READING BOROUGH COUNCIL

REPORT BY THE EXECUTIVE DIRECTOR OF RESOURCES

TO:	**COUNCIL**		
DATE:	**25 FEBRUARY 2020**		
TITLE:	**DRAFT CAPITAL STRATEGY 2020/21**		
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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 Chartered Institute of Public Finance and Accountancy (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 (MHCLG) and Local Government 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. 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

Reading Borough Council
Capital Strategy

2020/21

February 2020

Content

1. Introduction

1.1. The Council's Capital Strategy provides an overview of where and how the Council intends to deploy its capital resources to support delivery of some of the strategic aims set out in the Council's Corporate Plan (2018-21). The Capital Strategy will help shape Reading's future and facilitate the delivery of the Council's agreed Corporate Plan priorities:

- Securing the economic success of Reading
- Improving access to decent housing to meet local needs
- Protecting and enhancing the lives of vulnerable adults and children
- Keeping Reading's environment clean, green and safe
- Promoting health, education, culture and wellbeing
- Ensuring the Council is fit for the future

1.2. The Capital Strategy should be read in conjunction with other strategic documents such as the Council's Asset Management Plan, Treasury Management Strategy Statement (TMS) and the Commercial Investment Strategy.

1.3. The Capital Programme details the Council's capital expenditure which facilitates the delivery of corporate priorities by:

- Providing investment to improve access to decent housing to meet local needs and help combat homelessness, as well as maintaining existing council dwellings
- Supporting delivery of sustainable, local social care services through investment to enable independent and supported living in the local community for both children and adults
- Working in partnership with Reading Transport, Network Rail, the Local Enterprise Partnership (LEP) and others in seeking funding and delivering an improved transport network, whilst being mindful of environmental factors
- Building schools to meet the future needs of the population and ensuring access to education
- Providing investment to deliver low carbon living, reduce pollution and increase recycling
- Providing investment in community and leisure provision to meet Reading's needs
- Enabling the purchase of investment properties to support the future economic success of Reading and provide an income stream to help support vital services
- Facilitating transformation schemes, ensuring that the Council is fit for the future

1.4. The Council has an ambitious Capital Programme. A key aspect of the Programme is the Council's commitment to investing in the acquisition of

commercial property in Reading and neighbouring Local Enterprise Partnership (LEP) areas to support its strategic objectives. The extent of the Council's investment in commercial properties and the criteria for investment are set out in section 5.

1.5. The Council has limited capital resources. Therefore, to help in determining how they are utilised, capital bids are assessed against a prioritisation matrix. This process helps to highlight risks and opportunities on a case by case basis and is used to rank projects against a set of agreed criteria.

1.6. The Capital Strategy has regard to prevailing Ministry of Housing, Communities and Local Government (MHCLG) Guidance and the Prudential Code. Compliance with government guidance is considered on a case by case basis and where permissible may be ignored if not in line with the Council's Corporate Plan. The Council has decided not to have full regard to CIPFA guidance or the Prudential Code as it relates to commercial property investment and lending to housing associations. In line with the requirements of the Guidance, the Council's Capital Strategy sets out the Council's justification for not fully complying with the MHCLG guidance.

2. ASSET MANAGEMENT PLANNING

2.1. The Council has a typical local authority property portfolio. This consists of operational property, investment property and property held for specific community or regeneration purposes as set out below:

- Operational – supporting core business and service delivery
- Investment – to provide a financial return to the Council
- Community – to support specific local community projects
- Regeneration – enabling strategic place shaping and economic growth

INVESTMENT PROPERTY ACQUISITION POLICY

2.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as "…used solely to earn rentals or for capital appreciation or both…". Returns from property ownership can be both income driven and capital growth of the underlying asset. The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

2.3. In July 2016, the Council adopted its Investment Property Acquisition Policy. This sets out a formal approach to investing in property. The key considerations when investing in commercial property are that: the tenant needs to be of good financial standing; the property and lease must meet certain standards including being in a commercially popular location; have several years left on the lease providing contractually secure rental income into the future.

2.4. The Council currently funds commercial property investments from borrowing. Therefore, the annual rental income from the tenant must exceed the cost of financing the borrowing, so that the annual surplus generated can be used to support the Council's revenue budget and help the Council to continue to provide vital services.

2.5. Property has proven to be one of, if not the best, investment in terms of capital growth over the last 50 years. If the Council owns Investment property, and it is managed and maintained appropriately, the Council can expect to see an increase in the value of the property as well as a net annual revenue surplus.

2.6. Below are highlights of the Council's Investment Property Acquisition Policy which:

- Sets out what the Council wants to achieve when acquiring commercial properties for investment purposes.
- Identifies the issues of the economy, the general property market and the possible risks for the Council in acquiring investment property.
- Identifies criteria for acquiring and owning property assets for investment purposes to ensure risks are minimised.
- Includes an outline of the process involved in acquiring investment properties for investment purposes.
- Is part of a wider policy framework supporting what the Council does and why.

2.7. The reasons for investing in commercial properties are primarily to:

- Generate surpluses above the costs of financing and owning such properties that can be used to fund vital Council services
- Facilitate economic development, growth and regeneration activity in Reading
- Opportunities arising due to market and economic environment

OPERATING IN THE PROPERTY INVESTMENT MARKET

2.8. The UK commercial property investment market is very well established, attracts global investors and is defined as a 'mature asset class'. It has a wide range of new and established investors including institutions, pension funds, specialist property companies, charities, family trusts and individuals.

2.9. Property prices and returns are a function of the property type, condition, use and location, together with the lease structure and covenant strength of the tenant (in the case of a let property). Lease contracts will reflect all liability and outgoings being the responsibility of the tenant, so presenting minimal risk to the Council.

2.10. Investment property will usually have a commercial occupier, paying a rent to the landlord. The better the covenant of the occupier, the more secure the rental income, the better the investment value and the yield obtainable in the open market. A tenant with a strong covenant and a long lease (10 years plus) with no break clause and with responsibility for repairing and maintaining the property, is the best type of investment.

2.11. The Investment Property Acquisition Policy makes clear that the Council should seek property investment which produce the best returns possible, whilst carrying an acceptable level of risk.

PRIORITIES & RISK IN PROPERTY INVESTMENT

2.12. The Priorities for the Council when acquiring property interests for investment purposes are:

- **Covenant Strength** – relates to the quality of a tenant in terms of their ability to pay rent in full when due. Although, the Council's chief reason for investing in commercial properties is to generate surpluses to support the revenue budget and deliver the objectives of its Corporate plan, the Council may opt not to invest in a property if it deems the tenant occupying the premises are conducting business which is contrary to its corporate values.
- **Lease Length** – relates to the unexpired length of the term of the lease or a tenant's break clause which determines whether the revenue stream from a property will flow uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacement tenants with strong covenant at acceptable rental levels as part of the due diligence process.

- **Rate of Return** – relates to level of surpluses accruing to the Council after adjusting for risk, cost of ownership and financing costs from the annual rental income. The surplus will need to be equivalent or better to the returns that could be earned from alternate investments, such as bank/money market fund deposits.
- **Lease Terms** – relates to contract terms under which the property is let out to a tenant. The Council will work to secure leases with full repairing and insuring obligations on the tenant and a full service charge recovery to include any management fees where applicable. This will ensure that the revenue budget is not impacted by unexpected expenditure relating to routine maintenance.
- **Growth** - property has the potential for both revenue and capital growth. The Council will consider that potential when assessing the strength of the investment opportunity. Property values can fall as well as rise and mechanisms to minimise revenue reductions where possible will be identified. The Council will work to secure lease terms that ensure rent review clauses are upward only which protects from any downward pressure on rental income.
- **Location** – relates to the desirability of the location of a potential investment property. The location of a property is a major contributing factor to the likelihood of a property being successfully re-let. Location is also important when considering future redevelopment or regeneration opportunities. Preference should be given to properties located within Reading, the local or neighbouring LEPs.
- **Sector** – relates to the type of business that is being conducted from the property. In order to minimise the risk of tenant concentration from one industry sector, the Council will work to secure tenancy agreements with a mix of tenants in its property portfolio.

2.13. In summary, the strategy for acquiring investment property assets is therefore to:

- Seek properties with strong covenant bearing tenants and sound financial standing and with several years remaining on a full repairing and insurance lease.
- Maximise rental income and minimise management costs to ensure the best return is generated.
- Identify opportunities for future growth, redevelopment or regeneration through property in commercially popular or development areas.
- Prioritise acquisitions within Reading, the Thames Valley and Berkshire LEP and other neighbouring LEPs and,
- Pursue opportunities to increase returns and improve the investment value of commercial assets.

