East Lindsey
DISTRICT COUNCIL

CAPITAL AND TREASURY STRATEGY

2019/20 onwards, as at February 2020

PART 1

1.0 Introduction

1.1 Background

1.1.1. This strategy is a high level summary of East Lindsey District Council's approach to longer term capital investment in the future of the district. It guides the development of service capital plans, and sets out the policies and practices that the Council uses to establish, monitor and manage its capital programme, in line with the Medium Term Financial Strategy (MTFS).

1.1.2 The Council's priorities provide the backdrop to the MTFS which in turn ensures all new resources, be they revenue or capital, are allocated through the principles on which they are based.

1.1.3 The early sections of this document describe the Council's financial position. These clearly suggest a need to ensure that the Council's Capital and Treasury Strategy supports the Council going forward. In addition, guidance around using capital for mixed/commercial purposes and a revision of treasury and investment guidance have recently been released to provide a platform to support and protect councils looking to work in different ways, driven by long term financial pressures. These are explored in the next sections of the document.

1.1.4 East Lindsey District Council produces and renews its Capital and Treasury Strategy on an annual basis. The Prudential Code 2017 recognises this as best practice and provides guidance to Local Authorities on how they should administer their Capital and Treasury activities. The Council had awaited this revised guidance to inform its new strategy which suggests a more commercial approach is required going forward.

1.1.5 The revised guidance will mean that the suite of documents that made up the Council's Treasury and Capital framework (the Treasury Management Strategy Statement, the Capital Strategy and Programme, and the Asset Management Strategic Framework) is incorporated into this single document. This will include the necessary Prudential Indicators and reference to the operational Treasury Management Practices that underpin how transactions will be conducted.

1.1.6 The Council expects continuous improvement in its performance and financial management. This requires strong executive leadership, strong challenge from scrutiny and commitment from employees. The Council's Organisational Improvement plans have provided the framework to help drive and embed the necessary improvements.

1.1.7 For the benefit of the reader the strategy has nine sections;

- Legislative and Best Practice Framework
- About East Lindsey
- Aims of the Strategy
- Financial Position Statement
- Strategic Objectives
- Capital Expenditure
- Capital Resources, and Plans
- Stewardship
- Risk Management

1.1.8 Please read the Capital and Treasury Strategy, it is hoped it will provide an understanding of how the Council's Corporate Strategy and objectives will be supported with the capital resources at the Council's disposal. There are inevitably more demands on the money needed than resources available, meaning that best value has to be sought by the Council on behalf of its residents, local businesses and users of services.

PART 2

2.0 Legislative and Best Practice Framework

2.1 <u>Relevant Legislation</u>

2.1.1 Councils have the power potentially to do almost anything. This is enshrined through the General Power of Competence (GPOC) in the Localism Act 2011. It is a very broadly expressed power, which overlaps other powers. GPOC, however, has important limits. It cannot be used in breach of other legislation, and is therefore supplemental to specific powers that allow councils to borrow and invest. Councils have the general power to borrow under Section 1 of the Local Government Act 2003. The power to invest is set out in the Local Government Act 2003, Section 12, which gives the Council the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs. The power that allows councils to spend for capital purposes is included in the Local Government Act 2003.

2.2 Current Guidance & Best Practice

2.2.1 The Prudential Code 2017, Section E13 summarises the overriding matters that should be considered in determining a Capital Strategy. It is therefore necessary (and helpful) for the reader of this Strategy to familiarise themselves with the requirements of the Prudential Code which is available from the Public Sector Partnership Services Finance Team.

2.2.2 The Prudential Code makes it clear that councils' capital expenditure plans must be affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

PART 3

3.0 About East Lindsey

3.1 Facts about the district

3.1.1 Extending over 1,762 square kilometres, East Lindsey is the third largest district in the UK. It is also one of the most sparsely populated, with its 140,741 population spread among some 200 settlements. The District does not have a single dominating urban centre. Instead, its distinctive widespread settlement pattern is a legacy of a history of small farming communities with local markets.

3.1.2 The District is home to a greater number of older people than the national norm and its coastal towns and villages are popular retirement destinations. The District is a safe and healthy place to live with low crime rates and very little noise, air, light, or water pollution. Many residents have migrated to the District for the quality of life.

