



**Reigate & Banstead**  
BOROUGH COUNCIL  
Banstead | Horley | Redhill | Reigate

<b>REPORT OF:</b>	Head of Finance
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<b>TO:</b>	Executive
<b>DATE:</b>	22 June 2017
<b>EXECUTIVE MEMBER:</b>	COUNCILLOR T. SCHOFIELD

<b>KEY DECISION REQUIRED:</b>	YES
<b>WARD (S) AFFECTED:</b>	ALL

<b>SUBJECT:</b>	<b>Amendment to Capital Programme</b>
<b>RECOMMENDATIONS:</b>	
(i) That the proposed changes to the Capital Programme, as set out in paragraph 13 of the report be approved and that the supporting amended borrowing requirements as detailed in paragraph 17 be approved.	
<b>REASONS FOR RECOMMENDATIONS:</b>	
To ensure that the Council is able to respond flexibly to commercial opportunities in the property market to deliver the Capital Programme.	
<b>EXECUTIVE SUMMARY:</b>	
In April and February 2017 respectively the Council approved the Treasury Management Strategy and Capital Programme for 2017/18 and beyond.	
The Executive reviewed its Borrowing Strategy (as part of the Treasury Management Strategy) in the light of the Council's approved 5 Year Plan and the need for the Council to become financially self sufficient due to the reduction of previous funding streams.. This programme included a borrowing requirement of £40M set against specific long term property investments. The adopted Treasury Management Strategy therefore increased the Council's Capital Programme to accommodate the expenditure needed to manage the investments that would be funded from the increased borrowing limit.	
This report does not seek to change the overall Capital Expenditure Programme value or borrowing requirement.	
Potential investment opportunities have changed since April. The Council has identified a range of other potential property investments in line with the strategic objectives outlined in our Five Year Plan.	
The Council has identified a need for flexibility in the property investment portfolio in order to meet marketplace timelines for property acquisitions.	

The Council is seeking to amend the Capital Programme to allow for Property Acquisitions within the previously approved total value, in line with the Strategic aims.

**The above recommendation is subject to approval by Full Council.**

## **STATUTORY POWERS**

1. The *Local Government Act 1992* places a requirement on Councils to set the following year's Council Tax levels by 11 March each year. The *Local Government Act 1972* requires the Council to set the associated annual budget as part of proper financial management. This report is part of that process.

## **BACKGROUND**

2. All organisations require strong business plans if they are to perform at the highest level. The Council has an adopted 5 Year Plan setting out our priorities, aims and objectives. Three year business plans for each service have been prepared to identify how the Council will manage its services and resources in order to meet our corporate priorities and statutory requirements.
3. The Treasury Management Strategy and Capital Programme were approved by Council in April and February 2017 respectively.
4. In approving the Capital Programme the Council was informed of the quickly changing financial environment that it was managing and it noted that at that time the Council was consulting, through the Treasury Management Strategy, proposals to increase the borrowing limit which if approved would allow the Council to broaden its property investment opportunities.
5. The Council, in approving the increased borrowing limit also approved that the borrowing would primarily be used to fund the programme of activity and property investment opportunities that are identified to meet with the Council's investment criteria. Members will also be aware that the management of property investments is a split activity between those that would be taken forward by the property company, established by the Council, and ones that are managed directly by the Council. This approach has been adopted to provide the Council with the flexibility it needs to operate in an agile way to respond to market conditions. The property schemes identified within that programme have therefore changed in response to property investment opportunities. This has resulted in the need to adjust the Council's Capital Programme to comply with the Council's Financial procedures.
6. The Property Investment elements of the Capital Programme needs to be clarified so that there is no delay on the delivery of the projects.

## **URGENCY**

7. Key decisions to be considered by the Executive, should be included in a 28 Day Notice indicating the business that is to be transacted in public and private meetings of the Executive.
8. As this matter has only recently been identified the proposed business was not included on the published 28 Day Notices for business at this meeting of the Executive.
9. As required by the regulations, in this unusual event the Chairman of the Overview and Scrutiny Committee has been consulted about this matter being brought forward to the Executive. The reasons for urgency are:
  - The Treasury Management Strategy and Capital Programme were approved by Council in April and February. The property schemes identified within that programme have changed in response to property investment opportunities. There is a need to adjust the Council's Capital Programme to comply with the Council's financial procedures.
  - The Property Investment elements of the Capital Programme need to be clarified so that there is no delay on the delivery of the projects.
  - To obviate such a delay to the schemes identified it is proposed that the Executive recommend to Full Council that the Capital Programme be updated without delay and it is therefore proposed that the consider this matter urgently so that it can be considered by an Extraordinary meeting of Full Council on 29 June 2017.

