



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

<b>REPORT OF:</b>	DIRECTOR OF FINANCE & ORGANISATION (CFO)
<b>AUTHOR:</b>	Pat Main
<b>TELEPHONE:</b>	01737 276063
<b>E-MAIL:</b>	pat.main@reigate-banstead.gov.uk
<b>TO:</b>	OVERVIEW AND SCRUTINY COMMITTEE
<b>DATE:</b>	14 MARCH 2019

<b>WARD (S) AFFECTED:</b>	ALL
---------------------------	-----

<b>SUBJECT:</b>	<b>OUTLINE CAPITAL INVESTMENT STRATEGY 2019/20</b>
-----------------	--

**RECOMMENDATIONS:**

- (i) that the Committee note the Outline Capital Strategy;
- (ii) That the Committee make any observations and/or recommendations to the Leader of the Council and Chief Executive.

**SUMMARY:**

The Capital Investment Strategy sets out the Council's approach to capital investment for the next five years. It forms a key part of the Council's governance arrangements and provides a mechanism by which investment and financing plans can be prioritised, ensuring that capital decisions take account of stewardship, value for money, prudence, sustainability and affordability.

It is intended to be read in combination with the Treasury Management Strategy.

The Outline Strategy covers:

- How the Council's capital investment plans will support delivery of corporate priorities and key strategies – including (in due course) the new Corporate Plan and Housing Strategy
- How capital investment options are evaluated – to demonstrate effective governance, robust decision-making and compliance with new regulations and guidance
- How the Council plans to achieve a balance between capital investment to support service delivery and investments that deliver a financial return to support the budget
- How the capital programme will be funded and how the Council will ensure it is affordable over the medium term
- How capital investment risks are managed
- How the Council plans to extend capital investment planning timescales from short/medium-term to longer-term (10+ years)

Subject to agreement of this Outline Strategy, going forward the priority areas for further work to develop the final Strategy include:

- Refreshing the Council's 5-year Medium Term Financial Plan in order to confirm scale of the Council's future financial challenge and investment ambitions
- Evaluating the performance and risk profile of existing and planned capital investments – covering investment in operational assets, commercial properties, company loans and other treasury investments
- Further development of the supporting Governance and decision-making frameworks

This initial Outline Strategy will develop further over coming months as priorities in the new Corporate Plan and Housing Strategy are confirmed. Further updates to the Strategy will be reported during 2019/20 as these plans are confirmed. Thereafter the intention is to update the Strategy on an annual basis.

## **STATUTORY POWERS**

1. Set out in the Executive report attached

## **ISSUES**

2. Set out in the Executive report attached

## **OPTIONS**

3. The Committee has two options open to it:
  - Option 1: Note the report and make any appropriate observations and comments to the Leader of the Council and Chief Executive.
  - Option 2: Note the report and make no observations.

## **LEGAL IMPLICATIONS**

4. Set out in the Executive report attached

## **FINANCIAL IMPLICATIONS**

5. Set out in the Executive report attached

## **EQUALITIES IMPLICATIONS**

6. Set out in the Executive report attached

## **COMMUNICATION IMPLICATIONS**

7. Set out in the Executive report attached

## **RISK MANAGEMENT CONSIDERATIONS**

8. Set out in the Executive report attached

## **OTHER IMPLICATIONS**

9. Set out in the Executive report attached

**CONSULTATION**

10. Set out in the Executive report attached

**POLICY FRAMEWORK**

11. Set out in the Executive report attached

**Background Papers:**

12. None

<b>REPORT OF:</b>	DIRECTOR OF FINANCE & ORGANISATION (CFO)
<b>AUTHOR:</b>	Pat Main
<b>TELEPHONE:</b>	01737 276063
<b>E-MAIL:</b>	pat.main@reigate-banstead.gov.uk
<b>TO:</b>	EXECUTIVE
<b>DATE:</b>	18 MARCH 2019
<b>EXECUTIVE MEMBER:</b>	COUNCILLOR T. SCHOFIELD

