

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	POLICY COMMITTEE		
DATE:	20 FEBRUARY 2023		
TITLE:	CAPITAL STRATEGY 2023/24		
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 2021 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 2021
 - CIPFA The Prudential Code for Capital Finance in Local Authorities 2021
 - 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 D of the Capital Strategy (Appendix 1) together with the associated financial implications.

Appendices:

Appendix 1 - Draft Capital Strategy 2023/24

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 2021 Prudential and Treasury Management Codes require 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 Strategy (MTFS), Treasury Management Strategy, Asset Management Strategy, Corporate Investment Strategy and Carbon Reduction Strategy.
- 4.4 The Capital Strategy sets out among other things, the Council's approach to asset management planning, development, and monitoring of the Capital Programme's delivery.
- 4.5 This year, the Capital Strategy has been subject to updates arising from the revised Prudential Code for Capital Finance in Local Authorities 2021. 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 D has been refreshed. The Director of Finance will keep this under review during the year and will bring forward any changes that may be required.
- 4.6 During 2022/23, a Capital Programme Board chaired by the Director of Finance was introduced to increase oversight of the Capital Programme and its delivery. Terms of Reference for the Board are included at Appendix C.
- 4.7 The revised Code also clarifies that non-treasury management investments are to be reported as part of the Capital Strategy rather than within the Treasury Management Strategy. Consequently, where the Council has loaned funds to or holds equity investments in its wholly owned companies in order to facilitate service provision/investment this is now incorporated into the Capital Strategy (Appendix 1 - Section 4).
- 4.8 Appendix A to the Strategy attached at Appendix 1 sets out a prioritisation matrix for new capital schemes.
- 4.9 Proposed Terms of Reference for the newly established Capital Programme Board are included at Appendix C of the Strategy.
- 4.10 The proposed Action Plan at Appendix D 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 Council's existing asset base;
 - Identifying what assets we need in the future;
 - Developing and implementing new systems and processes, which enable full compliance with the Code requirements;
 - Reviewing current capacity and skillsets within the organisation.

- 4.11 Progress against actions still outstanding are reported on the face of the Action Plan along with revised target completion dates. The progress against the Action Plan has not been what was anticipated when set. However, a number of significant steps forward have been made, including: strengthening staffing arrangements in the Directorate of Economy, Growth and Neighbourhood Services, especially within Property and Asset Management. The Capital Programme Board under the leadership of the Director of Finance has been established to drive improved programming and delivery.

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 2023/24 Budget and Medium Term Financial Strategy 2023/24 - 2025/26.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1. The Council's budget consultation process ran from 19th December 2022 until 19th January 2023. The feedback from this consultation, alongside the feedback from the Resident's Survey 2022 is set in in the main body and appendices of the 2023/24 Budget and Medium Term Financial Strategy 2023/24 - 2025/26 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 2023/24 Budget & Medium Term Financial Strategy 2023/24-2025/26 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 2023/24 Budget and Medium Term Financial Strategy 2023/24 - 2025/26 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 2023/24 shall remain subject to spending approval in detail by the responsible Committee or Policy Committee or Council, as appropriate, for schemes over £2.5m, with the exception of expenditure on rolling programmes of routine capital expenditure.
- 10.3. The Capital Programme, attached as Appendix 7 to the 2023/24 Budget & Medium Term Financial Strategy 2023/24-2025/26 Report, identifies schemes where the commitment to proceed has already been made. Additionally, there are a number of schemes that have been included within the Capital Programme but remain subject to approval of detailed business cases in order to proceed. A small number of other schemes have been included for information purposes as Appendix 7c, but these remain outside of the approved Capital Programme until the Director of Finance is able to confirm the availability of funds, including that there is sufficient revenue budget available to meet the ongoing capital financing costs of schemes if appropriate.

11. BACKGROUND PAPERS

- 11.1. None.