CARLISLE CITY COUNCIL
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# Report to Executive	Agenda Item: **A.2**

Meeting Date:	27 July 2015
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref:KD05/15
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	DRAFT CAPITAL STRATEGY 2016/17 TO 2020/21
Report of:	DIRECTOR OF RESOURCES
Report Number:	RD22/15

Purpose / Summary:

The Council's draft Capital Strategy is intended to direct the Council's Capital Programme and the allocation of resources for the five-year period 2016/17 to 2020/21. The guidance in this strategy complements and supplements the Medium Term Financial Plan.

Following consideration by the Executive, the Resources Overview and Scrutiny Panel will consider the draft on 6 August, with final recommendations to Council on 8 September 2015.

Recommendations:

The Executive is asked to:

(i) Comment on the draft Capital Strategy for consideration by the Resources Overview and Scrutiny Panel on the 6 August 2015.

Tracking

Executive:	**27 July 2015**
Overview and Scrutiny:	**6 August 2015**
Executive	**24 August 2015**
Council:	**8 September 2015**

1. BACKGROUND

1.1 The Capital Strategy is a key policy document, providing guidance on the Council's Capital Programme and the use of capital resources. The Strategy supplements guidance contained in the Medium Term Financial Plan (MTFP).

1.2 The Capital Strategy is reviewed annually alongside the MTFP, starting with the assumptions made in the Budget Resolution approved by Council on 4 February 2015. This position has been updated to reflect any known changes since that date.

2. KEY MESSAGES

2.1 The Capital Strategy shows the starting position for the budget considerations for the next five years and gives an indication of the likely factors that will have an impact in the budget setting process. The Capital Programme and the financing of the programme are going to play an important role in shaping future budget considerations due to:

- Re-profiling of asset sales will have a significant impact on the revenue budget through the requirement to fund the capital programme with a borrowing requirement.
- Additional Capital investment decisions will likely require revenue funding, either as a direct contribution from revenue reserves or though borrowing costs

2.2 Although there is currently forecast to be a borrowing requirement required to fund the capital programme, there are also some mitigating factors that will also need consideration. These are:

- A revenue contribution for the purchase of refuse vehicles is but has not yet been included as a funding source in the capital programme.
- Asset sales generating receipts over current estimate levels will reduce any borrowing requirement
- The ability to make a recurring revenue contribution to fund the capital programme will reduce any borrowing requirement
- A review of the current programme may relieve some of the expenditure pressures.

3. CONSULTATION

3.1 The draft Capital Strategy has been considered by the Senior Management Team and the Portfolio Holder for Finance, Governance and Resources.

3.2 The Resources Overview and Scrutiny Panel will consider the report on 6 August and recommendations made to full Council on 8 September.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

4.1 The Executive is asked to:
Comment on the draft Capital Strategy for consideration by the Resources Overview and Scrutiny Panel on the 6 August 2015.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 The Capital Strategy contains the current capital programme and how this aims to enhance the Carlisle area through the development of new infrastructure to both improve service delivery and provide additional facilities in the area.

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Appendices attached to report:	**Appendix 1 – Capital Strategy 2016/17 to 2020/21**		

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's -

Deputy Chief Executive –

Economic Development –

Governance – The Council has a fiduciary duty to manage its resources correctly. The Capital Strategy is an important part of the budgetary process and seeks to ensure a planned and coordinated approach to the delivery of projects within the parameters of our financial resources.

Local Environment –

Resources – Contained within the Capital Strategy

Capital Strategy

Carlisle City Council

2016/17 to 2020/21

Contents

1.0 Introduction

1.1 The Capital Strategy is a key policy document for the Council and provides guidance on the Capital Programme and the use of capital resources. The strategy reflects the links to other Council plans and is based on the guidance in the Medium Term Financial Plan (MTFP).

The objectives of the Capital Strategy are to: -

- Ensure that capital investment decisions and capital resources contribute to the achievement of the Council's corporate priorities.
- Co-ordinate the strategic priorities emerging from service planning and ensure that investment opportunities are maximised.
- Manage performance and decision-making processes to help achieve the best use of available capital resources.
- Set out processes to monitor and evaluate proposed and actual capital spending on projects to ensure that value for money is obtained.