2.14. The Council has invested in four investment property assets so far. A fair value assessment was conducted on purchase to ensure that a fair price was being paid and that the property would provide enough security against the capital invested. These assets will be revalued per the Council's revaluation programme and appropriate provision will be made if there is a fall in the value of the assets.

Building Asset Maintenance Programme

2.15. The Council has historical data on its property portfolio to assess building condition and backlog maintenance. The Council retains an annual building maintenance programme funded from revenue. This is primarily a response repairs and specific statutory compliance budget.

2.16. The Council's proposed annual expenditure on maintenance and improvement to corporate buildings is £1m (£2.3m in 2019/20). It is primarily directed at operational buildings (non-Housing) and excludes ring fenced funding.

Property Disposal Capital Receipts

2.17. Under the Council's Asset Management Strategy, any surplus properties are prioritised to be used to generate revenue which can be done in a number of ways. For example, rather than a freehold disposal, the Council may choose to offer a leasehold or leaseback option when marketing a property for sale. This means the Council will retain ownership of the property once the lease expires and will benefit in the longer term. Below is the latest projection on capital receipts.

Table 1 – Capital Receipts Projection (2019/20 – 2023/24)

	2019/20 *(£,000's)*	**2020/21** *(£,000's)*	**2021/22** *(£,000's)*	**2022/23** *(£,000's)*	**2023/24** *(£,000's)*
Prior Year (Brought Forward)	2,000	1,884	2,177	1,812	1,806
Receipts in Year:					
Home for Reading Share Redemption	7,000	-	-	-	-
Property Disposals	2,978	9,080	7,095	2,040	-
Vehicle Disposals	15	50	50	50	50
HRA Non One for One Receipts	250	250	250	250	250
RTL Loan Repayments	1,718	1,917	1,991	1,755	733
Balance Available to be Applied	**13,961**	**13,181**	**11,562**	**5,907**	**2,839**
Applied to Fund Delivery Fund	(7,748)	(788)	(559)	-	-
Applied to Fund Other	(4,329)	(10,216)	(9,191)	(4,101)	(2,499)
Balance c/f	**1,884**	**2,177**	**1,812**	**1,806**	**340**

2.18. All such decisions are ultimately taken by Policy Committee in line with the Constitution.

3. Capital Strategy Link to other Policies/Strategies

3.1. The Council has several related strategies and documents that sit alongside the Capital Strategy providing further detail relating to capital investment, debt management, asset management and the inherent risks involved in the Council's capital expenditure activities. These include:

- Medium Term Financial Strategy (MTFS)
- The Treasury Management Strategy Statement (TMSS)
- The Commercial Investment Strategy
- Corporate Asset Management Plan
- Homelessness Strategy

3.2. Below is an overview of some of the strategies that feed into the Capital Strategy.

3.3. **Medium Term Financial Strategy** – provides a high level view of the Council's financial plans including its funding requirement over the next three years.

3.4. **Treasury Management Strategy Statement** – the Treasury Management Strategy Statement gives an overview of the purpose and scope of the treasury management function, as well as identifying and setting criteria to limit risk. It includes how the Council will fund the Capital Programme and treasury management investment activity which arises from the organisation's cash flows and debt management activity, and ultimately represent balances which need to be invested until the surplus cash is required. Plans to fund the net capital borrowing requirement are considered as part of the overall Treasury Management Strategy.

3.5. The Treasury Management Strategy considers security and liquidity risk as part of the Investment Strategy and potential capital cost risks are reflected in the capital bidding process.

3.6. **Commercial Investment Strategy** gives an overview of the Council's approach to investing in commercial property, including why this approach has been taken and the risks involved. The Commercial Investment Strategy fully takes account of the specific risks that may arise on individual proposed acquisitions as part of the due diligence process which is also set out in the approved strategy.

3.7. **Corporate Asset Management Plan** details how the Council uses property as a corporate resource to support and shape the delivery of appropriately located core services whilst driving efficiencies to help close the budget gap.

3.8. **Homelessness Strategy** sets out the Council's priorities to prevent homelessness and stresses the importance of working in partnership to address the wide range of issues that can be linked to homelessness. The Strategy aims:

- To prevent homelessness;
- To secure sufficient affordable accommodation for people in Reading who are or may become homeless; and
- To secure the satisfactory provision of support for people in Reading who are or may become homeless, or who have been homeless and need support to prevent them becoming homeless again.

4. Capital Programme (2019/20 – 2022/23)

4.1. The Capital Programme attached at appendix E is the authority's plan of capital expenditure for future years, including details on the funding of the schemes. The Capital Programme 2020/21 – 2022/23 was considered by Policy Committee as part of the Council's Medium Term Financial Strategy (MTFS). It commits £436m to improve the infrastructure, asset base and effectiveness of service provision for the residents of Reading. The Programme has a borrowing requirement of £297m after external contributions such as grants, section 106 contributions and Community Infrastructure Levy funding have been applied.

4.2. The Programme is broken down into two sections, The General Fund and the Housing Revenue Account. Each scheme in the Programme details the total cost, external funding contributions from for example government and developers and the net cost to the Council to be funded from borrowing or capital receipts.

Table 2 - Summary of Capital Expenditure Plans (2018/19 – 2022/23)

Capital expenditure	2018/19	2019/20	2020/21	2021/22	2022/23
£m	Actual	Estimate	Estimate	Estimate	Estimate
DACHS – Adults Services	1.108	0.150	1.405	5.000	1.000
DCEECHS – Children's Service	4.822	9.138	19.124	4.200	1.870
DEGNS – Environment & Neighbourhoods	43.364	40.271	52.797	41.206	25.249
DORS – Resources	1.451	44.193	93.051	58.449	57.260
Other – Corporate	12.016	4.539	4.069	0.467	0.000
Non-HRA	62.761	98.291	170.446	109.322	85.379
HRA	15.481	15.780	34.974	24.822	11.503
Total	78.242	114.071	205.420	134.144	96.882

4.3. Highlights of the Capital Programme are:

- Investment in commercial properties (up to £256m) to support the Council's role as place maker, to support regeneration and generate a revenue income stream to support the Council's strategic objective of "s*ecuring the economic success of Reading";* among other Corporate Plan objectives.
- £36m to build new leisure centres and re-development of existing centres to provide modern facilities for residents;
- £9m investment in highways maintenance to improve the condition of roads;
- £7m investment in the Council's social care premises;
- £16m investment in maintenance of existing schools and the construction of new school buildings;
- Investment in environmental services including waste, parks and parking services; and
- Upgrading the Council's ICT provision to ensure it is fit for purpose.

4.4. As set out above, appropriate due diligence will be undertaken prior to the acquisition of any investment with the extent and depth reflecting the level of additional risk being considered. Due diligence process and procedures will include:

- Effective scrutiny of proposed investments;
- Identification of the risk to both the capital sums invested and the returns;
- Understanding the extent and nature of any external underwriting of those risks;
- The potential impact on the financial sustainability of the Council if those risks come to fruition;
- Identification of the assets being held for security against debt and any prior charges on those assets; and
- Where necessary independent and expert advice will be sought.

4.5. Capital funding can be broken down into three categories as follows:

- External Sources (Government/Non-Governmental/Private Sector)
    - Government (Capital) Grants
    - Developer Contributions
        - Section 106 Contribution
        - Community Infrastructure Levy (CIL)
- Internal Sources (Council Resources)
    - Revenue budget
    - Capital Receipts
    - Reserves
- Prudential Borrowing
    - Borrowing from the Public Work Loans Board (PWLB)
    - Borrowing from private sector

4.6. **Capital Grants –** can be in the form of grants from an outside body including central government.

4.7. **Developer Contribution (Section 106) – A** mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable – they mitigate the impact of the development on the locality and are used to improve existing or build new infrastructure in the local area.

4.8. **Developer Contribution (CIL) –** is a levy on new developments the proceeds of which are used to support development in the local area by funding infrastructure or refurbishment of existing provision to alleviate the additional burden a new development places on both local and strategic infrastructure.

4.9. The Council has agreed a protocol for using CIL as follows:

- 80% of CIL receipts will be used to support the Capital Programme;

- 15% will be allocated to areas in which CIL liable development is taking place; and
- 5% will be allocated to cover administrative costs.

4.10. **Revenue Contribution** – The Council can choose to use its revenue budgets to fund capital expenditure. Given significant decreases in government funding and continuing pressure on provision of critical demand led services, this type of funding is anticipated to be minimal relative to other capital funding sources in the short to medium term. Members will continue to weigh the relative priorities of capital and revenue projects in allocating revenue resources.

