

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF RESOURCES

TO:	POLICY COMMITTEE		
DATE:	17 FEBRUARY 2020		
TITLE:	DRAFT CAPITAL STRATEGY 2020/21		
LEAD COUNCILLOR	COUNCILLOR BROCK	PORTFOLIO:	LEADERSHIP
SERVICE:	FINANCE	WARDS:	BOROUGHWIDE
LEAD OFFICER:	MATTHEW DAVIS	TEL:	0118 937 2954
JOB TITLE:	ASSISTANT DIRECTOR OF FINANCE	EMAIL:	Matthew.davis@reading.gov.uk

1. PURPOSE OF REPORT

- 1.1. The Chartered Institute of Public Finance and Accountancy' (CIPFA) revised Prudential Code for Capital Finance in Local Authorities 2017 requires local authorities to produce a Capital Strategy on an annual basis which must be approved by Council.

2. RECOMMENDATIONS

- 2.1 That Council approves the Capital Strategy attached at Appendix 1; and
- 2.2 That the updated Action Plan that forms Appendix D of the Capital Strategy (Appendix 1) is noted together with the associated financial implications.

Appendices:

Appendix 1 - Draft Capital Strategy 2020/21

3. INTRODUCTION

- 3.1. The CIPFA 2017 Prudential and Treasury Management Code requires the Council to prepare a Capital Strategy report which sets out the Council's capital requirements arising from policy objectives, as well as the associated governance procedures and risk appetite.
- 3.2. The Capital Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services; along with an overview of how associated risk is managed and the implications for future financial sustainability. It shows how revenue, capital and balance sheet planning are integrated.
- 3.3. The Strategy is informed by the Council's priorities and links to other key strategy documents notably the Corporate Plan, Medium Term Financial Plan, Treasury Management Strategy, Asset Management Strategy and Property Investment Strategy.

- 3.4. The Strategy sets out among other things; the Council's approach to asset management planning including its policy on the acquisition of investment properties, development and monitoring of the Capital Programme and the reasons for the Council departing guidance from the Ministry of Housing Communities and Local Government (MHCLG) and CIPFA on investment in commercial properties and lending to housing associations.
- 3.5. The Capital Strategy sets out terms of reference and attendee lists for officer working groups including the Asset Programme Board (APB). The Board directs and is supported by a number of project groups including Land and Property Working Group.
- 3.6. Appendix B to the Strategy sets out a prioritisation matrix for new capital schemes.
- 3.7. The proposed Action Plan at Appendix D of the Strategy identifies four areas where work is required for the Council to continue its journey to become fully compliant with the CIPFA code requirements. These are:
 - Developing our knowledge of the existing asset base
 - Identifying what assets we need in the future
 - Developing and implementing new systems and processes, which enable the transition to become fully compliant with the code requirements
 - Reviewing current capacity within the organisation

4. POLICY CONTEXT

- 4.1. The aim of the Capital Strategy is to support the delivery of the Corporate Plan, which sets out the Council's Corporate Plan priorities.

5. FINANCIAL IMPLICATIONS

- 5.1. The proposed Action Plan includes undertaking an up-to-date condition survey of the Council's assets. Any additional cost of undertaking the survey and provision for any works arising will need to be factored into future refresh of the Council's Medium Term Financial Strategy.
- 5.2. Outcomes of actions from the proposed Action Plan may lead to identification of further unplanned maintenance costs. These should where possible be absorbed within existing revenue maintenance budgets but if these are substantial may create a budget pressure and additional resource requirements.

6. LEGAL IMPLICATIONS

- 6.1. This report assists the Council in fulfilling its statutory obligation to prepare a Capital Strategy report which sets out the Council's capital requirements arising from policy objectives along with associated governance procedures and the Council's risk appetite.

7. ENVIRONMENTAL IMPLICATIONS

- 7.1. There are no environmental implication arising directly from this report.

8. BACKGROUND INFORMATION

- CIPFA Code of Practice for Treasury Management in the Public Services 2017
- CIPFA The Prudential Code 2017
- MHCLG guidance February 2018