1.2 Capital spending is strictly defined and is principally incurred in buying, constructing or improving physical assets such as buildings, land and vehicles, plant and machinery. It also includes grants and advances to be used for capital purposes.

1.3 **<u>Overall Strategy Guidelines</u>**

1.3.1 The strategy has been developed using the following overarching guidelines: -

- Capital resources are held corporately and are allocated according to the priorities set out in the Carlisle Plan (i.e. there is no automatic ring-fencing of resources for specific purposes with the exception of the repayment of Renovation grants).
- Capital receipts, including Preserved Right to Buy (PRTB) receipts (which will end in 2017/18), will be allocated in accordance with Council priorities.
- Specific repayments of Renovation Grants will be reinvested in the programme and be used to support Private Sector Renewal Grants.
- Income generated from the sale of vehicles, plant and equipment will be reinvested in the programme and be used initially to fund future replacements.
- The Council will seek to maximise the use of grants and external funding.

- The Council is committed to deliver capital investment with partners to maximise benefits where this fits with Council priorities.
- Redirection of capital resources from one project to another will be contained within existing budgets, unless increases can be justified through the budget process.
- Capital budgets are generally cash-limited i.e. no provision is made for inflation which effectively means that over time there is a real reduction in the value of resources allocated to specific capital projects.
- Council Tax increases will be limited to fair and reasonable levels. This requires a full assessment of the revenue consequences of capital projects and their respective methods of finance.

1.4 Carlisle Plan and Other Council Strategies, Plans and Policies

1.4.1 The Carlisle Plan forms part of the Policy and Budgetary Framework for the Council. These frameworks work together to create the strategic framework.

1.4.2 The Capital Strategy must both support and inform the Council's vision for the Carlisle area and the strategic direction set out in the Carlisle Plan. This is to enable resources to be matched against the agreed priorities and any other supporting needs.

1.4.3 The Executive are currently reviewing the Council priorities and these will be consulted on in August 2015.

1.4.4 The Capital Strategy takes account of other Council Plans and Strategies of the Council, which have a potential impact on the use of resources by the Council. Particularly consideration is given to the following key strategies: -

- The Capital Strategy, which provides information on the proposed level of investment in capital projects and the consequent impact on the revenue budget.
- The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy, which sets out the assumptions for financing requirements and interest rates and their effect on the revenue budget.
- The Asset Management Plan, which provides forecasts of necessary investment in the Council's land and property portfolio.
- The Procurement and Commissioning Strategy
- Local Plan/Local Development Framework.

- The Organisational Development Plan, which highlights the need for a thorough review of the Council's staffing needs and skill levels to ensure that the Council improves its performance to deliver excellent services to the local community in the future.
- There are also a number of strategies, which set out policy direction for key Council priority areas, and these include the Economic Strategy, and Housing Strategy.
- Directorate Service Plans

1.5 Key Considerations for 2016/17 to 2020/21

The following summarises the key issues to be considered when setting the budget for 2016/17:

- The current capital programme is forecast to utilise all forecast capital receipts and includes a borrowing requirement to fund the planned programme
- Any shortfall against the capital receipts forecast to be received will have significant implications on the ability to deliver the forecast levels of investment without incurring borrowing.
- Revisit Asset Review Business Plan to see if any asset sales can be reprofiled
- In order to reduce the exposure of the council to a borrowing requirement the following steps could be examined:
  - Fundamental review of current capital programme;
  - Setting DFG budget to the grant allocation with no City Council contribution;
  - No new major one-off schemes unless fully funded from grants or external funding;
  - Providing a recurring revenue contribution to the capital programme;
  - Invest to save schemes that can repay the capital investment over a period of time.

2.0 Spending and Investment Priorities

2.1 **Capital Investment Priorities**

2.1.1 The Capital Strategy needs to ensure that any capital investment decisions are both affordable and achieve the priorities as set out in the Carlisle Plan. The Council is at a point where capital resources have become scarce and as such any investment in assets is likely to have implications on the revenue budget.