4.11. **Capital Receipts** – money exceeding £10,000, which is received from the sale of an asset. The Council's general policy is that capital receipts are pooled and used to finance future capital expenditure and investment according to priorities, although they may be used to repay outstanding debt on assets financed from loans, as permitted by regulations.

4.12. Although, capital receipts would not usually be spent on revenue, under the current **Flexible use of Capital Receipts** direction, it is permissible to treat certain costs as capital expenditure provided these costs are funded from capital receipts received by the Council during the period (2016/17 – 2021/22) specified within the direction. These costs must also meet the definition as laid out in the direction i.e. costs must relate to a scheme to deliver service efficiencies and transformation and have been agreed by Council in advance.

4.13. The Council's approved Flexible Capital Receipts Strategy has been refreshed as part of the proposed 2020/21 – 2022/23 MTFS. The MTFS includes an allocation of capital receipts to support transformation and savings delivery (the Delivery Fund). Regular monitoring and administration of the Delivery Fund takes place through the Council's Corporate Programme governance arrangements.

4.14. **Prudential Borrowing** – relates to borrowing from the PWLB or private sector lenders to fund capital expenditure. This has historically been the main source of financing capital expenditure. The Council is guided by the CIPFA Prudential Code when determining the level of borrowing that is sustainable.

4.15. Prudential borrowing to fund capital projects brings with it the need to make a charge to revenue to reflect the cost of borrowing. The basis for this charge, known as Minimum Revenue Provision (MRP) is set out within the Council's Treasury Management Strategy and MRP policy statement.

4.16. A summary of how the Capital Programme is to be financed is detailed below.

Table 3 – Summary of Capital Programme Funding

Financing of capital expenditure £m	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Capital receipts	20.081	13.341	13.304	10.206	4.101
Capital grants	18.995	35.221	60.364	15.743	11.069
Capital reserves	7.403	9.264	8.064	8.064	8.064
Revenue	0.097	0.111	0.604	0.000	0.000
Net financing need for the year	**31.666**	**56.134**	**123.084**	**100.131**	**73.648**

5. Commercial Investment Portfolio

5.1. The Council has a well established process for undertaking due diligence on commercial investments. All the Council's commercial investments have individual business cases that are subject to thorough risk assessment and stress testing.

5.2. The Council's Property Acquisition Strategy that was approved in July 2016, which was also adopted as the basis for the Investment Property Acquisition Strategy, set out its strategic objectives for facilitating regeneration, economic growth and housing delivery, as well as remaining financially sustainable. In 2019, the Council also approved its Commercial Investment Strategy. Together, these strategies provide a framework within which potential investment acquisitions are objectively assessed.

5.3. The current portfolio of commercial investments is within the boundaries or on the border of the Borough, but where an investment meets relevant criteria, the Council will consider investing within a wider area in order to spread risk. The Commercial Investment Strategy specifically identifies the Thames Valley Berkshire Local Enterprise Partnership (LEP) and adjoining LEP areas as potential areas for investment along with other locations where the investment would support the Council's overall strategic aims.

5.4. In addition to the Council's own priorities, external influence may impact on capital decisions; for example, central government, LEP priorities and funding requirements, demographic and legislative changes.

5.5. Internal processes and officer working groups such as the Assets Programme Board and the Land and Property Working Group inform the documents mentioned above. Further details about the roles of these groups are detailed in appendix A.

5.6. The current commercial investment portfolio held by the Council is set out in table 4 below. This does not include several historic investment properties that are owned by the Council.

Table 4 – Commercial Investment Portfolio

	Annual Rental Yield (£m)	Capital Value (£m)	Purchase Price (£m)	Net Annual Income after Financing Cost (£m)
Kennet Wharf, Queens Road	1.295	20.100	20.091	0.453
Adelphi House, Friar Street	0.744	12.327	11.432	0.222
160 -163 Friar Street Office	0.729	12.650	11.230	0.259
Four 10 TVP	1.660	36.170	32.914	0.160
Total	**4.428**	**81.247**	**75.667**	**1.094**

5.7. Details of the Council's future planned expenditure on commercial properties including assumed financing cost for these assets are set out in the below table.

Table 5 – Estimated External Debt relating to Commercial Investment

	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
External Debt for Non-Financial Investments				
Actual Debt at 31 March £m	80.667	155.667	205.667	255.667
percentage of Total External Debt %	20%	31%	37%	43%

PROPORTIONALITY

5.8. The Council's budget includes a net income target of £0.75m (after provision of repayment of debt) for rental income across the portfolio of commercial investments – representing 0.6% of the overall net budget for the Council. Non-achievement of this income stream does not pose a significant financial risk to the overall finance budget and any shortfall in annual income target can be mitigated by existing contingency resources.

5.9. A full assessment of the risks and opportunities of commercial income schemes is incorporated into business cases when the schemes are approved. The risks are also assessed on an on-going basis via the Council's risk management framework.

6. Prioritisation & Affordability

6.1. Due to competing demands for limited resources, the Council prioritises capital investment based on its overall objectives and a number of different factors including:

- Essential Health and Safety works;
- Availability of external funding, full or match funding;
- Invest to save opportunities;
- Maintenance of the essential infrastructure of the organisation, such as buildings and IT;
- The outcome of feasibility studies; and
- The ability to Generate surplus revenue to support vital service provision.

6.2. Capital bids for new or amended schemes are submitted as part of the Council's annual budget review process. Business cases are quality assured by Finance and the Asset Programme Board (APB) prior to being recommended to Members for inclusion in the draft Capital Programme.

6.3. The overall affordability of the Draft Capital Programme is reported on by the Council's section 151 officer as part of the Council's budget setting process. The final Programme is agreed by Council when setting its budget in February.

6.4. A prioritisation matrix for assessing and scoring capital projects is attached at Appendix B. The matrix sets out a process for scoring projects based on their contribution to securing the Council's Corporate Plan priorities, meeting statutory requirements and recognising that finite capital funding resources need to be rationalised.

6.5. The matrix also recognises the importance of investment in capital schemes that are necessary to deliver revenue savings. It does this by allocating a score to ensure any 'Invest to Save' schemes are prioritised for approval.

7. Risk Management

7.1. The Council needs to ensure that it has clear ways of mitigating the risks that are inherent in acquiring property. Furthermore, the Council must show that it has the right decision-making processes in place with robust checks and balances to ensure that exposure to potential loss of capital is minimised as part of the process of agreeing to the acquiring commercial properties.

Risks

7.2. In general the Council seeks to minimise its exposure to risks that are unwanted and unrewarded. Capital is managed centrally on an ongoing basis to ensure that there is enough liquidity in the short and medium term to meet costs and support front line services, as well as meeting long-term solvency and funding requirements.

7.3. The Council is exposed to a range of broad areas of risks when undertaking capital investment:

- **Financial risks** relate to risk arising from the investment of the Council's assets and cash flow, market volatility, currency etc.
- **Macroeconomic risks** relate to risk around the growth or decline of the local economy, interest rates, inflation and to a lesser degree, the wider national and global economy amongst others.
- **Credit and counterparty risks** relate to risk arising from investments, loans to institutions and individuals and counterparties in business transactions.
- **Operational risks** relate to operational exposures within its organisation, its counterparties, partners and commercial interests.
- **Strategic risks** relate to key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its goals.
- **Reputational risks** relate to risks around the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.
- **Environmental and social risks** relate to the environmental and social impact of the Council's strategy and interests.
- **Governance risks** relate to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency.

7.4. Managing the Council's risks is an area of significant focus for senior management and Members, and the Council adopts an integrated view to the management and qualitative assessment of risk.

7.5. The Council aims to minimise its exposure to unwanted risks that are not actively sought and which carry no commensurate reward for the Council through a range of mitigation strategies to the extent that it is cost-effective to do so. Specifically, the Council has no appetite for reputational risk, governance risk and currency risk and where possible would avoid these risks.

7.6. The Council's appetite for these risks are set out below.

Table 6 – Council's Risk Appetite

Risk	Appetite
Financial	Moderate appetite for a range of asset classes, property and longer-term investments, subject to careful due diligence and an emphasis on security as well as matching with the Council's required liquidity profile. Low appetite for capital growth oriented investments versus income generating investments. No appetite for currency risk, emerging markets and high volatility investments.
Macroeconomic	Moderate appetite for exposure to national and global growth. High appetite for exposure to local economic growth. Low appetite for interest rate risk, and inflation risk.
Credit and counterparty	High appetite for investment grade or secured credit risk, as well as exposure to highly rated counterparties and financial institutions with strong balance sheets. Low appetite for unsecured non-investment grade debt. All subject to careful due diligence and an assessment of the transaction versus the Council's resources, capacity, funding needs, broader goals and cash flow requirements.
Operational	Low appetite for 'business as usual' operational risks such as pricing errors, errors in administration, IT, cybersecurity etc. No appetite for fraud, regulatory breaches and exceeding risk tolerances.
Strategic	High appetite for strategic initiatives, where there is a direct gain to the Council's revenues; deliver strategic objectives in its corporate plan; or the ability to deliver its statutory duties more effectively and efficiently.
Environmental and Social	No appetite for environmentally negative risks. Low appetite for social risks, especially in the local region and always subject to full due diligence

Relationship with other processes

7.7. Risk management is not a stand-alone discipline. In order to maximise risk management benefits and opportunities, it is integrated with existing business processes.

