

North East Derbyshire District Council

Capital Strategy 2021/22 – 2024/25

Introduction

- 1.1 This capital strategy report, gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

Capital Expenditure and Financing

- 1.3 Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2021/22, the Council is planning capital expenditure of £26.1m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
General Fund Services	2.2	3.3	4.0	4.4	2.3	1.9
Council Housing (HRA)	12.5	19.2	22.1	16.8	18.6	18.6
Capital Investments	0	0	0	0	0	0
TOTAL	14.7	22.5	26.1	21.2	20.9	20.5

- 1.4 The main General Fund capital projects include replacement vehicles, asset refurbishment, ICT replacement and disabled facilities grants.
- 1.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately. The main HRA capital projects involve refurbishment and ECO works to the Council's non-traditional housing stock.
- 1.6 Capital investments include loans and shares made for service purposes and property to be held primarily for financial return in line with the definition in the CIPFA Treasury Management Code.
- 1.7 **Governance:** Projects are included in the capital programme as part of the annual budget review or through ad hoc approval during the year. The capital programme is refreshed each year and the new requirements are presented to Cabinet and Council each February. Full details of the Council's Capital Programme can be seen at **Appendix A** to this report.
- 1.8 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

Table 2: Financing of Capital Programme

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
External Sources	0.8	1.2	2.8	0.7	0.7	0.7
Own Resources	12.2	18.6	19.5	15.4	17.1	17.1
Debt	1.7	2.7	3.8	5.1	3.1	2.7

TOTAL	14.7	22.5	26.1	21.2	20.9	20.5
--------------	-------------	-------------	-------------	-------------	-------------	-------------

- 1.9 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Capital Resources	3.7	1.8	0	0	0	0
Revenue Resources	1.0	0.7	0.6	0.8	1.1	1.2
Total	4.7	2.5	0.6	0.8	1.1	1.2

The Council's full minimum revenue provision statement is **Appendix B** to this report.

- 1.10 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £8.00m during 2021/22. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	31/3/2020 Actual £m	31/3/2021 Forecast £m	31/3/2022 Budget £m	31/3/2023 Budget £m	31/3/2024 Budget £m	31/3/2025 Budget £m
General Fund Services	12.5	13.7	19.6	22.8	20.6	15.7
Council Housing (HRA)	171.4	171.1	173.2	175.3	177.4	179.5
Capital Investments	0	0	0	0	0	0
TOTAL CFR	183.9	184.8	192.8	198.1	198.0	195.2

- 1.11 **Asset management:** The Council's assets require regular maintenance to ensure they remain safe and fit for purpose. It is also important for income generation that assets remain in a good condition and so remain lettable. A

planned approach yields savings in running costs and energy efficiency benefits over time as works are completed and asset conditions improve.

- 1.12 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £4.55m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts receivable

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Asset Sales	5.3	4.65	4.55	4.55	4.55	4.55
Loans Repaid	0	0	0	0	0	0
TOTAL	5.3	4.65	4.55	4.55	4.55	4.55

Treasury Management

- 1.13 Treasury Management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 1.14 Due to decisions taken in the past, the Council currently has £149.4m borrowing at an average interest rate of 3.53% and £43.0m treasury investments at an average rate of 0.03%.
- 1.15 **Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.10%) and long-term fixed rate loans where the future cost is known but higher (currently 1.50%-2.50%).
- 1.16 Projected levels of the Council's total outstanding debt (which comprises borrowing and leases) are shown below, compared with the capital financing requirement (see above):

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31/3/2020 Actual £m	31/3/2021 Forecast £m	31/3/2022 Budget £m	31/3/2023 Budget £m	31/3/2024 Budget £m	31/3/2025 Budget £m
Debt	149.5	149.2	147.0	146.9	144.8	140.7
Capital Financing Requirement	183.9	184.8	192.8	198.1	198.0	195.2

1.17 Statutory guidance states that debt should remain below the capital financing requirement, except in the short-term. As can be seen from **Table 6**, the Council expects to comply with this in the medium term.