2.1.2 The Capital Strategy must therefore recognise the implications of capital investment decisions and ensure that they are in line with Council priorities and financing requirements are robustly evaluated and understood.

3.0 Capital Programme Forecasts

The table below shows the current capital resources at the end of 2014/15 before any new decisions around capital investment made in 2015/16.

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Capital Receipts Brought Forward	(2,509)	(3,296)	(2,101)	(1,013)	(474)	(121)
Net Resources receivable in year	(787)	1,195	1,088	5,539	353	90
Borrowing Requirement	0	0	0	(5,000)	0	0
(Surplus Capital Resources) / Borrowing Requirement	**(3,296)**	**(2,101)**	**(1,013)**	**(474)**	**(121)**	**(31)**

Table 1: Current Capital resources

3.1 **Current Expenditure Forecast**

3.1.1 The Council approved the current forecast for the period 2015/16 to 2019/20 in February 2015 and details are shown below adjusted for the outturn from 2014/15 and also for decisions made in relation to capital investment between April and June 2015.

	Budget	Forecasts				
	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Disabled Facilties Grants	863	863	863	863	863	863
Vehicles Plant & Equipment	1,134	1,221	1,114	383	265	0
Enhancements to Property	207	150	150	150	150	150
Harraby Community Campus	500					
Old Town Hall - Phase 2	653					
Old Town Hall/Greenmarket	380					
Asset Review	2,394					
Public Realm - S. 106	342					
Castle Way Cycle Ramp	340					
Public Realm Improvements	264					
Arts Centre	443					
Play Areas	9					
Kingstown Industrial Estate	10					
Sheepmount Road	5					
ICT Infrastructure	232	100	100	100	0	0
Civic Centre Digital Banner	35					
Bousteads Grassing Improvements	30					
Financial Ledger Enhancements	42					
Revenues & Benefits ICT	45					
Leisure Facilities	0	0	0	5,000		
City Centre Investment	1,200					
Total Programme	**9,128**	**2,334**	**2,227**	**6,496**	**1,278**	**1,013**

Table 2: Current Capital Programme

3.2 Current Resource Forecasts

3.2.1 The Council's capital programme can be financed, (or paid for), through a variety of sources and the Director of Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources. The availability of staff resources to deliver the approved programme will need to be considered during the budget process. Table 2 shows the estimated level of capital resources, which will be generated over the next five years.

	Budget	Forecasts				
	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Capital Grants & Contributions	1,345	663	663	663	663	663
Capital Receipts (General & PRTB)	410	410	410	260	260	260
Capital Receipts (Asset Review)	5,949	0	0	0	0	0
Revenue Financing	282	66	66	34	2	0
Total Resources Receivable in Year	**7,986**	**1,139**	**1,139**	**957**	**925**	**923**
Borrowing Requirement	0	0	0	5,000	0	0

Table 3: Current Proposed Resources

3.2.2 As well as the resources to be received in each year, the Council has a balance of capital receipts brought forward (although these are held in the Capital Adjustment Account on the balance sheet, the cash from these receipts is used to finance capital expenditure).

3.2.3 As can be seen, the current capital programme is fully utilising **all** available capital resources by 2021. Therefore any expenditure that is not currently forecast will have to be financed through additional borrowing (internal/external) or from revenue budgets.

3.2.4 Capital Grants

The Council receives one primary capital grant from central government to support its role in providing Disabled Facilities Grants. For 2015/16 the Council has budgeted to receive £663,000 and this figure has been used as a forecast for future years. There are changes to the way the grant will be distributed in future years, with the funding being provided to the County Council as the Better Care provider who will then allocate funding to the District Councils. Future year's allocations may therefore be subject to change as part of this change in procedure.

3.2.5 Borrowing

Rules on borrowing have been relaxed since the introduction of the Prudential Code in April 2004 with authorities now able to borrow as much as it wishes provided that it can afford the repayments from its revenue budget.

