

Minute from Overview & Scrutiny Meeting on 6 July 2023

Capital Investment Strategy

The Executive Member for Corporate Policy and Resources introduced the Capital Investment Strategy, on behalf of Councillor Victor Lewanski, Executive Member for Finance, Governance & Organisation.

This report presents the latest version of the Council's Capital Investment Strategy which demonstrates how the Council plans to ensure that capital spending decisions take account of the authority's stewardship, value for money, prudence, sustainability, and affordability responsibilities.

This is particularly important in the current financial climate, especially in light of those authorities that are now finding themselves in financial difficulties due in part to not having sufficient control over their capital spending and borrowing commitments.

The report also includes information about the significant Council-owned assets, how they are used and how they are performing. Also, information about planned capital assets investments and how they are being funded.

These activities are supported by the work of the Partner, Shareholder and Trustee Sub-Committee and officer boards.

The next step will be to continue the work that is now in progress to confirm future capital investment plans as part of the service & financial planning process.

The Executive Member for Corporate Policy and Resources invited any comments or questions from O&S members.

The following clarifications were provided:

Capital Assets

Members requested information on the net yield from the assets listed in table 3 of the report, together with the portfolio total gross and net yield. In addition, a reconciliation of the assets listed in tables 1 and 3. An explanation was also sought for why table 2 included entries for both the Tadworth Centre and the Banstead Sports Centre. These would be provided in a written answer following the meeting.

It was confirmed that the assets listed had been classified under the CIPFA Code of Practice for preparing the statement of accounts. A written response would be provided to explain the basis for the classifications.

Assets under Construction

It was confirmed that £73.614 million of assets under construction predominantly related to the Marketfield Way development.

Significant Assets

It was confirmed that some of the community assets had a low book value because they could not be sold, developed, or disposed of, but that they did still have "community value".

Property Assets

Members commented on the significant drop in the valuation of Beech House compared to its purchase price, noting that the Capital Programme included a significant capital spend. It was confirmed that officers were preparing options for the future use of Beech House and a report would be presented to Partner, Shareholder, and Trustee Executive Sub-Committee when the recommended plans were confirmed. Also, that the £3 million allocation in the Capital Programme estimate was based on the estimated cost of a previous scheme for a former tenant that was not progressed, and a more modest project was being considered.

Asset Performance and Condition

It was confirmed that the approved Capital Programme does not currently include significant investment in electric vehicles. Options were currently being considered and a business case was expected to be brought to Executive later this year.

Members commented that although there were currently no capital allocations for investment in electric vehicles or for refurbishing buildings to improve energy efficiency in the Capital Programme, yet the intention to invest was stated in the Environmental Sustainability Strategy.

Strategic Direction

It was confirmed that the Treasury Management report presented to Overview & Scrutiny Committee in June 2023 set out the detail of current forecasts for borrowing requirement and assumption of costs. The Council did not currently have any loans and if the need to borrow arose, advice would be taken from the Council's treasury management advisers to obtain the best rates.

Investments for Service Purposes

It was explained that the Pension Fund deficit, valued at £1.89 million, resulted from the regular revaluation of this authority's share of the Surrey Pension Fund and related to historic contribution shortfalls. Overall, the Pension Fund remains solvent, as it is a "funded scheme", and that action is being taken to ensure that current and future contributions are sufficient to make good the deficit by the time that scheme members retired. The Council works closely with the Pension Fund to ensure that liabilities are under control and its operations are subject to regular actuarial reviews and audits.

RESOLVED that Overview and Scrutiny Committee:

Noted the report and made comments for consideration by Executive.