1.18 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing:

Table 7: Borrowing and the Liability Benchmark

	31/3/2020 Actual £m	31/3/2021 Forecast £m	31/3/2022 Budget £m	31/3/2023 Budget £m	31/3/2024 Budget £m	31/3/2025 Budget £m
Outstanding Borrowing	149.5	149.2	147.0	146.9	144.8	140.7
Liability Benchmark	133.5	129.2	145.3	146.9	144.8	140.7

1.19 The table above shows that the Council expects to remain borrowed above or at its liability benchmark. This is because cash outflows to date have been below the assumptions made when the loans were borrowed.

1.20 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt

	2020/21 limit £m	2021/22 limit £m	2022/23 limit £m	2023/24 limit £m	2024/25 limit £m
Authorised Limit – Borrowing	194.8	202.8	208.1	208.0	205.2
Authorised Limit – Leases	0	0	0	0	0
Authorised Limit – Total External Debt	194.8	202.8	208.1	208.0	205.2
Operational Boundary – Borrowing	189.8	197.8	203.1	203.0	200.2
Operational Boundary – Leases	0	0	0	0	0
Operational Boundary – Total External Debt	189.8	197.8	203.1	203.0	200.2

1.21 **Treasury Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

1.22 The Council's policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 9: Treasury Management investments

	31/3/2020 Actual £m	31/3/2021 Forecast £m	31/3/2022 Budget £m	31/3/2023 Budget £m	31/3/2024 Budget £m	31/3/2025 Budget £m
Near-Term Investments	26.0	30.0	11.7	10.0	10.0	10.0
Longer-Term Investments	0	0	0	0	0	0
TOTAL	26.0	30.0	11.7	10.0	10.0	10.0

1.23 **Risk management:** The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury

management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

- 1.24 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to Cabinet. The Audit and Corporate Governance Scrutiny Committee is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

- 1.25 The Council can make investments to assist local public services, including making loans to local service providers and businesses to promote economic growth. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to at least break even after all costs. This includes loans to the Rykneld Homes Ltd to allow development of social housing. Rykneld Homes Ltd is a wholly owned subsidiary of the Council, limited by guarantee.
- 1.26 **Governance:** Decisions on service investments are made by the relevant service manager and submitted to Cabinet then Council in consultation with the Chief Finance Officer and must meet the criteria and limits laid down in the Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

Commercial Activities

- 1.27 With central government financial support for local public services declining, the Council has invested in developing residential property through Northwood Group Ltd. Currently (at 31/12/20), an investment of £1.318m has been made into Northwood Group Ltd and further future investment of £7.495m is approved to provide a total investment of £8.813m.
- 1.28 The Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include build cost estimates, sales values estimates and demand. These risks are mitigated by working with experienced builders and professionals who have knowledge of the local market. In order that commercial investments remain proportionate to the size of the Council, these are subject to an overall maximum investment limit of £8.813m and contingency plans are in place should expected yields not materialise.
- 1.29 **Governance:** Decisions on commercial investments are made by Council in line with the criteria and limits approved in the Investment Strategy. Property and most

other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

- 1.30 The Council also has investment properties generating £0.491m in net income a year after all costs.

Liabilities

- 1.31 In addition to debt of £149.5m detailed above, the Council is committed to making future payments to cover its net pension fund deficit (valued at £39.8m). It has also set aside £1.3m to cover risks of business rates appeals.
- 1.32 **Governance:** Decisions on incurring new discretionary liabilities are taken to Council for approval. The risk of liabilities occurring and requiring payment are monitored as part of the year-end process.

Revenue Budget Implications

- 1.33 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general government grants.

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Financing Costs	0.9	0.5	0.4	0.4	0.6	0.6
Proportion of Net Revenue Stream	6.11%	3.84%	2.95%	3.15%	4.30%	3.94%

- 1.34 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Chief Finance Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

- 1.35 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and

investment decisions. Suitably qualified and experienced officers are employed throughout the Council to perform such functions.

- 1.36 Where Council officers do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 1.37 Members receive individual training and development through the Member Development Programme and are periodically required to attend seminars held by the external treasury management advisors.

Treasury Management Operations

- 1.38 As mentioned above the Council uses external treasury management advisors. The company provides a range of services which include:
- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
 - Economic and interest rate analysis;
 - Debt services which includes advice on the timing of borrowing;
 - Debt rescheduling advice surrounding the existing portfolio;
 - Generic investment advice on interest rates, timing and investment instruments;
 - A number of places at training events offered on a regular basis.
 - Credit ratings/market information service comprising the three main credit rating agencies;
- 1.39 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review. It should be noted that the Council has Arlingclose Ltd as external treasury management advisors, for a period of up to 3 years commencing October 2019.