The Council has a borrowing requirement in its current capital programme of £5million to support the development of Leisure Facilities. This cost of this borrowing requirement is included in the Medium Term Financial Plan and is also offset by a corresponding saving from the Council's Leisure Contract.

Borrowing can be undertaken by taking out an external loan with the PWLB, or can be undertaken by utilising internal resources, i.e. investment balances. This is known as internal borrowing.

The Director of Resources is delegated with responsibility for the financing of the capital programme and as such may make borrowing decisions based upon interest rates, the Council's cash flow projections and other economic factors, in order to optimise the overall use of resources. External advice will be sought from the Council's Treasury advisors, Capita, if necessary.

In order to reduce the exposure of the council to a borrowing requirement the following steps could be examined:

- Fundamental review of current capital programme;
- Setting DFG budget to the grant allocation with no City Council contribution;
- No new major one-off schemes unless fully funded from grants or external funding;
- Providing a recurring revenue contribution to the capital programme;
- Invest to save schemes that can repay the capital investment over a period of time.

3.2.6 Revenue Contributions and Reserves

The capital programme can also be financed through the use of reserves (both capital and revenue) although revenue contributions will have an overall effect on the General Fund revenue budget. It is planned that as part of the Rethinking Waste Project that the current capital commitment for new vehicles in Waste Services are financed from revenue savings in the service. This revenue contribution will be finalised as part of the project and will be incorporated into the capital financing at a later date once details are known.

3.2.6 Capital Receipts

Capital Receipts arise principally from the sale of Council capital assets. The Capital Strategy assumes that there will be sales from General Assets of £260,000 per year. A further £150,000 is budgeted to be received from Preserved Right to Buy (PRTB) sharing agreement with Riverside Group for 2015/16 and 2016/17, however, this agreement ceases from 2017/18.

The sale of assets as part of the Asset Review are now utilised to support the Capital Programme in the Capital Strategy. Sales of £5.9million are included in the Capital programme to be achieved in 2015/16. However, a re-profiling exercise has been carried out to revise the timetable for achieving these sales and this is shown below:

	Budget	Forecasts					
	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	On Hold £000
Original Schedule	(5,949)	0	0	0	0	0	0
Amendment	5,089	(850)	(44)	0	0	0	(4,275)
Revised Profile of Asset Review Sales	**(860)**	**(850)**	**(44)**	**0**	**0**	**0**	**(4,275)**

Table 4: Re-profiling of Asset Review Receipts

This re-profiling will have a significant effect on the Council's ability to achieve its current capital programme as £4.2million of asset sales is being placed on hold. This will mean there will be a significant borrowing requirement to finance elements of the expenditure incurred from 2015/16.

	Budget	Forecasts				
	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Total Capital Expenditure	9,128	2,334	2,227	6,496	1,278	1,013
Capital Resources Receivable in Year	(7,986)	(1,139)	(1,139)	(957)	(925)	(923)
Re-Profiling of Asset Review Receipts	5,089	(850)	(44)	0	0	0
Total Net Resources Receivable	**6,231**	**345**	**1,044**	**5,539**	**353**	**90**
Capital Receipts Brought Forward	(2,509)	3,722	4,067	5,111	10,650	11,003
(Surplus Capital resources) / Borrowing Requirement	**3,722**	**4,067**	**5,111**	**10,650**	**11,003**	**11,093**

Table 5: Effect of re-profiling asset review sales

The borrowing requirement includes £5m prudential borrowing already included in the MTFP for the funding of Leisure Facilities and this is to be paid for through a reduction in the Leisure contract fee.

The additional borrowing requirement will be reduced by any revenue contributions made towards the financing of Refuse and Recycling vehicles as part of the Rethinking Waste Project. Any further revenue contribution to the capital programme will also reduce this requirement as will a review of the current capital programme expenditure commitments.

4.0 Capital Financing Requirement

4.1 The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow. This is different to any actual borrowing. If the Council generates the same amount of resources in a year to meet its capital expenditure requirements, then there is no change to the CFR. However, if the Council spends more than the resources it generates in year, the CFR will increase as in effect the Council has created a borrowing requirement to bridge the gap in the resources it needs and the resources it has.

