To date, individual schemes have sustainability features designed into them and may include, for example: meeting BREEAM ratings for buildings and refurbishments; flood resilience and sustainable underground drainage systems; opportunities for renewable energy generation; and carbon reduction such as replacement of the council's internal combustion engine vehicles with battery electric vehicles.

Financial

The strategy guides the capital programme and detailed financial implications are included with that in the budget report

Health and Safety

All contractors are required to have compliant health and safety policies. Where a health and safety issue requires capital expenditure it will be fast tracked to deal with the issue

Human Resources

None

Human Rights

None

Legal

A Capital Strategy is a requirement of the Prudential Code which the council is required to follow under the Local Government Act 2003.

Specific Wards

None

7.0 Background papers, appendices and other relevant material

- 7.1 Appendix A - East Herts District Council Draft Capital Strategy and Minimum Revenue Policy 2023/24 Onwards
- 7.2 Appendix B – East Herts District Council Strategic Asset Management Plan 2023/24 to 2026/27

Contact Member

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