7.8. Some of the key business processes with which risk alignment exists are:

- Capital Strategy
- Corporate Plan
- Medium Term Financial Strategy
- Internal Audit Plan
- Business Planning
- Performance Management
- Treasury Management
- External Audit Review

7.9. From a risk management perspective, and in order to ensure the Council's investments are as safe as possible, officers employ a range of due diligence techniques, including: evaluation of tenants by external property advisers; and modelling the impact of tenant failure and where necessary securing guarantees.

7.10. In any commercial property portfolio, it is important to achieve a level of diversification. Portfolios can be diversified by property type (e.g. office, residential, industrial or retail), sector (e.g. Telecoms, IT, Media, etc) and geography (e.g. local Borough or LEP as detailed above).

7.11. A key focus of our approach to commercial investment is to ensure that we understand the full range of risks relating to an investment – including the financial robustness of tenants and guarantors, legal risks, and physical and locational risks so that appropriate risk mitigation measures can be put in place to reduce/eliminate these risks.

7.12. Under the Council's constitution, risk management is overseen by the Audit and Governance Committee, which reviews the Corporate Risk Register at its meetings. Risk management is an integral aspect of the Council's project methodology, with projects required at initiation to identify risks and how they mitigate them. The approach to risk management includes planning and identification, monitoring and review for all risks and projects throughout their lifecycle.

7.13. Risk will always exist in some measure and cannot be removed in its entirety. Additionally, in order to realise investment and commercial gains, the Council recognises it must accept some measure of risk. Therefore, risks need to be considered both in terms of threats to the Council as well as opportunities.

7.14. The Public Accounts Committee supports well-managed risk taking across government, recognising that innovation and opportunities to improve public services requires risk taking, providing that the ability, skills, knowledge and training to manage those risks well exist within the organisation or can be brought to bear. As well as having the requisite skills and knowledge to manage its capital

programme, the Council can access any shortfall in expertise from partners and external advisers when required.

Knowledge and Skills

7.15. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions (including treasury management).

7.16. The Capital Programme and Treasury Management Strategy are managed by a team of professionally qualified accountants with extensive local government finance experience. They all follow a Continuous Professional Development (CPD) Plan and attend courses on an ongoing basis to keep abreast of new developments in their field. The council's section 151 Officer is the officer with overall responsibility for capital and treasury activities.

7.17. The Council's Commercial Investment Strategy is supported by a team of professionally qualified Royal Institution of Chartered Surveyors (RICS) staff who also have extensive local government experience. This team also follows a CPD plan in accordance with their RICS membership.

7.18. The Council will ensure that the property team continues to have the resources required to manage the size of its commercial investment portfolio. Where necessary knowledge and skills are not available internally, the Council will use external advisers and consultants that are specialists in their field such as legal, asset management/valuation, treasury management, credit quality assessment, etc.

8. Treasury Management

8.1. The Council's Treasury Management Strategy Statement (TMSS) is approved by Full Council annually as part of the budget setting process.

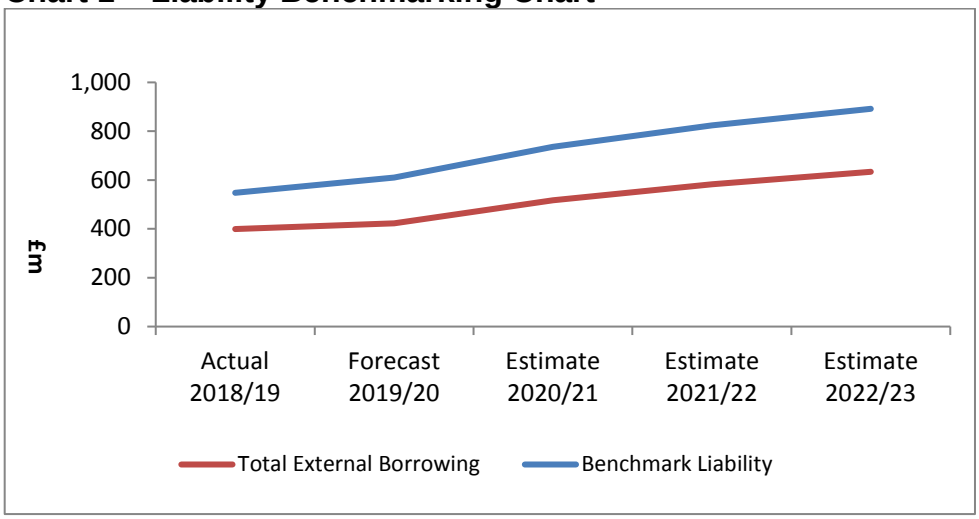
8.2. There are close links between the Capital Strategy and TMSS. Treasury management sets out the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses.

8.3. Currently, it is forecast that the Council's external debt will be £592.2m at the end of 2022/23. The Council's proposed Operational Boundary debt forecast for 2020/21 is £726.6m. This represents the limit beyond which external debt is not normally expected to exceed. The Council's proposed Authorised Borrowing Limit for 2020/21 is £766.6m and represents a limit beyond which external debt is prohibited.

8.4. The Council makes provision for the repayment of debt over the life of the asset that the borrowing is funding. The proposed provision for the repayment of debt over the period 2020/21 – 2022/23 is forecast to be £42m. Most of the borrowing undertaking by the Council is linked to the invest to save programme, which generates a financial return to the Council above the borrowing cost. The Council's Minimum Revenue Provision Policy is published as part of the Council's Treasury Management Strategy.

8.5. The Prudential Code requires the production of a liability benchmark which is shown in the chart below. The liability benchmark is the level of expected debt given current projections for capital expenditure up to year 2022/23. The projected debt levels show what the Council expects its debt level to be. Where the debt level is below the benchmark, the Council will be in an under-borrowed position, and when it is above it will be over-borrowed. This makes assumptions regarding repayment dates and this can be used as a tool for scheduling future borrowing requirements.

Chart 1 – Liability Benchmarking Chart



9. Current Guidance

9.1. Under this Strategy and others, the Council have due regard to prevailing Guidance and the Prudential Code. In certain instances, notably in lending to housing associations and investment in commercial properties, the Council has decided not to have full regard to the CIPFA Guidance or the Prudential Code. This consideration is undertaken on a case by case basis following detailed due diligence, risk assessment and legal advice.

9.2. Paragraph 42 of Guidance allows local authorities to depart from the guidelines provided the reasons for doing so are stated in the authority's Capital Strategy. Reading's reason for departing from the Guidance are as follows:

- The guidance from CIPFA and Ministry of Housing, Communities and Local Government (MHCLG). Paragraph 41 of the Guidance states: ''Where a local authority borrows to invest in yield bearing opportunities the strategy should explain…''. The Guidance therefore seems to acknowledge that local authorities do and can borrow in advance of need, and that what is required is not prohibition but rather greater transparency. Therefore, this document along with additional information provided in the TMSS clearly set out the Council's commercial investment activities including information on assets purchased and how these assets contribute to the Council's overall strategic objective.
- Borrowing in advance of need is not the same concept as borrowing in order to invest. There is a need to invest in order to make a return. Where both the financial pressure and the investment opportunity currently exist, borrowing to address these issues cannot be deemed as borrowing in advance of need.
- All commercial property investments are fully secured against assets of at least equivalent value and given these are long term investments and that properties tend to increase in value over time – in this context commercial investments can be considered low risk if retained and treated as long term investments.
- The investment power, under Section 12 of LGA 2003, applies irrespective of the location of the investment. It applies equally inside or outside borough boundaries. Although, the Council has only invested in asset in or on its boundary, the Council's Commercial Investment Strategy allows acquisitions beyond the Borough's boundaries.
- The investment return earned on these investments is invested in the Council's capital/revenue budgets and lead to support and provision of vital services.
- A thorough due diligence process is followed in line with the Council's approved Investment Property Acquisition Policy.
- Borrowing in advance of need is only applicable to the Council's investment power and not its expenditure powers – commercial investment is considered to be capital 'expenditure'.