4.2 Although the CFR does not necessarily reflect actual borrowing taken from an external source, it can reflect the use of internal cash resources, i.e. internal borrowing.

4.3 Where the Council has a positive CFR, i.e. an underlying need to borrow, it must make provision to repay that 'debt', or repay the cash used through internal borrowing. This is known as Minimum Revenue Provision (MRP). The Council's current policy, as set out in the MRP Strategy is to charge MRP at 4% of the CFR. As MRP is a non-cash transaction it has the effect of increasing the cash balance of the Council.

4.4 The current forecast for the CFR and MRP based on the current capital programme is as follows:

	Budget	Forecasts				
	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Total Capital Expenditure	9,128	2,334	2,227	6,496	1,278	1,013
Capital Resources Receivable in Year	(3,281)	(1,989)	(1,183)	(957)	(925)	(923)
MRP & Repayment of Debt	(430)	(648)	(636)	(761)	(758)	(747)
Change in Underlying need to borrow	**5,417**	**(303)**	**408**	**4,778**	**(405)**	**(657)**
CFR Brought Forward	10,400	15,817	15,514	15,922	20,700	20,295
CFR Carried Forward	**15,817**	**15,514**	**15,922**	**20,700**	**20,295**	**19,638**

4.5 Investment and Reserve Balances

4.5.1 An important consideration to understand when making capital investment decisions, especially when a borrowing requirement exists is the relationship between the Council's available cash investment balances and its reserves.

4.5.2 At 31 March 2015, the Council had investments of £19.974million. If all revenue and capital budgets are spent in line with the budget and all receipts are received in line with expectations then at 31 March 2016, investment balances would fall to around £12m. The following table shows the breakdown of the investment balance and what the cash relates to:

	Outturn	Forecasts					
	2014/15	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	£000	£000	£000	£000	£000	£000	£000
Total Investments	19,974	12,343	13,263	13,457	14,580	14,646	14,252
Made up of:							
General Fund Reserve	4,732	2,969	3,571	4,157	5,152	4,912	3,965
Capital Reserves	954	585	600	615	630	645	660
Earmarked Revenue Reserves	2,144	2,744	2,744	2,744	2,744	2,744	2,744
Provisions	2,002	2,002	2,002	2,002	2,002	2,002	2,002
Capital Grants Unapplied	191	191	191	191	191	191	191
Working Capital (incl Collection Fund)	5,337	4,655	4,655	4,655	4,655	4,655	4,655
Capital Receipts applied	2,509	0	0	0	0	0	0
Total Working Capital & Balances	17,869	13,146	13,763	14,364	15,374	15,149	14,217
Surplus Cash/(Cash Deficit)	**2,105**	**(803)**	**(500)**	**(907)**	**(794)**	**(503)**	**35**

The figures above are based on assumptions regarding budgets being fully spent with no over/under spends and reserves utilised as per current budget projections.

4.5.3 The surplus/deficit cash position represents how much of any borrowing requirement identified can be met from internal resources (internal borrowing) or how much will need to be met from actual external borrowing up to 2020/21.

4.5.4 This can be proven when comparing the CFR figures to the actual borrowing level, i.e. comparing the underlying need to borrow with the actual borrowing we carry.

	Outturn	Forecasts					
	2014/15 £000	**2015/16** £000	**2016/17** £000	**2017/18** £000	**2018/19** £000	**2019/20** £000	**2020/21** £000
CFR (Underlying Need to borrow)	10,400	15,817	15,514	15,921	20,699	20,295	19,638
Total Borrowing	15,014	15,014	15,014	15,014	19,906	19,792	19,673
(Over)/Under Borrowing Position	**(4,614)**	**803**	**500**	**907**	**793**	**503**	**(35)**
Less Capital Receipts Applied	(2,509)	0	0	0	0	0	0
(Over)/Under Borrowing Position	**(2,105)**	**803**	**500**	**907**	**793**	**503**	**(35)**

4.5.5 Therefore, to meet its capital financing obligations, the Council was over borrowed by £2.105million in 2014/15 and assuming all else remains equal, this changes to an over borrowed position of £35,000 by 2020/21 due to the setting aside of MRP, and additional unsupported capital expenditure and assumed reduced borrowing costs on the stock issue.