Banking Contract

- 1.40 The contract with the Councils banking provider Lloyds Bank commenced on the 10th February 2015 for a period of 7 years.

Business Continuity Arrangements

- 1.41 As part of the Councils business continuity arrangements officers have sought to set up and provide alternative banking arrangements for the Council should they be required at short notice. These arrangements effectively mean a separate bank account is in place with the required security controls and appropriate officer access to undertake transactions. This account is with Barclays Bank and will only be utilised should a business continuity need or similar issue arise. Officers will continue to review this arrangement.

Appendix A

Capital Programme 2020-2025

Capital Expenditure	Revised Budget 2020/21 £	Original Budget 2021/22 £	Original Budget 2022/23 £	Original Budget 2023/24 £	Original Budget 2024/25 £
Housing Revenue Account					
HRA Capital Works	9,164,000	10,567,000	10,509,000	10,441,000	10,441,000
HRA Capital Works - Non Traditional Properties	0	7,152,178	2,530,000	4,370,000	4,370,000
Green Homes EWI - Mickley	2,725,000	500,000	0	0	0
EWI Scheme - Heath & Pilsley	520,000	0	0	0	0
Pine View, Danesmoor	1,071,000	0	0	0	0
North Wingfield New Build Scheme	66,000	0	0	0	0
Stock Purchase Programme (1-4-1)	2,751,730	3,000,000	3,000,000	3,000,000	3,000,000
Acquisitions and Disposals (RHL)	500,000	500,000	500,000	500,000	500,000
Thirlmere Drive, Dronfield Play Equipment	0	80,000	0	0	0
North Wingfield New Build Project	2,015,000	0	0	0	0
Garage Demolitions	23,000	23,000	23,000	23,000	23,000
Concrete Balconies	115,000	0	0	0	0
Parking Solutions	288,000	288,000	288,000	288,000	288,000
HRA - Capital Expenditure	19,238,730	22,110,178	16,850,000	18,622,000	18,622,000
General Fund					
Private Sector Housing Grants (DFG's)	630,000	742,410	742,410	742,410	742,410
ICT Schemes	214,000	35,000	160,000	63,000	63,000
Clay Cross Football Pitch	10,000	0	0	0	0
Asset Refurbishment - General	667,000	500,000	500,000	500,000	500,000
Roller Shutter Doors	42,000	0	0	0	0
Eckington Pool Carbon Efficiencies Programme	0	1,015,000	0	0	0
Eckington Pool Roof Replacement	77,000	0	0	0	0
Replacement of Vehicles	1,126,000	661,000	3,007,000	956,000	558,000
Contaminated Land	42,000	0	0	0	0
Killamarsh Leisure Centre	0	1,000,000	0	0	0
Northwood Grant	510,000	0	0	0	0
General Fund Capital Expenditure	3,318,000	3,953,410	4,409,410	2,261,410	1,863,410
Total Capital Expenditure	22,556,730	26,063,588	21,259,410	20,883,410	20,485,410
Capital Financing	2020/21	2021/22	2022/23	2023/24	2023/24
Housing Revenue Account					
Major Repairs Reserve	(11,319,000)	(17,174,178)	(13,039,000)	(14,811,000)	(14,811,000)
Prudential Borrowing - HRA	(1,476,000)	(2,100,000)	(2,100,000)	(2,100,000)	(2,100,000)
Development Reserve	(3,883,211)	(391,000)	(311,000)	(311,000)	(311,000)
Capital Receipts Reserve	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
Grants	(570,000)	(1,045,000)	0	0	0
1-4-1 Receipts	(1,640,519)	(1,050,000)	(1,050,000)	(1,050,000)	(1,050,000)
HRA Capital Financing	(19,238,730)	(22,110,178)	(16,850,000)	(18,622,000)	(18,622,000)
General Fund					
Disabled Facilities Grant	(610,000)	(722,410)	(722,410)	(722,410)	(722,410)
External Grant - Lottery Funded Schemes	(10,000)	0	0	0	0
External Grant - Contaminated Land	(42,000)	0	0	0	0
External Grant - Carbon Efficiencies	0	(1,015,000)	0	0	0
Prudential Borrowing - Vehicles	(1,126,000)	(661,000)	(3,007,000)	(956,000)	(558,000)
Prudential Borrowing - Eckington Pool Roof	(77,000)	0	0	0	0
Prudential Borrowing - Killamarsh Leisure Centre	0	(1,000,000)	0	0	0
RCCO - Roller Shutter Doors	(42,000)	0	0	0	0
Useable Capital Receipts	(901,000)	(555,000)	(680,000)	(583,000)	(583,000)
1-4-1 Receipts	(510,000)	0	0	0	0
General Fund Capital Financing	(3,318,000)	(3,953,410)	(4,409,410)	(2,261,410)	(1,863,410)
HRA Development Reserve					
Opening Balance	(1,456,000)	(1,456,000)	(1,456,000)	(2,900,217)	(2,900,217)
Amount due in year	(3,883,211)	(391,000)	(1,755,217)	(311,000)	(311,000)
Amount used in year	3,883,211	391,000	311,000	311,000	311,000
Closing Balance	(1,456,000)	(1,456,000)	(2,900,217)	(2,900,217)	(2,900,217)
Major Repairs Reserve					
Opening Balance	(176,000)	(176,000)	(176,000)	(176,000)	(176,000)
Amount due in year	(11,319,000)	(17,174,178)	(13,039,000)	(14,811,000)	(14,811,000)
Amount used in year	11,319,000	17,174,178	13,039,000	14,811,000	14,811,000
Closing Balance	(176,000)	(176,000)	(176,000)	(176,000)	(176,000)
Capital Receipts Reserve					
Opening Balance	(1,384,000)	(933,000)	(1,828,000)	(2,598,000)	(3,465,000)
Income expected in year	(4,000,000)	(3,600,000)	(3,600,000)	(3,600,000)	(3,600,000)
Allowable Debt/Pooling Expenses	3,200,000	1,800,000	1,800,000	1,800,000	1,800,000
Amount used in year	1,251,000	905,000	1,030,000	933,000	933,000
Closing Balance	(933,000)	(1,828,000)	(2,598,000)	(3,465,000)	(4,332,000)
Capital Receipts Reserve 1-4-1 receipts					
Opening Balance	(1,909,000)	(408,481)	(308,481)	(208,481)	(108,481)
Income expected in year	(650,000)	(950,000)	(950,000)	(950,000)	(950,000)
Amount used in year	2,150,519	1,050,000	1,050,000	1,050,000	1,050,000
Closing Balance	(408,481)	(308,481)	(208,481)	(108,481)	(8,481)
Total Capital Financing	(22,556,730)	(26,063,588)	(21,259,410)	(20,883,410)	(20,485,410)