3.1.3 There are pockets of social deprivation and unemployment is slightly higher than the national mean, average earnings are relatively low and dependence on benefits is high, particularly along the coast where seasonal and temporary employment is common.

3.1.4 Four settlements (Louth, Horncastle, Alford and Spilsby) have built on their historic market town roles to grow and serve wider rural hinterlands. On the coast, Mablethorpe and Skegness have grown to serve both a local rural hinterland and a vibrant but seasonal tourism market.

3.1.5 These two different groups of settlements have contrasting characters. The former have attractive town centres, with market squares, streets typified by red brick buildings with pantile or slate roofs. The latter have a much more mixed visual character.

3.1.6 The Lincolnshire Wolds is the only Area of Outstanding Natural Beauty in the East Midlands region and covers one third of the District's area.

3.1.7 The holiday coast between Mablethorpe and Skegness is characterised by lively seaside resort activity. Caravan parks along the coastal plain, accommodating upward of 32,000 static vans, are a popular feature. In addition, this area contains pockets of wild coast and now encompasses a coastal country park.

3.1.8 Farming remains the dominant land use across the District. Farm diversification is increasing with more farm based tourism activities becoming a growing feature in the countryside.

3.1.9 The District's relative isolation, dispersed settlements, and thinly spread public transport services all add to a high level of car dependency.

PART 4

4.0 Aims of the Strategy

4.1 The specific aims of this strategy are to ensure:

- Physical assets and related resources are efficiently and effectively used to support East Lindsey District Council's priorities. These inputs will then be reviewed against the outputs from capital schemes to demonstrate Value for Money;
- Issues related to property and other assets are fully reflected in the Council's planning, specifically adequate funds for maintenance are available;
- The strategy itself is a useful tool to assist stakeholders' understanding of the Council's decision-making processes and project management of its capital investments;
- Provision is made for delivering corporate priorities and this is demonstrated through effective resource allocation;
- Invest to save projects are encouraged;
- The Council works within the Prudential Code framework and demonstrates robust and linked capital and treasury management;
- Review of the Asset Management Strategic Framework to identify surplus assets which can move through a disposal process to generate new capital resources;
- Capital spending plans are affordable and integrated with the Medium Term Financial Strategy; and
- Support for our partners by acting as an enabler in drawing down external funding for community projects. To further act as a match fund provider.

PART 5

5.0 Financial Position Statement

5.1 Financial overview

5.1.1 When taking financial decisions the considerations are multi-faceted. This means a single decision may impact upon revenue, capital, treasury and assets. These areas are all interlinked and should be fully understood to ensure plans are in place to maintain the Council's financial standing.

5.2 Revenue

5.2.1 Through to 2024/25 the Council anticipates a reduction in Government funding of around £2.78m. The table below, shows the annual forecast budget gap.

Table 1 – Annual revenue budget gap

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Budget Savings Requirement (£'000) – cumulative	-	1,300	2,807	4,096	5,037
Budget Savings Requirement (£'000) – annual	-	1,300	1,507	1,289	941

5.2.2 This requirement is due to further reductions in funding from Central Government and follows significant annual reductions since 2010. Each year the ability to balance the budget is becoming more challenging, with options ranging from becoming more efficient, raising additional income and/or reducing services. The Council has an ongoing programme to develop plans to address the known challenges. In addition to this the impacts of further localised business rate retention, the proposed spending review and fairer funding from 2021 and beyond are unknown and have the potential to raise the budget gap significantly. There are no signs of an upturn in Council or indeed Government finances to provide optimism. Therefore the Council must continue to look to become self-financing by seeking alternative sources of finance. The Council will look towards its capital and treasury activities to mitigate and contribute towards relieving pressure on its future revenue budgets.