4.5.6 As the figures shown above are based on forecast levels of expenditure linked to current budgets and anticipated receipts, actual figures will vary in each year depending upon actual expenditure and income levels.

5.0 Evaluation and Monitoring of Capital Projects

5.1 The evaluation and monitoring of capital projects is important to enable the Council to determine: -

- If projects have met their individual objectives for service provision,
- If projects have been delivered on time and to budget, or whether lessons need to be learned to improve processes in the future,
- If projects have contributed to the overall aims and objectives of the Council.

5.2 To assist with these processes, the Council has a series of procedures in place as a capital project develops. These consist of: -

- Consideration of all aspects of a capital project by the Corporate Programme Board, comprising senior officers of the Council, whose purpose is to lead on the prioritisation of capital investment through the consideration of business cases and the ongoing monitoring and evaluation of individual capital projects. All proposals for investment will be submitted to members for consideration as part of the normal budget process.

- The development of a risk-assessed project plan for every project, which is subject to regular monitoring against key milestones by a nominated project officer.

- Changes to capital budgets, scheme costs, the inclusion or removal of individual schemes and information on remedial action needed to bring projects back on track are reported to Council as required.

- The Senior Management Team and the Executive receive quarterly monitoring reports on the Capital Programme to review progress on the delivery of projects. This process also includes the evaluation of completed capital projects to assess if their individual aims and objectives have been met, and makes recommendations where necessary to improve the delivery of similar projects in the future.

- The Council's Resources Overview and Scrutiny Panel also critically examines the performance in delivering capital projects on a quarterly basis.

- The use of Microsoft Project Server is being developed in order to assist the project management function of the Council

6.0 Appendices

Appendix A - Capital Programme – Risk Assessment

Risk	Likelihood	Impact	Mitigation
Capital projects are approved without a full appraisal of the project and associated business case.	Reasonably Probable	Marginal	Strengthen the role of Corporate Programme Board when considering capital project appraisals, to include consideration of business cases
Full capital and revenue costs of a project not identified.	Reasonably Probable	Marginal	Capital spending must meet statutory definitions. Financial Services to regularly review spending charged to capital. Appraisals to identify revenue costs, including whole life costs to improve financial planning. This may need to be reviewed if major schemes progress, e.g. Sands
VAT partial exemption rules are not considered.	Reasonably Probable	Marginal	Reduced impact following the decision to elect to tax land and property. To be considered as part of Project Appraisals and assessed by Financial Services.
Capital projects are not delivered to time	Reasonably Probable	High	Significant slippage in the current capital programme. Better project management skills to be introduced through PRINCE 2. Project managers to take more ownership and responsibility for the delivery of projects. The review of the capital programme currently underway will address some of these issues.
Capital projects are not delivered to budget. Major variations in spending impact on the resources of the Council.	Reasonably Probable	Marginal	Improved capital programme monitoring through PRINCE 2 and monthly financial monitoring. Corrective action to be put in place where necessary.
Assumptions on external funding for capital projects are unrealistic	Probable	High	Potential shortfalls arising from changes to external funding have to be met from other Council resources, so assumptions need to be backed by firm offers of funding before projects are submitted for appraisal. Risk increased due to uncertainty around funding, e.g. DCLG grants
Spending subject to specific grant approvals e.g. housing improvement grants, disabled persons adaptations varies from budget	Remote	Marginal	Specific grants are generally cash limited so variations in projects supported by funding of this nature will be monitored closely to ensure target spend is achieved to avoid loss of grant or restrictions on subsequent years grant funding.
Shortfall in level of capital resources generated from PRTB/Capital Receipts	Probable	High	Economic downturn will impact - early warning so as not to over commit capital resources.