Appendix B

Annual Minimum Revenue Provision Statement 2021/22

Where the Council finances General Fund capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry for Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government, Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Council, to approve an Annual MRP Statement each year, and includes recommendations for calculating a prudent amount of MRP. In line with this guidance the Council has adopted the following approach:

- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- For assets acquired by leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.
- No MRP will be charged in respect of assets held within the Housing Revenue Account.

Capital expenditure incurred during 2021/22 will not be subject to a MRP charge until 2022/23 and so on.

Based on the Council's latest estimate of its Capital Financing Requirement on 31st March 2021, the budget for MRP has been set as follows:

	31/03/21 Estimated CFR £m	2021/22 Estimated MRP £m
Supported Capital Expenditure after 31.03.2008	0	0
Unsupported Capital Expenditure after 31.03.2008	13.7	0.7
Total General Fund	13.7	0.7
Assets in the Housing Revenue Account	44.0	0
HRA Subsidy Reform Payment	127.1	0
Total Housing Revenue Account	171.1	0
Total	184.8	0.7

Revenue Account (HRA)

Following the budget on 30 October 2018, the legislation that capped the amount of HRA debt a local housing authority could hold was revoked with immediate effect. The capital financing requirements relating to the HRA will remain the same so there will still be no requirement for an MRP and levels of debt will be managed through prudential borrowing limits controlled by the Treasury Management Strategy.

Removing the debt cap and not having a statutory requirement to make a provision to repay debt presents a significant risk to the HRA. Very careful treasury management is needed to ensure that the Council's HRA borrowing remains affordable, prudent and reasonable and that the HRA remains sustainable over the long term.