## **Adjusted Capital Programme**

10. The following Table outlines the full Capital Expenditure Programme approved in both February and April 2017 as part of the Budget setting process and the review of the Treasury Management Strategy. This report does not seek to change the overall Capital Expenditure Programme value.

11. Table 1.

<b>Capital Expenditure</b>	<b>2016/17 Projected £000</b>	<b>2017/18 Budget £000</b>	<b>2018/19 Forecast £000</b>	<b>2019/20 Forecast £000</b>	<b>2020/21 Forecast £000</b>
Waste & Recycling Improvements	818.0	20.0	10.0	10.0	10.0
Environment	254.5	104.0	84.0	84.0	84.0
Capital Grants	1,109.0	660.0	660.0	660.0	660.0
Regeneration	6,508.8	3,735.0	207.0	0.0	0.0
Leisure & Culture	711.6	356.0	520.0	397.0	356.0
Strategic Property - Reserves	13,552.9	963.0	563.0	0.0	0.0
Strategic Property – Borrowing	0.0	30,000.0	10,000.0	0.0	0.0
Organisational Change	898.0	0.0	0.0	0.0	0.0
Organisation Change - Borrowing for Investments	0.0	10,000.0	30,000.0	0.0	0.0
Rolling Programmes	897.0	921.0	873.0	1,031.0	1,796.0
<b>Total Capital Programme</b>	<b>24,749.8</b>	<b>46,759.0</b>	<b>42,917.0</b>	<b>2,182.0</b>	<b>2,906.0</b>

12. The following table outlines the additional borrowing requirement items approved as part of the Capital Expenditure Programme above.

13. Table 2 – Previously Approved Borrowing Requirements

<b>Borrowing requirement</b>	<b>2016/17 Projected £000</b>	<b>2017/18 Budget £000</b>	<b>2018/19 Forecast £000</b>	<b>2019/20 Forecast £000</b>	<b>2020/21 Forecast £000</b>
Loans to Property Company	0.0	0.0	8,000	0.0	0.0
Transfers to Property Company	0.0	2,000	2,000	0.0	0.0
Cash flow	0.0	0.0	10,000	0.0	0.0
Other investments	0.0	8,000	7,000	0.0	0.0
Contingency	0.0	0.0	3,000	0.0	0.0
Marketfield Way	0.0	30,000	10,000	0.0	0.0
<b>Total Borrowing Requirement</b>	<b>0.0</b>	<b>40,000</b>	<b>40,000</b>	<b>0.0</b>	<b>0.0</b>

14. As referred to above this report seeks approval to amend the investments in Loans and Transfers to Property Companies, Other Investments and the investment in Marketfield Way flexibly across the portfolio of property investments including those not identified in the original plans. The property team have identified that the investment required in 2017/18 to develop Marketfield Way will not be as high as previously outlined and propose that this funding be used to acquire and /or develop alternative strategic property projects. This is in line with the previously agreed strategic plan to invest in property.
15. Table 3 – Amended Borrowing Requirement

<b>Borrowing requirement</b>	<b>2016/17 Projected £000</b>	<b>2017/18 Budget £000</b>	<b>2018/19 Forecast £000</b>	<b>2019/20 Forecast £000</b>	<b>2020/21 Forecast £000</b>
Strategic Property Investments	0.0	40,000.0	27,000	0.0	0.0
Cash flow	0.0	0.0	10,000	0.0	0.0
Contingency	0.0	0.0	3,000	0.0	0.0
<b>Total Borrowing Requirement</b>	<b>0.0</b>	<b>40,000</b>	<b>40,000</b>	<b>0.0</b>	<b>0.0</b>

## OPTIONS

16. Option 1 – Amend the Capital Programme to permit alternative strategic property investments. This option allows the Council and its Property Companies to act on opportunities to acquire and develop property investments in line with expected timeframes in the property market. - Recommended
17. Option 2 – Do not amend the Capital Programme. This will leave the Council unauthorised to make property investments outside those outlined in the original Capital Programme and Borrowing Requirements. This will reduce the ability of the Council to deliver return on investment in property and curtail delivery of our Five Year Plan.

## LEGAL IMPLICATIONS

18. None

## FINANCIAL IMPLICATIONS

19. Financial implications are outlined in the body of the report.

## EQUALITIES IMPLICATIONS

20. None

## COMMUNICATION IMPLICATIONS

21. None

## **RISK MANAGEMENT CONSIDERATIONS**

22. The Council has identified property development as a strategic risk in 2017/18. This is critical to achieving financial stability. Controls and mitigating actions have been implemented to minimise the risk including controls over our property investment company, deal selection criteria and financial management of property investments.

## **CONSULTATION**

23. None

## **POLICY FRAMEWORK**

24. There are no Policy Framework considerations.

## **Background Papers:**

1. Executive report: Treasury Management Strategy 23 March 2017
2. Executive report: Service and Financial Planning November 2016.