5.3 Capital

5.3.1 Annually the Council is required to invest in assets and projects which have a life of longer than one year. This investment, be it in IT systems, vehicles, property or equipment must be funded. The Council had a number of years where its capital resources were healthy following the sale of its housing stock to East Lindsey Partnership Housing which has subsequently merged with Waterloo Housing. These funds have now been considerably reduced and in recent years the Council has had a reduced capital programme, a considerable proportion of which has been supported by external grants and contributions. It is necessary for this matter to be addressed within the new Capital and Treasury Strategy. One way councils are addressing this is to use capital resources to undertake commercial activities. The Council will look towards its capital and treasury activities to provide medium and long term resources for future capital expenditure. The Council also needs to consider ways of innovation that limit the amount of investment required during the timescale of this strategy in light of the significant pressures upon its resources, which may include new borrowing.

5.4 Treasury

5.4.1 The Council holds surplus cash at various times during the year. These funds are largely monies held in reserves or short term cash holdings before payments are made to major preceptors and currently average approximately £34m. Whilst cash is held it is invested with full appreciation of the Prudential Code which requires Councils to consider security, liquidity and yield (in that order). To date, these investments have been in either cash lending (low rates) or more recently in property. In addition, many councils participate in borrowing to fund their capital programme. Given the current low borrowing rates, this may be seen as an opportunity for the Council. The Council will look towards its treasury activities making the best use of borrowing and investing with all decisions being undertaken having an appropriate approach towards prudency and proportionality, as well as security, liquidity and yield. Treasury management will be expected to make a positive contribution towards both revenue and capital pressures.

5.5 Asset Management

5.5.1 The Council has a balance sheet with fixed assets valued at circa £98m. The Council has focused its attentions since 2010 on areas such as the disposal of surplus assets and developing its Organisation Development plans. Many other councils have turned their attention to acquiring commercial property for the reward of a rental stream. This Council has invested £28.0m into property funds which has been successful to date.

PART 6

6.0 Strategic Objectives

6.1 Strategic fit

6.1.1 The financial strategies must support and empower the corporate strategy and priorities of the Council. This intrinsic link works both ways. By adopting the new strategy the Council will be looking to ensure the ongoing provision of both statutory and discretionary services to local residents and businesses. It must have due regard to legislation and guidance. All strategies adopted must also have full regard to the legislative framework and best practice guidance adopted by the sector. These offer clear boundaries and exemplify considerations for decision making and risk management.

6.1.2 This strategy links to a number of other corporate strategies. The key strategies are:

- Treasury Management and Strategy Statement
- Medium Term Financial Strategy
- Risk Management Strategy
- Economic Development Strategic Framework
- Homelessness Strategy
- Asset Management Strategic Framework
- Crime and Disorder Strategy
- Housing Strategy

These documents are available on the Council's web-site https://www.e-lindsey.gov.uk/

The production of this Strategy means that an update to the 2019/20 Treasury Management Strategy Statement (TMSS) is required to reflect the changes in some prudential indicators, and the amended TMSS is shown at Appendix 3.

PART 7

7.0 Capital Expenditure

7.1 Definition and considerations

7.1.1 The Local Government Act 2003 – which includes the legislation for the capital finance system – does not specify what precisely constitutes capital expenditure. Instead it:

- Refers to "expenditure of the authority which falls to be capitalised in accordance with proper practices".

- Enables the Secretary of State to prescribe by regulation which local authority expenditure shall be treated as capital expenditure and which shall not be treated as capital expenditure
- Enables the Secretary of State to prescribe by regulation that the spending of a particular local authority shall – or shall not – be treated as capital expenditure

7.1.2 For the purposes of this strategy document, capital expenditure is defined as expenditure to acquire or upgrade assets (such as property, plant and equipment), so that future economic benefit or service potential will flow from the asset for more than one year.

7.1.3 The Council has set a de minimis limit of £5,000 for equipment and £10,000 for land and buildings for expenditure to be considered for capitalisation. The following categories of expenditure will require capital resources to fund their purposes:

1. The acquisition, reclamation, enhancement or laying out of land exclusive of roads, buildings or other structures
2. The acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
3. The acquisition, installation or replacement of movable or immovable plant, machinery and apparatus and vehicles and vessels
4. The making of advances, grants or other financial assistance towards expenditure incurred or to be incurred on items detailed in points 1 to 3 above or on the acquisition of investments
5. The acquisition of share capital or loan capital in any body corporate
6. The issue of loan instrument in respect of which not all repayments by the authority are due within 1 year of issue
7. Works to increase substantially the thermal insulation of a building
8. Works to increase substantially the extent to which a building can be used by a disabled or elderly person
9. The acquisition of computer software, plus the in-house preparation of it, provided that the intention is to use the software for at least 1 year

7.1.4 Regulations state that expenditure on repair and maintenance which does not increase the life, value or extent of use of an asset is not deemed as capital expenditure.