10. Governance

10.1. In line with Reading Borough Council's (RBC) Constitution, capital schemes require both scheme and spend approval prior to expenditure being incurred.

10.2. Capital scheme approval is achieved via inclusion of the project within the Capital Programme approved by Council in February each year. A flowchart of the process of approving capital schemes is attached at appendix C.

10.3. Schemes or projects also require spend approval from the appropriate committee or in accordance with the Scheme of Delegation, with the submission of a detailed business case for review where appropriate. In addition, a gateway review process is deployed for all major schemes to more closely monitor progress and delivery of projects and their agreed objectives.

10.4. Schemes that arise during the year will be added to the agreed Programme once the relevant approvals have been obtained.

10.5. The Asset Programme Board provides strategic oversight and direction in relation to the Council's corporate asset management activity. The Board will have responsibility for delivery of the Capital Programme, consider service bids for capital resources and make recommendations to members as part of the annual budget setting process and provide strategic direction as to the development and use of assets.

10.6. The Land and Property Working Group sits below APB and is an operational group responsible for producing the annual corporate compliance action plan and reporting on the gateway and monitoring position to APB.

Treasury Management Governance

10.7. The Council follows the requirements of The Local Government Act 2003 (the Act) and supporting regulations in managing its Treasury Management activities.

10.8. The Audit & Governance Committee is the body responsible for the governance of treasury management within the Council. The Act recommend an annual Treasury Management Strategy to Council for approval as part of the annual approval of the budget. Members also receive a mid-year review report and an outturn report.

10.9. The Council also employ Link Asset Services as its treasury management advisors. Other specialist advice is taken on an ad/hoc basis driven by using organisations with the best experience linked to a particular project. Treasury Management is also subject to regular Audit Review.

Performance Monitoring and Evaluation

10.10. Monitoring of the Capital Programme sits alongside the Council's revenue monitoring process with the submission of monthly reports to both the Asset Programme Board and the Corporate Management Team for review.

10.11. Member oversight is achieved through lead Councillor briefings and quarterly reporting to Policy Committee.

10.12. All schemes within the Programme have a named project manager. It is the responsibility of individual project managers with support from their finance business partner to review and update spend and project delivery forecasts each month.

10.13. The Land and Property Working Group monthly meetings are used to provide challenge to capital scheme delivery on an exception basis, with the group able to call project officers to attend as necessary. LPWG report the monitoring position to APB for them to consider the overall performance of the Capital Programme and any impacts resulting from delays to schemes, etc.

10.14. A gateway process is being developed to be used for all major capital schemes to allow stakeholders to assess the on-going case for the scheme prior to progress to further stages in the cycle. This will involve project officers reporting to APB at stages of the project and requiring sign off before the next stage can commence. This gateway review process allows early identification of areas that may require corrective action and provides validation that a project is ready to progress successfully to the next stage. Proposed stages are as follows:

- Initial proposal
- Feasibility
- Business Case
- Project initiation
- Final design/Procurement
- Contract Award
- Project Review

10.15. As part of the annual monitoring process a draft outturn report on the previous financial year results will be submitted to Policy Committee for review. In addition, this report will seek formal approval for any scheme slippage not previously agreed to be carried forward.

11. Action Plan

11.1. The Council continues to review its processes to ensure compliance with the CIPFA code requirements except where it has decided, based on legal advice, to disregard Guidance. To this end an Action Plan is maintained (attached at appendix D) that outlines further actions, owners of those actions and timeline for delivery.

Appendix A

Asset Management
May 2019

Elected Member Boards/Briefings/Policy/Council

Corporate Management Team

Corporate Programme Board

(Monthly)

Asset Programme Board (APG)

Principles:
•Receives 'exceptions' and strategic information from L&P and other Review Teams.
•Provides Strategic Overview
•Escalates matters to be reported to CMT / members
•Programme Board for Assets Workstream

SAMG Membership: Exec Director DEGNS (CHAIR) , Exec Director of Resources), Exec Director of Adults Services, Deputy Director Assets and Regen, AD Legal, AD Finance, AD Property & Asset Management, Corporate Asset & Development Manager, Capital Accountant. AD Transformation (Adults). BFFC representative, AD Housing, Project Portfolio Manager (Education

Responsible for:
•Strategic direction for the use, management, development, planning and procurement of the Council's property resources.
•Overall responsibility for property, assets and capital programme
•Drafting the Capital Programme and ensuring it responds to Council Plan, Corporate Improvement Plan and Service Plans.
•Firstly delivering and then ensuring the Corporate Asset Management Plan responds to the Council's needs
•Oversee the allocation of income streams including Section 106, CIL, grants and capital receipts
•Review and be aware of outcome notes from L&P.
•Review specific strategic / high cost / high profile groups (transport, school programme etc).

(Monthly)

Land and Property Working Group (L&P)

Principles:
•Operational decisions on the use (etc) of all property
•Those looking to make property changes to refer to this group with a report setting out proposals.
•Some decisions may be referred up to the SAMG where required.
•Consider compliance, condition and revenue information within decision making.
•Responsible for information and data including Atrium.
•Centre of expertise for corporate asset management.
•Consider customer-focus Services.

Responsible for:
•Development opportunities
•Operational Board for Assets Workstream
•Provide a centralised asset management information and data base (including the delivery of Atrium)
•Current/ future usage and optimisation
•Disposals/ acquisitions/ capital receipts
•Compliance and Maintenance action plan
•Corporate risk*
•Optimise income generation
•Health and Safety Budget allocation
•Initiate, agree ToR and monitor the work of the various property related sub-groups, (operational)
•Identification of Invest to Save and carbon reduction opportunities
•Implementation of the Corporate Asset Management Plan
•Solar / energy projects

Treasury Management Review Group (TMRG) (monthly)

- Consideration of the impact of borrowing and cash flows on the Council's revenue position
- Determination of the level of borrowing required and optimum means of funding

TMRG membership - Director of Resources, Assistant Director of Finance, Financial Planning &Strategy Manager, Capital & Treasury Lead ant Treasury Accountant

Capital Programme Monitoring Information

Principles:
•Officers allocated areas of spend within the capital programme.
•Asked to update monthly on spend via finance business partners.
•Where under or over, officers may be required to attend formal meeting.

Responsible for:
•Monitor Capital Programme
•Review programme based on Council Plan, Corporate Improvement Plan / Service Plans Infrastructure Plan/ Council priorities.

L&P Membership:
Deputy Director Assets and Regen (CHAIR), Corporate Asset & Development Manager, Property Development Manager, Education Asset Management Manager, Facilities Management Manager, Health and Safety rep. Sustainability Manager, Leisure and Recreation Manager

