

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

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| TO: | POLICY COMMITTEE | | |
| DATE: | 15 FEBRUARY 2021 | | |
| TITLE: | CAPITAL STRATEGY 2021/22 | | |
| LEAD COUNCILLOR: | COUNCILLOR BROCK | PORTFOLIO: | LEADER OF THE COUNCIL |
| SERVICE: | ALL | WARDS: | BOROUGHWIDE |
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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 full Council.

2. RECOMMENDED ACTION

Policy Committee is asked to:

- 2.1 Recommend to Council the adoption of the Capital Strategy attached at Appendix 1; and
- 2.2 Note the updated Action Plan that forms Appendix D of the Capital Strategy (Appendix 1) together with the associated financial implications.

Appendices:

Appendix 1 - Draft Capital Strategy 2021/22

3. POLICY CONTEXT

- 3.1. The aim of the Capital Strategy is to support the delivery of the Council's Corporate Plan, which includes the Council's agreed priorities.

4. INTRODUCTION

- 4.1 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 of the Council.
- 4.2 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.

- 4.3 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, Corporate Investment Strategy and Carbon Reduction Strategy.
- 4.4 The Strategy sets out among other things; the Council's approach to asset management planning, development and monitoring of the Capital Programme.
- 4.5 The Capital Strategy has been updated in several respects. The most significant change relates to the removal from the Capital Programme of further commercial property acquisition following new restrictions on borrowing from the PWLB. The updated Strategy also provides a more balanced reflection of all asset types owned by the Council and clearer referencing to supporting strategies.
- 4.6 Appendix B to the Strategy attached at Appendix 1 sets out a prioritisation matrix for new capital schemes.
- 4.7 The proposed Action Plan at Appendix D of the Strategy identifies four areas of ongoing work required for the Council 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
- 4.8 A number of actions included on the previous action plan have now been completed:
 - A prioritisation matrix has been developed in line with the Capital Strategy and has been used to evaluate capital bids as part of the 2021/22 MTFS process;
 - The Terms of Reference of the asset management governance arrangements have been reviewed and revised;
 - A new Gateway process has been developed and implemented to more actively manage the way projects are progressed;
 - The new capital bids template now explicitly requires the identification of revenue consequences of capital proposals.
- 4.9 Progress against actions still outstanding are reported on the face of the Action Plan along with revised target completion dates. A further action has been identified to fundamentally review the Commercial Investment Strategy to ensure that it is now focussed on managing the Council's existing portfolio, rather than acquiring new assets.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The Council's vision is to ensure that Reading realises its potential - and to ensure that everyone who lives and works in Reading can share the benefits of its success. The Council has six priorities which contribute to delivering this vision. These priorities are:
 - 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; and
- Ensuring the Council is fit for the future.

5.2 The Capital Strategy provides a link between the Corporate Plan and the development of the Capital Programme as well as setting out the approach taken to asset management to ensure that these fit with the corporate priorities.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

6.1 There are no environmental or climate implications arising directly from the report; these are set out in the 2021/22 Budget and Medium-Term Financial Strategy 2021/22 - 2023/24.

7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1. The Council's budget consultation process ran from 15th December 2020 until 15th January 2021. The feedback from this consultation, alongside the feedback from the Resident's Survey 2020 is set in in the main body and appendices of the 2021/22 Budget and Medium-Term Financial Strategy 2021/22 - 2023/24 report which appears elsewhere on the agenda.

8. FINANCIAL IMPLICATIONS

8.1. The Council's Capital expenditure requirements are set out within the Strategy attached at Appendix 1. The financial implications of the Council's Capital expenditure plans are set out in 2021/22 Budget and Medium-Term Financial Strategy 2021/22 - 2023/24 report and Treasury Management Strategy Statement which appear elsewhere on the agenda.

9. LEGAL IMPLICATIONS

9.1. 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.

10. BACKGROUND PAPERS

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