7.2 Future expenditure plans

7.2.1 The Council has approved a five year (short/medium term) funded capital programme. Beyond this time capital resources will be limited. In addition the Council will have an ongoing need for capital expenditure for replacement and renewal of its key assets used in delivering services. The Council has estimated that the longer term needs will be significantly greater than the resources currently identified. Such potential requirements are detailed in the table below.

Table 2 – potential future capital requirements (over 50 years)

ASSET	POTENTIAL CAPITAL INVESTMENT REQUIREMENT
	£m
Vehicle Fleet	30
Property Enhancements	40
Leisure	30
IT investment	40
Equipment	40
Economic Development Projects	50
Other	20
Total	**250**

7.2.2 Future capital programmes will need to be subject to suitable business cases which will include how such schemes support corporate priorities, and the financial standing of the Council. One way of creating capital resources could be to borrow money and then spend it on capital which would be expected to appreciate over time. This spending might include existing assets, new directly owned commercial property and/or shares in corporate property. Details of each of these options are set out below.

- Investment in existing assets - In order to apply borrowed resources (and the Council's cash backed resources) towards capital expenditure on existing assets, relevance must be given to the ability to service debt interest over a 50 year term and repay the capital sum borrowed, whilst ensuring that a robust Minimum Revenue Provision (MRP) policy is in place (see further information on MRP in Part 8.2 of this report).

- Investment in new directly commercial owned property - In order to apply borrowed resources (and the Council's cash backed resources) towards new directly owned commercial property, relevance must be given to the ability to service debt interest and repay the capital sum borrowed. In addition the commercial risks that arise must also be risk assessed. In the short term it is with caution that the Council will seek out such opportunities, due to the lack of local opportunities, the risk of direct tenant relationships and the lack of skills within the organisation to manage such relationships. The Council will therefore be open to opportunities should they present themselves but this capital strategy does not include any proposals at the current time.

- Corporate Property - Capital expenditure in this area allows a relatively easy in/easy out (and therefore potentially quite liquid) approach to commercial property ownership and a diverse spread of asset ownership combined with strong financial performance. Such a strategy does of course introduce risks and these are explained in part 10 of the report.

PART 8

8.0 Capital resources, and plans

8.1 Future capital resources

8.1.1 During 2018/19 the Council borrowed £20m from the Public Works Loans Board (PWLB) for 50 years at an average fixed rate of 2.465% in accordance with the agreed strategy. This has itself created a cost pressure on the Council's revenue budget (through annual interest) of approximately £493K p.a.

8.2 Capital Expenditure and the Minimum Revenue Provision

8.2.1 One hotly debated area of the new Capital and Treasury guidance has been on what is known as the Minimum Revenue Provision (MRP). Simply, where a Council undertakes capital expenditure, financed by borrowing, there is an expectation that each year the Council's revenue account should make a contribution to a reserve which will build up over time so that when the borrowing has to be repaid money is there to do so. Where the Council chooses to invest in assets which will not, or are unlikely to, have sufficient realisable value at the point of redemption to repay the borrowing, then this is essential for prudent management of the Council's affairs. The Council will ensure a suitable MRP policy is in place. However where the asset value can show it is sufficient to repay debt and the annual operation of that asset - in the case of property funds - has inbuilt mechanisms of old assets leaving the portfolio, new assets being added, repairs and maintenance being maintained, bad debts being deducted before yield distributions and ultimately the value of realisable asset being greater than any attached debt, then the Council will have a policy of making a prudent MRP charge for this class of asset. Additionally, the Council can consider making Voluntary MRP if felt appropriate, given its prevailing financial circumstances. Given the 50 year term of the proposed borrowing this is considered both prudent and appropriate for the Council. The Council's proposed MRP policy is set out within Appendix 3.