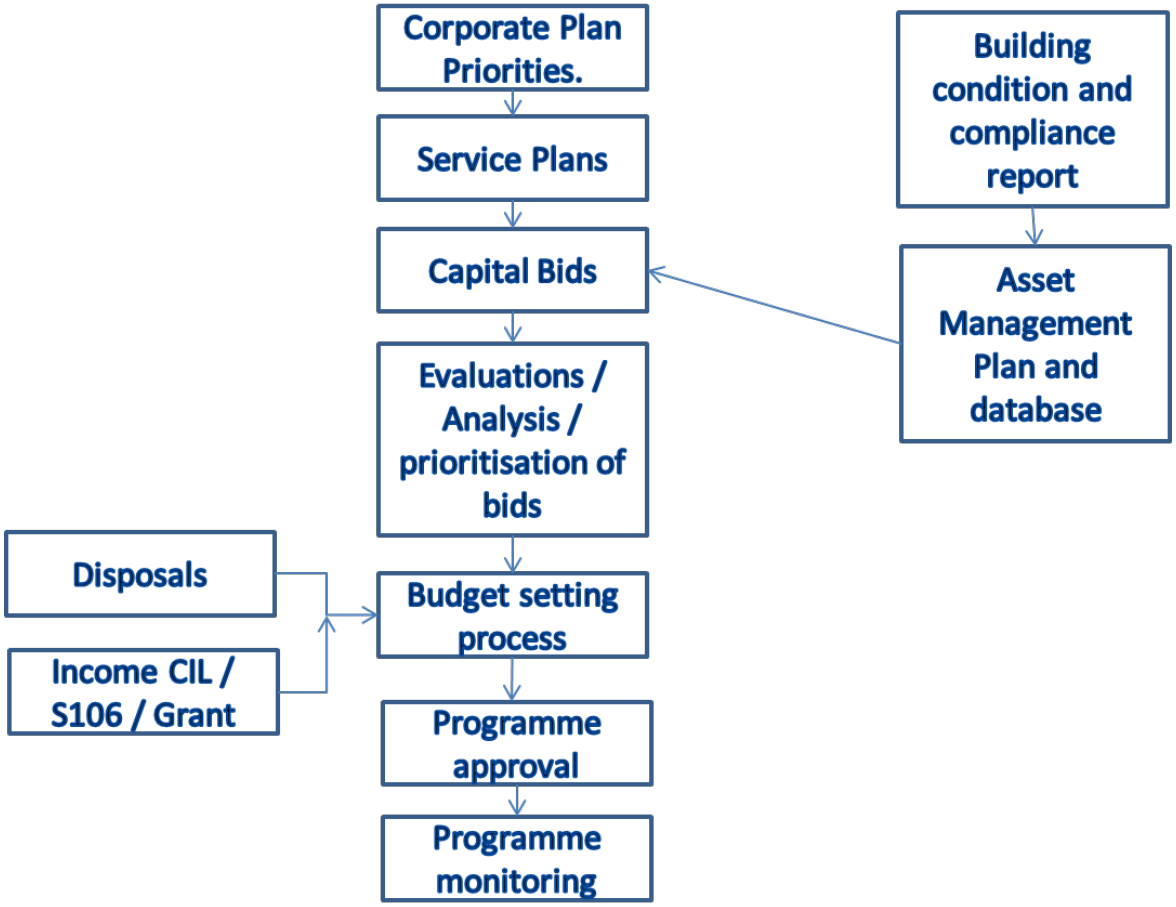
Appendix B

Prioritisation Matrix

Budget Prioritisation – Scoring Guidance for Capital Bids		
Criteria	Scoring Method	
Contribution to Corporate Priorities including ICT related priorities	Score each one out of 10 based on the contribution made to each of the Council's corporate objectives, where:	
	10 =	Very High (Major contribution to 2 or more key outcomes
	8 =	Medium to High (Major contribution to 1 key outcome)
	6 =	Medium (Some contribution to 2 or more key outcomes
	4 =	Low to Medium (Some contribution to 1 key outcome
	2 =	Low (Indirectly supports at least 1 key outcome
	0 =	None (No contribution to key outcomes)
Maintenance of existing infrastructure in terms of security and functionality	10 =	Essential to council's core business - council can't function without it
	5 =	Loss of efficiences/revenue or increased costs
	0 =	Doesn't effect existing infrastructure of council
Statutory / Non-Statutory/ Health and Safety	This score adds a weighting to services/bids which have a statutory element:	
	10 =	Project has a statutory requirement
	5 =	Services that are based on statutory/health and safety duties but where there is some degree of discretion about how the function is carried out
	0 =	Services where the Council can exercise complete discretion
Small Scheme Weighting	This score adds weighting to lower value bids:	
	4 =	for schemes under £50,000
	2 =	for schemes between £50,000 - £99,000
	0 =	for schemes in excess of £100,000
Funding Available	This score adds a weighting for schemes that have earmarked funding available and/or have an ability to attract external funding e.g. grant aid or generate capital receipts:	
	10 =	100% external funding is available
	4 =	51% - 99% external funding is available
	2 =	Up to 50% external funding is available
	0 =	No funding has been identified
Revenue Implications	This score assesses the Capital Bids in regard to whether there are any resulting revenue implications:	
	50 =	The bid is part of an approved Invest to Save scheme to deliver revenue savings
	10 =	Income is generated or revenue savings achieved
	4 =	There are no additional revenue implications
	2 =	There are revenue costs but funding is already in place
	0 =	There are revenue costs with no funding identified
Risk Factor	This score adds a weighting to Capital Bids based on a risk assessment of not undertaking the capital project	
	10 =	Very High Risk (Complete loss of statutory service)
	8 =	High Risk (Partial loss of statutory service, complete loss of discretionary service)
	6 =	Medium Risk (Partial loss of discretionary service, worsening statutory service)
	2 =	Low Risk (Deterioration in services, more complaints)
	4 =	Very Low Risk (No improvement in customer satisfaction levels)
	0 =	No Risk (No discernible impact forseen, low levels of complaint continue)
Environmental Factors	This score assesses the Capital Bids in regard to whether the investment will support delivery of environmental goals	
	10 =	Investment has a postive impact on enironmental factors such as carbon waste and pollution
	0 =	Investment has no impact on environmental factors
Priority Level	This is the total score across all criteria	

Appendix C

CAPITAL PROGRAMME PROCESS



Appendix D

ACTION PLAN

1. **Objective** – To develop a Corporate Asset Management Plan that clearly explains how we move from the existing asset base to the assets we will need across the short, medium and long term in order to achieve the Corporate Vision.

There are four areas where work is required

- Developing our knowledge of the existing asset base
- Identifying what assets we need in the future
- Develop and implement new systems and processes to enable the transition
- Review current capacity within the organisation

2. **Developing our knowledge of the existing asset base.**

Action	Lead	Progress update	Deadline
Up-to-date condition surveys are needed covering the current condition of the asset base, the cost and timescales of maintaining the assets over the remaining useful life and the cost of replacing the asset at the end of its life. Whilst rolling work programmes are currently maintained these do not cover every asset, mainly focusing on property assets, and do not cover the remaining useful life.	AD Property & Asset Management supported by DD Planning, Transport & Regulatory Services/AD Housing & Communities /Chief Digital & Information Officer	Condition surveys for the corporate buildings are due to be completed by the end of January 2020 and will be analysed during February. Further work will continue during 2020 to finalise the asset register information.	31/10/2020

3. **Identifying what assets we need in the future**

Action	Lead	Progress update	Deadline
Service Plans play an important role in identifying our future asset base for the short, medium term and long term. It is therefore vital that service plans are developed with clear identified need reflected over these periods. To achieve this aim we need to identify a clear process to prioritise the identified need and how to translate these priorities into asset development to enable delivery of the Corporate Plan. Examples of things to be considered in achieving this are • Growing elderly population with complex needs and the potential need for greater residential and nursing places within the borough. • Changes in the school age demographics impacting on the need for school places across the borough. • General demographic changes impacting on the need for affordable housing in the future • The need for economic regeneration to support the economy • The need for the future transport infrastructure to support demographic changes and economic regeneration. • The need for cultural and leisure facilities across the borough • The need for IT infrastructure	All service managers working with the appropriate asset teams/ AD Property & Asset Management/DD Planning, Transport & Regulatory Services/AD Housing & Communities /Chief Digital & Information Officer	Education, Housing & Transport Services already have existing long-term and regularly updated plans in place that identify the future asset needs. The Asset management teams have been working with other services in a phased process, to assist them in identifying their long-term future assets needs. As a result, Adult Social Care Services have recently competed phase 1 of their review. Work with Cultural Services & BFfC (to consider non-Education asset requirements such as Children's Centres). will commence shortly. A review of the Leisure Service asset needs has also taken place as part of the wider Leisure Service Procurement process. The Corporate Asset Management team have been involved in a property rationalisation programme for a number of years. This has covered office accommodation at the Civic, Avenue Centre, Town Hall, Bennet Road/Darwin Close and a number of satellite sites.	On-going as part of the annual budget build process.

Action	Lead	Progress update	Deadline
For this to be implemented service managers will require support. This is considered under section four below.			
The identification of future asset needs will assist in identifying any surplus assets that can be disposed of to generate a capital receipt. The current programme of disposals will need to be reviewed and updated alongside the work to identify future asset needs.	AD Property & Asset Management /Principal Valuer	The Valuations team continue to maintain a schedule of surplus assets to support the MTFS and are in the process of making changes to how the information is presented to better enable decision making. Work to identify future asset needs has enabled improved information sharing between the Valuations team and other Services.	On-going as part of the annual budget build process.

4. Develop and implement new systems and processes to enable the transition

Four areas have been identified where work is required.

