

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	POLICY COMMITTEE		
DATE:	14 FEBRUARY 2022		
TITLE:	CAPITAL STRATEGY 2022/23		
LEAD COUNCILLOR:	COUNCILLOR BROCK	PORTFOLIO:	LEADER OF THE COUNCIL
SERVICE:	ALL	WARDS:	BOROUGHWIDE
LEAD OFFICER:	STUART DONNELLY	TEL:	01889 373468
JOB TITLE:	FINANCIAL PLANNING & STRATEGY MANAGER	E-MAIL:	stuart.donnelly@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 full Council.
- 1.2. This report has been prepared with reference to the following documents:
- CIPFA Code of Practice for Treasury Management in the Public Services 2017
 - CIPFA The Prudential Code 2017
 - MHCLG guidance February 2018

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 C of the Capital Strategy (Appendix 1) together with the associated financial implications.

Appendices:

Appendix 1 - Draft Capital Strategy 2022/23

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 This year the Capital Strategy has been subject to relatively minor update. The figures in the various tables, most particularly the Capital Programme itself have been updated to reflect the latest position consistent with the MTFS report elsewhere on this agenda. Also, the Action Plan at Appendix C has been refreshed. It is likely that more radical revision will be needed in the year ahead following the publication of a revised Prudential Code by CIPFA later this year and the review of Capital governance arrangements planned by the Director of Finance.
- 4.6 Appendix A to the Strategy attached at Appendix 1 sets out a prioritisation matrix for new capital schemes.
- 4.7 The proposed Action Plan at Appendix C of the Strategy identifies four areas of ongoing work required for the Council to remain 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 Progress against actions still outstanding are reported on the face of the Action Plan along with revised target completion dates. Progress against the action plan has not been what was anticipated due to a range of issues, but most particularly staff shortages and turnover in key teams and the inevitable strain put on all teams due to coping with the continuing impact of the Coronavirus pandemic. Some recent appointments along with some further imminent additions should facilitate better progress in the year ahead.

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 three themes which contribute to delivering this vision, which are:
- Healthy Environment;
 - Thriving Communities; and

- Inclusive Economy.

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 2022/23 Budget and Medium-Term Financial Strategy 2022/23 - 2024/25.

7. COMMUNITY ENGAGEMENT AND INFORMATION

7.1. The Council's budget consultation process ran from 20th December 2021 until 14th January 2022. The feedback from this consultation, alongside the feedback from the Resident's Survey 2021 is set in in the main body and appendices of the 2022/23 Budget and Medium-Term Financial Strategy 2022/23 - 2024/25 report which appears elsewhere on the agenda.

8. EQUALITY IMPACT ASSESSMENT

8.1. Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

8.2. An initial Assessment of the proposals as set out in the MTFs (including the Capital Programme) has been undertaken and Appendix 10 to the 2022/23 Budget & Medium Term Financial Strategy 2022/23-2024/25 Report, which is elsewhere on the agenda, sets out the individual budget proposals where specific equality impact assessments will need to be undertaken prior to implementation.

8.3. Additionally, when considering changes to service provision, local authorities are under a duty to consult representatives of a wide range of local stakeholders. Authorities must consult representatives of council tax payers, those who use or are likely to use services provided by the authority and those appearing to the authority to have an interest in any area within which the authority carries out functions. The consultation on the Draft Budget proposals assists with this requirement.

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. FINANCIAL IMPLICATIONS

10.1. 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 2022/23 Budget and Medium-Term Financial Strategy

2022/23 - 2024/25 report and Treasury Management Strategy Statement which appear elsewhere on the agenda.

10.2. All schemes included in the approved capital programme, including those planned to start in 2022/23 shall remain subject to:

(i) spending approval in detail by the responsible Committee or Policy Committee or Council, as appropriate, for all schemes

(ii) the Director of Finance confirming the availability of funds.

10.3. The Capital Programme, attached as Appendix 7 to the 2022/23 Budget & Medium Term Financial Strategy 2022/23-2024/25 Report, identifies schemes where the commitment to proceed has already been made. All other schemes remain in the Programme but approval to proceed will only be given when the Director of Finance confirms the availability of funds including that sufficient revenue budget is available to meet the ongoing capital financing costs of schemes

11. BACKGROUND PAPERS

11.1. None.