8.3 Other Capital Considerations

Capital Receipts

8.3.1 The forward availability of capital receipts will play an important part in both the timing and scope of the capital programme. The Council is looking at ways of obtaining capital receipts through the active marketing of its surplus assets and a review of how assets will be needed in the future to provide value for money services to the community. This is being undertaken via a wholesale asset place-based review, in line with the Asset Management Framework 2016-2026. The Council does hold some significant property assets that could be transformed into cash to support future capital investment.

Section 106 – Planning obligations

8.3.2 The Council has powers under Section 106 to provide for infrastructure and facilities to support the local community alongside planning and development projects. Community Infrastructure Levy (CIL) arrangements are currently being reviewed by government and new Local Plans/Core Strategies have the opportunity to introduce detailed CIL policies based on future infrastructure requirements. However it is challenging that CIL will be utilised in East Lindsey due to the predominantly small scale of infrastructure investment within the district.

8.4 External Grants and Contributions

8.4.1 To date, all New Homes Bonus grant (NHB) received by the Council has been transferred to the Capital Reserve and has provided considerable resource to fund capital expenditure. However this is not a sustainable source of funding as the value of NHB reflected in the current Medium Term Financial Strategy is expected to reduce to nil over the medium term.

8.4.2 The partnership approach to service delivery is a core belief of the Council. Through its services, partnership working, supportive funding and innovation, the Council will seek to attract investment into the District. The Council has a history of attracting significant sums of external funding from both Europe and the UK. The Council will be actively involved in any new arrangements to support development on both a national and regional basis. Acquiring grants and external funding is of increasing importance given lower levels of resources through core government funding.

8.5 Borrowing

8.5.1 Following the introduction of the 'Prudential' framework for local authority capital finance from 1 April 2004, the Council can determine what level of long term borrowing it wishes to undertake to finance its capital priorities, within the framework of prudent, sustainable and affordable borrowing. Given the diminishing resources available to it the Council has to make appropriate decisions regarding servicing the financing costs before it undertakes any new borrowing. Regulations require the Council to approve its 'Prudential Indicators' at least annually, and they are included with the Treasury Management Strategy Statement. As the Council is required to have a balanced revenue budget over the medium term it will be important that the Council robustly reviews future spending proposals and likely resources available before borrowing to finance future capital investment.

8.6 Revenue contributions

8.6.1 It is likely, once existing capital resources have been consumed – and New Homes Bonus grant contributions have ceased - that it will be necessary to build revenue capacity to fund the Capital Programme into the annual budget setting process at some point; however current forward revenue budget projections make this increasingly difficult.

8.7 Balances and Reserves

8.7.1 East Lindsey District Council holds levels of both general and specific reserves. Increasingly the Council will need to look to use its reserves to support capital expenditure which supports both revenue and capital yield, to maximise the value of the use of its resources.

8.8 New sources

8.8.1 The Council is aware of the need to be innovative and to work closely with the Private, Public and Voluntary Sectors to deliver outcomes for local people at a time when there will be reduced levels of capital resources.

8.9 Comparison with neighbours

8.9.1 To provide readers with a comparison of how the Council fares against others locally, the borrowing position of the six other district councils in Lincolnshire is shown in the table below. Those with asterisks (*) after their name have not transferred their housing stock and therefore will have a significant element of their borrowing undertaken for housing purposes.

Table 3 – gross external borrowing positions of Lincolnshire districts as at 31 March 2019

Council	**Total Borrowing 31 March 2019**
	£m
EAST LINDSEY DISTRICT COUNCIL	***20***
Boston Borough Council	17
City of Lincoln Council *	117
North Kesteven District Council *	75
South Holland District Council *	67
South Kesteven District Council *	99
West Lindsey District Council	11

* denotes councils that have not transferred their housing stock

PART 9

9.0 Stewardship

9.1 <u>General Governance Issues</u>

9.1.1 Annually the Council produces a medium term (five years) revenue budget, a medium term (five years) capital programme which is supported by a capital strategy, a treasury management and investment strategy. Sitting behind these are the financial procedure rules within the constitution and treasury management practices which provide day to day operational guidance. The Executive Board and Scrutiny Committees are not excluded from shaping these documents however the Audit and Governance Committee is charged with reviewing and recommending most of these documents to Full Council for approval. The requirement for Full Council to be involved is enshrined within statute.