- Skills and knowledge

Action	Lead	Progress update	Deadline
Ensure service and finance staff receive appropriate training to carry out their roles. This will include training on the capital investment process itself, project management, capital fundamentals, financial regs and the procurement framework	AD HR & Organisational Development/ AD Finance/AD Procurement &	A number of staff have now undertaken existing training courses on project management & procurement framework.	On-going

Action	Lead	Progress update	Deadline
	Contracts/Chief Auditor	The Finance team are in discussion re how to deliver a wider training programme.	
Further develop and implement a post project review process for all major capital schemes that covers the achievement of intended outcomes and comparison of actual spend and timescales vs original budget and planned implementation. Reports to be submitted to APB for reflection and communication of lessons learnt	AD Property & Asset Management supported by DD Planning, Transport & Regulatory Services/AD Housing & Communities /Chief Digital & Information Officer/AD Finance	Individual teams continue to carry out reviews including the production of KPIs. Further work to develop this process will commence in 2020 (linking in with the Gateway approach mentioned below)	31/12/2020

- Availability of good quality and up-to-date information

Action	Lead	Progress update	Deadline
Ensure appropriate systems are in place to enable effective capital scheme monitoring	AD Finance	Oracle have recently completed a review of the Fusion finance system. Further work to be carried out during 2020	31/12/2020
Develop a standard template to accompany service plans, to assist service managers in identifying future asset needs	AD Property & Asset Management supported by DD Planning, Transport & Regulatory Services/AD Housing & Communities /Chief Digital & Information Officer/AD Finance	Asset Management teams are considering what this might look like as part of their work with the services mentioned above in section three.	31/08/2020

Action	Lead	Progress update	Deadline
Update the Corporate Asset Management Plan to reflect the identified and agreed future asset needs and the steps required to achieve the desired outcomes.	AD Property & Asset Management supported by DD Planning, Transport & Regulatory Services/AD Housing & Communities /Chief Digital & Information Officer/AD Finance		31/12/2020
Secure an asset management database	AD Property & Asset Management	Valuations & Corporate Maintenance teams have identified a suitable system and are currently reviewing finances.	31/12/2020

- The decision-making process

Action	Lead	Progress update	Deadline
Develop a standard business case template to ensure appropriate information is captured, including full life cost of the asset, revenue implications and available funding sources. The capital bid template should be a summarised version of this template.	AD Property & Asset Management supported by DD Planning, Transport & Regulatory Services/AD Housing & Communities /Chief Digital & Information Officer/AD Finance	The capital bid template was updated for the 20/21 MTFS process. Further work is required to develop this into a full business case template.	31/10/2020
Develop a clear and transparent scheme evaluation process to aid decision making taking into account the agreed corporate priorities and being mindful of available funding sources and staff capacity to deliver projects and achieve the desired outcomes	AD Property & Asset Management supported by DD Planning, Transport & Regulatory Services/AD Housing &	The prioritisation matrix was used as part of the capital bid template for the 20/21 MTFS. Work to evaluate the success of this process to commence	31/12/2020

Action	Lead	Progress update	Deadline
	Communities /Chief Digital & Information Officer/AD Finance	later in 2020 following approval of the MTFS.	

- Governance

Action	Lead	Progress update	Deadline
Review and change the Terms of Reference for existing officer groups to ensure these groups are fit for purpose and carry out the required roles and responsibilities	AD Property & Asset Management	Terms of reference for both the APB/L&P group have been updated.	31/03/2020
Update the Constitution and related documents to provide clarity around the capital investment process (approval monitoring, virements, slippage)	AD Finance		31/12/2020
To review existing arrangements and develop a consistent gateway management approach ensuring appropriate controls are included within the approval process with clear milestones.	AD Property & Asset Management supported by DD Planning, Transport & Regulatory Services/AD Housing & Communities /Chief Digital & Information Officer/AD Finance	The development of the capital bid template included the identification of project milestones.	31/12/2020
To ensure the financial implications of capital investment decisions are understood and are integrated into revenue budgets	AD Finance	To assist this all capital bids submitted as part of the 2020 MTFS process included a 'revenue implications' section and required sign off by Strategic Business Partner, Assistant/Deputy	On-going

Action	Lead	Progress update	Deadline
		Director & Director. A similar process was implemented for revenue bids to ensure a joined-up approach.	

5. Review capacity within the organisation

Action	Lead	Progress update	Deadline
Review current capacity to deliver capital schemes and achieve the desired outcomes.	AD Property & Asset Management /DD Planning, Transport & Regulatory Services/AD Housing & Communities /Chief Digital & Information Officer		On-going
Consider staffing requirements to project management the change detailed in this action plan.	CMT		31/03/2020

6. On-going work

a. In addition there are areas where on-going work will also be required. This includes

i. Implement a rolling-programme of asset surveys across the entire asset base.

ii. On-going training to ensure new staff have the skills and knowledge to carry out their roles.

iii. Regular review of service plans, corporate asset management plan etc to ensure any changes are captured.

Appendix E

General Fund Capital Programme

Scheme Name	2019/20 Forecast Net (£,000's)	Spend (£,000's)	Funding (£,000's)	2020/21 Forecast Net (£,000's)	Spend (£,000's)	Funding (£,000's)	2021/22 Forecast Net (£,000's)	Spend (£,000's)	Funding (£,000's)	2022/23 Forecast Net (£,000's)
Delivery Fund (incl Equal Pay)	4,539	4,069	-	4,069	467	-	467	-	-	-
Corp Total	**4,539**	**4,069**	**-**	**4,069**	**467**	**-**	**467**	**-**	**-**	**-**
e-Marketplace & Equipment Renewal Portal Software	-	170	(93)	77	-	-	-	-	-	-
Mobile Working and Smart Device	-	150	-	150	-	-	-	-	-	-
Replacement of Community Re-ablement Software	-	85	-	85	-	-	-	-	-	-
Social Care Premises	150	1,000	-	1,000	5,000	-	5,000	1,000	-	1,000
DACHS Total	**150**	**1,405**	**(93)**	**1,312**	**5,000**	**-**	**5,000**	**1,000**	**-**	**1,000**
Additional School Places - Contingency	-	500	(500)	-	500	(500)	-	500	(500)	-
Avenue Expansion	-	9	(9)	-	-	-	-	-	-	-
Blessed Hugh Faringdon - Asperger Unit 30 place expansion (SEN)	-			-	-	-	-	-	-	-
Civitas- Synthetic Sports Pitch	-	319	(319)	-	-	-	-	-	-	-
Cranbury College at JMA	-	819	(819)	-	-	-	-	-	-	-
Crescent Road Playing Field Improvements	-	314	(314)	-	-	-	-	-	-	-
Critical Reactive Contingency: Health and safety (Schools)	-	727	(727)	-	536	(536)	-	585	(585)	-
Foster Carer Extensions	100	100	-	100	100	-	100	-	-	-

Green Park Primary School	-	-	-	-	-	-	-	-	-	-
Heating and Electrical Programme - Manor Pry Power	-	154	(154)	-	-	-	-	-	-	-
Heating and Electrical Renewal Programme	-	929	(929)	-	545	(545)	-	585	(585)	-
Initial Viability work for the Free School at Richfield Avenue	-	160	(160)	-	-	-	-	-	-	-
Katesgrove Primary Trooper Potts Building	-	6,981	(6,981)	-	736	(736)	-	-	-	-
Meadway Early Years Building Renovation	-	100	(100)	-	5	(5)	-	-	-	-
New ESFA funded schools - Phoenix College	-	6,300	(5,400)	900	1,300	(400)	900	-	-	-
New ESFA funded schools - St Michaels	-	101	(101)	-	-	-	-	-	-	-
Primary Schools Expansion Programme - 2013-2017	-	490	(490)	-	-	-	-	-	-	-
Schools - Fire Risk Assessed remedial Works	-	203	(203)	-	210	(210)	-	200	(200)	-
Thameside SEN Expansion	-	-	-	-	-	-	-	-	-	-
The Heights Permanent Site Mitigation	226	918	(801)	117	268	(268)	-	-	-	-
The Heights Temporary School	-	-	-	-	-	-	-	-	-	-
DCEEHS Total	**326**	**19,124**	**(18,007)**	**1,117**	**4,200**	**(3,200)**	**1,000**	**1,870**	**(1,870)**	**-**
Abbey Quarter	-	457	(457)	-	-	-	-	-	-	-
Accommodation Review - Henley Road Cemetery	39	-	-	-	-	-	-	-	-	-
Accommodation Review - Phase 2A & B	133	-	-	-	-	-	-	-	-	-
Accommodation Review - Phase 2C (19 Bennet Road)	4,230	1,824	-	1,824	98	-	98	-	-	-
Accommodation Review - Town Hall	291	-	-	-	-	-	-	-	-	-
Additional Storage Capacity at Mortuary	-	15	-	15	-	-	-	-	-	-
Air Quality Monitoring	-	33	(33)	-	-	-	-	-	-	-
Bridges and Carriageways	727	1,669	(1,259)	410	-	-	-	-	-	-
Car Park Investment Programme	-	226	(226)	-	-	-	-	-	-	-
Car Parking - P&D, Red Routes, Equipment	250	200	(100)	100	-	-	-	-	-	-