9.1.2 The Council has adopted a risk management strategy which places the Council as having an open and aware approach towards risk. This should be reflected within the new Strategy.

9.2 <u>Revised Internal Governance</u>

9.2.1 The Council's Capital and Treasury Strategy is the first step towards appropriate governance. Within the strategy it says that the Audit and Governance Committee retains responsibility for informing and advising Full Council on the performance and revisions to the Capital and Treasury Strategy. It is also stated that commercial property management becomes a standing item report on Audit and Governance Committee agendas. The Council's treasury advisors have been asked to provide regular reports on the Council's holdings and a further independent Member (bringing suitable knowledge) has been added to the Committee to increase the extent of external review and relevant knowledge. There has been a cost to the initial expenditure decision and then ongoing commercial arrangement for advice, scrutiny and support on the management of the Council's property. This has been allowed for in the annual budgets. The Council's Section 151 Officer and Deputy Section 151 Officer will be responsible for the management of the commercial portfolio following their inclusion on the Capital Programme. The Audit and Governance Committee will monitor and report on performance to Full Council.

9.2.2 The Capital Programme (excluding Commercial Property Funds) will continue to be monitored by the Capital Programme Working Group, with additions to the programme approved by the Executive Board, as part of its quarterly performance monitoring. Full Council will approve all capital additions over £300k, in line with the Council's financial procedure rules.

9.3 Revised External Governance

9.3.1 The views of the Council's treasury advisors, external auditors, counsel's opinion, professional bodies and peers have been considered in the production of this Strategy. Annually there will be a review of the Capital and Treasury Strategy which will be made available to the Audit and Governance Committee, and formally approved as part of the budget setting process. This will ensure all matters of consideration and best practice are routinely acknowledged.

9.4 Performance measurement

9.4.1 The Council is determined to ensure high quality customer-focused services for all its residents and visitors to East Lindsey District Council. The Council also wants to deliver high quality services, although recognises the issues associated with reduced resources that are already impacting on its ability to deliver and maintain them.

9.4.2 Capital projects identify milestones and key outputs and these are used to integrate the delivery of Capital projects into the performance management framework.

9.5 Project evaluation

9.5.1 All capital projects need to be appraised and options appraisals are also required to ensure value for money in achieving the project objectives and realising benefits. Core principles to be followed, matters to be considered within the capital bidding process are:

- Council Objective/Priority
- Whole life cost of the proposal including the revenue effects
- Affordability and source of funding
- Partnership involvement
- Options appraisal
- Project appraisal
- Risks
- Improvements in service delivery
- Customer facing outcomes
- Other benefits and success criteria
- Efficiencies
- In principle support from the Director and Executive Board Portfolio Holder
- Exit strategy
- Timescales
- Environmental considerations

9.5.2 Project evaluation should include the following activities:

- Feasibility
- Appraisal (to include report, financial appraisal, risk appraisal)
- Budget
- Monitoring and review
- Outturn

9.5.3 These processes will ensure that any capital scheme that feeds into the programme will comply with the principles of the Prudential Code and have appropriate regard to:

- Affordability
- Sustainability
- Prudence
- Proportionality
- Security
- Liquidity
- Yield

9.6 Asset Management

9.6.1 The table below outlines the value of the Council's fixed assets by type. Details of the Council's assets can be found at www.e-lindsey.gov.uk. This Capital and Treasury Strategy aims to complement the delivery of the Asset Management Framework.

Table 4 – East Lindsey District Council's Fixed Assets

Asset Type	**IFRS Valuation**
	£'000 31.3.2019
Intangibles	103
Operational:	
Land & Buildings	80,958
Vehicles, plant, equipment	2,603
Community Assets	1,592

Infrastructure and Surplus Assets	782
Non-operational:	
Assets held for sale	588
Investment properties	10,484
Heritage Assets	1,201
Total Fixed Assets	**98,311**

9.7 Consultation and Communication

9.7.1 The consultation process used to inform our priorities has enabled the Council to identify its strategic objectives to allow prioritisation of resources. The Council also consults annually as part of the budget setting process. This includes a general consultation exercise with the community. While it will not be possible to allocate resources to all suggestions the Council acknowledges comments and assesses these for consideration when setting corporate objectives.

9.8 Sustainability

9.8.1 Sustainability Impact Assessments are completed for key Council projects.

9.9 Procurement

9.9.1 The purchase of capital assets should be conducted in accordance with Contract Procedure Rules, ensuring value for money, legality and sustainability at all times. Contract standing orders and rules governing the disposal or write off of assets are contained in the Constitution which is regularly reviewed.

9.10 Value for Money

9.10.1 The Council recognises that effective procurement lies at the heart of delivering value for money and is essential if the Council is to obtain real improvements to quality and service costs. The Council seeks to achieve value for money by applying rigorous procurement standards in the selection of suppliers and contractors to ensure efficiency, economy and effectiveness is received throughout the life of a contract. The significant resources applied to capital expenditure require the adopted principles of value for money to be at the heart of the Capital and Treasury Strategy. Specifically the Council will seek to strengthen the outcome indicators as part of post project reviews.

9.11 Debt management

9.11.1 Each year East Lindsey District Council is required to calculate its Capital Financing Requirement (CFR) which at 31 March 2020 is expected to be £23.99m. This reduces unless part of the capital programme is funded from reserves or revenue contributions. Once the balance reduces to zero or becomes a positive amount capital regulations require councils to set aside each year a prudent contribution from revenue for the repayment of future debt. This will effectively increase the amount of return required from any investment decisions. The current capital programme will be funded mainly through revenue contributions or earmarked reserves.

9.12 Invest to save

9.12.1 Whilst there are often revenue implications for investing in capital schemes, the Council is keen to invest in areas that result in long-term revenue savings and 'invest to save' schemes. It is also an aim to invest in assets that generate a revenue income in excess of that which could be earned by leaving funds on deposit.

9.13 Links to other partners

9.13.1 Partnership working is embedded in the organisation through the Partnership Governance Framework and the Council's approach to working with others has been commended. The Council's thrust in partnership working has three main strands being the Greater Lincolnshire Local Economic Partnership, Strategic Service Delivery Partnerships and networking partnerships. In order to address the needs of the local community the integration of the Capital and Treasury Strategy with those who the Council seeks to work with will be necessary to deliver on shared visions.

9.14 Equality

9.14.1 As part of the process of preparing business case for potential capital projects Equalities Impact Assessments will be completed when necessary. The Council recognises and values the diversity in the local community and the contribution that people from different backgrounds and cultures bring to the development and wellbeing of the District. East Lindsey District Council is therefore committed to principles of equality in its capacity as an employer and service provider to all sections of the community.

PART 10

10.0 Risks and their management

10.1 Risk Awareness

10.1.1 With the scale of the approach to ensuring that the Council will be better able to provide for future capital spend there are associated risks (and also opportunities).

10.1.2 All capital projects will have a risk log that is regularly reviewed and updated. All risks that may affect a project must be considered. These can include political, economic, legal, technological environmental and reputational as well as financial. Large projects will be managed in accordance with the Council's adopted project management principles.

10.1.3 A specific risk as a VAT registered body is the recovery of exempt VAT only up to a value of 5% of all the VAT it incurs. This is known as the de-minimis limit. Monitoring and control of exempt input tax is essential for the Council as where exempt input tax exceeds the 5% limit the whole amount is irrecoverable and will represent an additional cost to the Council. Each capital investment will be closely reviewed to assess its VAT implications.

10.2 Financial Mitigations

10.2.1 With the borrowing the Council has undertaken, it has ensured that the General Fund has been boosted to provide capacity for four years' worth of 50% of the interest payments on the borrowing (i.e. approximately £1m). This provides a minimum 48 month buffer. In reality the closing or reversing of revenue yield and debt interest would more than likely be a partial shift rather than an entire exposure. The current balance on the General Fund is £2.869m.

10.2.2 In addition, it is not the intention of the Council for any of the resources generated from the Capital and Treasury Strategy to be used entirely as core funding. The order of allocation would be capital resources, one-off project resource and then discretionary and statutory core revenue services. It will remain possible for the Council's revenue budget to benefit from this order of allocation.