Cattle Market Car Park	-	503	(503)	-	-	-	-	-	-	-
CCTV	-	-	-	-	-	-	-	-	-	-
Cemeteries and Crematorium	96	100	-	100	-	-	-	-	-	-
Central Library - Reconfiguration/Refurbishment Feasibility	50		-	-	-	-	-	-	-	-
Central Pool Regeneration	292	-	-	-	-	-	-	-	-	-
Chestnut Walk Improvements	82	40	(25)	15	-	-	-	-	-	-
Christchurch Meadows Paddling Pool	-	35	-	35	-	-	-	-	-	-
CIL Local Funds - Community	-	52	(52)	-	-	-	-	-	-	-
CIL Local Funds - Heritage and Culture	-	115	(115)	-	-	-	-	-	-	-
CIL Local Funds - Leisure and Play	-	338	(338)	-	-	-	-	-	-	-
CIL Local Funds - Transport	-	435	(435)	-	-	-	-	-	-	-
CIL Local Funds -Neighbourhood Allocation	-	238	(238)	-	-	-	-	-	-	-
Corporate Office Essential Works	-	50	-	50	50	-	50	652	-	652
Dee Park Regeneration - Housing Infrastructure Fund (school)	-	6,000	(6,000)	-	-	-	-	-	-	-
Defra Air Quality Grant - Bus Retrofit	-	388	(388)	-	-	-	-	-	-	-
Defra Air Quality Grant - Go Electric Reading	-	54	(54)	-	-	-	-	-	-	-
Transport Demand Management Scheme - Feasibility Work	-	-	-	-	500	-	500	-	-	-
Development of facilities at Prospect Park/Play	-	550	(475)	75	-	-	-	-	-	-
Disabled Facilities Grants (Private Sector)	-	1,055	(1,055)	-	1,055	(1,055)	-	1,055	(1,055)	-
Eastern Area Access Works	-	100	(100)	-	140	(140)	-	-	-	-
Electric Vehicle Charging Points	-	200	-	200	50	-	50	-	-	-
Food Waste and Smaller Bins	-	1,489	-	1,489	-	-	-	-	-	-
Green Park Station	-	11,500	(11,500)	-	777	(777)	-	-	-	-

Grounds Maintenance Workshop Equipment	-	50	-	50	-	-	-	-	-	-
Homes for Reading - Share Redemption Loan	7,000	-	-	-	-	-	-	-	-	-
Invest in Corporate buildings/Health & safety works	1,500	1,768	-	1,768	1,000	-	1,000	1,000	-	1,000
Invest to save energy savings - Street lighting	-	258	-	258	-	-	-	-	-	-
Leisure Procurement	375	5,662	(750)	4,912	26,292	(750)	25,542	3,929	-	3,929
Local Traffic Management and Road Safety Schemes	-	359	(359)	-	-	-	-	-	-	-
LTP Development	-	200	(200)	-	200	(200)	-	-	-	-
NCN Route 422	-	-	-	-	-	-	-	-	-	-
New Kit/Vehicles for Commercial Services Dvlpt	-	122	-	122	-	-	-	-	-	-
Oxford Rd Community Centre	181	-	-	-	-	-	-	-	-	-
Oxford Road Corridor Works	-	318	(318)	-	-	-	-	-	-	-
Playground equipment and Refreshment: Boroughwide	-	494	(44)	450	250	-	250	891	-	891
Private Sector Renewals	200	300	-	300	300	-	300	300	-	300
Provision of Gypsy & Traveller Accommodation	-	-	-	-	50	-	50	3,580	-	3,580
Pumping Station Upgrade Scheme (new)	-	250	-	250	-	-	-	-	-	-
re3 extending range of recyclables	-	86	(53)	33	-	-	-	-	-	-
Reading Football Club Social Inclusion Unit to SRLC	-	1,496	(1,496)	-	38	(38)	-	-	-	-
Reading Town Centre Design Framework	-	-	-	-	-	-	-	-	-	-
Reading West Station	-	3,400	(3,400)	-	-	-	-	-	-	-
Renewable Energy	-	500	-	500	2,000	(700)	1,300	2,000	-	2,000
Replacement Vehicles	1,399	176	-	176	3,231	-	3,231	2,523	-	2,523
Rogue Landlord Enforcement	-	-	-	-	-	-	-	-	-	-
S106 individual schemes list	-	284	(284)	-	-	-	-	-	-	-
Salix Decarbonisation Fund	-	600	-	600	600	-	600	600	-	600

Small Leisure Schemes	-	237	(237)	-	150	(50)	100	300	(50)	250
Smart City Cluster project and C-ITS	-	227	(227)	-	-	-	-	-	-	-
South Reading MRT (Phases 1 & 2)	-	-	-	-	-	-	-	-	-	-
South Reading MRT (Phases 3 & 4)	-	2,536	(2,536)	-	-	-	-	-	-	-
South Reading MRT (Phases 5 & 6)	-	1,000	(1,000)	-	1,000	(1,000)	-	5,000	(5,000)	-
St George's Church Affordable Housing scheme	-	-	-	-	-	-	-	-	-	-
The Keep	94	-	-	-	-	-	-	94	(94)	-
Town Centre Improvements	-	450	-	450	-	-	-	-	-	-
Town Centre Street Trading Infrastructure	-	40	-	40	-	-	-	-	-	-
Town Hall Equipment	-	205	-	205	-	-	-	-	-	-
Traffic Management Schools	-	295	(295)	-	100	(100)	-	-	-	-
Tree Planting	3	50	-	50	50	-	50	50	-	50
Waste Operations - In Cab Waste Management System	70	-	-	-	-	-	-	-	-	-
West Reading Transport Study - Southcote/Coley Improvements	35	-	-	-	-	-	-	-	-	-
Western Area Access Works	-	-	-	-	-	-	-	-	-	-
Highway Infrastructure Works	-	3,000	-	3,000	3,000	-	3,000	3,000	-	3,000
Harden Public Open Spaces to Prevent Incursion	44	35	-	35	25	-	25	25	-	25
Salix Re-Circulation Fund	73	588	-	588	250	-	250	250	-	250
Sun Street - Final Phase	135	145	-	145	-	-	-	-	-	-
DEGNS Total	**17,299**	**52,797**	**(34,552)**	**18,245**	**41,206**	**(4,810)**	**36,396**	**25,249**	**(6,199)**	**19,050**
Customer Digital Experience	-	750	-	750	1,000	-	1,000	750	-	750
Future ICT Operating Model	100	5,429	-	5,429	839	-	839	-	-	-
ICT Infrastructure (Invest to save)	1,000	667	-	667	500	-	500	500	-	500
Loan To RTL (Bus replacement programme)	1,500	5,000	-	5,000	5,000	-	5,000	5,000	-	5,000

Loan To RTL (Project Voyager)	5,200	-	-	-	-	-	-	-	-	-
Oracle Capital Works - financed through reduced rental	247	100	-	100	100	-	100	100	-	100
Purchase of Commercial Property	35,205	80,000	-	80,000	50,000	-	50,000	50,000	-	50,000
Re-Procurement / Reimplementation of Finance System	-	100	-	100	100	-	100	-	-	-
Universal Digital Systems	941	1,005	-	1,005	910	-	910	910	-	910
DoR Total	**44,193**	**93,051**	**-**	**93,051**	**58,449**	**-**	**58,449**	**57,260**	**-**	**57,260**
Grand Total	**66,507**	**170,446**	**(52,652)**	**117,794**	**109,322**	**(8,010)**	**101,312**	**85,379**	**(8,069)**	**77,310**

Appendix E - Continued

HRA Capital Programme

Scheme Name	2019/20 Forecast Net (£,000's)	2020/21 Forecast Spend (£,000's)	2020/21 Forecast Funding (£,000's)	2020/21 Forecast Net (£,000's)	2021/22 Forecast Spend (£,000's)	2021/22 Forecast Funding (£,000's)	2021/22 Forecast Net (£,000's)	2022/23 Forecast Spend (£,000's)	2022/23 Forecast Funding (£,000's)	2022/23 Forecast Net (£,000's)
Major Repairs	7,429	11,066		11,066	9,500		9,500	9,618		9,618
Hexham Road	1,400	950		950			-			-
Disabled Facilities Grants	670	500		500	500		500	500		500
Fire Safety Works	1,128	977		977	1,250		1,250	1,385		1,385
New Build & Acquisitions - Phase 1	1,174	214		214			-			-
New Build & Acquisitions - Phase 2	2,729	12,205	(1,111)	11,094	5,892	(1,112)	4,780			-
New Build & Acquisitions - Phase 3	569	8,381	(3,601)	4,780	7,680	(3,621)	4,059			-
New Build & Acquisitions - (Ex General Fund)	133	77		77			-			-
Housing Mngt System	111	604		604			-			-
Grand Total	**15,343**	**34,974**	**(4,712)**	**30,262**	**24,822**	**(4,733)**	**20,089**	**11,503**	**-**	**11,503**