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

<b>SUBJECT:</b>	<b>OUTLINE CAPITAL INVESTMENT STRATEGY 2019/20</b>
<b>RECOMMENDATIONS:</b> That the Outline Capital Investment Strategy 2019/20 be approved.	
<b>REASONS FOR RECOMMENDATIONS:</b> To support the adoption of an Outline Capital Investment Strategy for the 2019/20 financial period.	
<b>EXECUTIVE SUMMARY:</b> This Strategy sets out the Council's approach to capital investment for the next five years. It forms a key part of the Council's governance arrangements and provides a mechanism by which investment and financing plans can be prioritised, ensuring that capital decisions take account of stewardship, value for money, prudence, sustainability and affordability.	

**Executive has authority to approve the above recommendation.**

**STATUTORY POWERS**

1. The Council operates its capital investment activity as an integral part of its statutory obligation to effectively manage the Council's finances under the *Local Government Act 2003* and associated regulations.
2. Investments are undertaken in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and the Prudential Code for Capital Finance in Local Authorities, and the Government's Investment Regulations.

## ISSUES

### Background

3. The Outline Capital Investment Strategy (the 'Strategy') is a new report for 2019/20, providing a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.
4. Purpose of the Strategy is to
  - Ensure capital expenditure contributes to the achievement of the Council's organisational strategy
  - Set a capital programme which is affordable and sustainable
  - Maximise the use of the Council's assets
  - Provide a clear framework for decision making and prioritisation relating to capital expenditure
  - Establish a corporate approach to the review of asset utilisation

It is intended to be read in combination with the Treasury Management Strategy (reported separately on this agenda).

5. The Outline Strategy covers:
  - How the Council's capital investment plans will support delivery of corporate priorities and key strategies - including the new Corporate Plan and Housing Strategy
  - How capital investment options are evaluated – to demonstrate effective governance, robust decision-making and compliance with new regulations and guidance
  - How the Council plans to achieve a balance between capital investment to support service delivery and investments that deliver a financial return to support the budget
  - How the capital programme will be funded and how the Council will ensure it is affordable over the medium term
  - How capital investment risks are managed
  - How the Council plans to extend capital investment planning timescales from short/medium-term to longer-term (10+ years)
6. The approach to development of the Capital Investment Strategy has been subject to review by the Treasury Management Panel at a workshop with the Council's treasury management advisors on 12 February and the Outline Strategy document has been reviewed by the Overview and Scrutiny Committee on 14 March. Their feedback will be reported at this meeting.
7. Going forward the priority areas for further work to develop the final Strategy include:
  - Refreshing the Council's 5-year Medium Term Financial Plan in order to confirm scale of the Council's future financial challenge and investment ambitions

- Evaluating the performance and risk profile of existing and planned capital investments – covering investment in operational assets, commercial properties, company loans and other treasury investments
  - Further development of the supporting Governance and decision-making frameworks
8. This initial Outline Strategy will therefore develop further over coming months as priorities in the new Corporate Plan and Housing Strategy are confirmed. Further updates to the Strategy will be reported during 2019/20 as these plans are confirmed. Thereafter the intention is to update the Strategy on an annual basis.

## **Matters for Consideration**

### **Guidance**

9. The requirement to prepare a Capital Investment Strategy has been introduced as a consequence of recent revisions of MHCLG Investment Guidance, MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.
10. These changes are intended to reflect the increasingly complex business models being adopted by Local Authorities in response to reductions in other funding streams.
11. The objective is to demonstrate a longer-term focus to local authority capital plans. There are also enhanced reporting requirements surrounding commercial activity undertaken under the Localism Act 2011.

### **OPTIONS**

12. There are 3 options:
13. **Option 1** – Approve the recommendations within this report
- This will provide the best opportunity to ensure compliance with the new reporting standards as well as establishing a framework for future investment decisions.
- This is the recommended option.
14. **Option 2** - To defer the report and ask Officers to provide more information and/or clarification on any specific points
- The updated Prudential Code stipulates that the authority's Capital Investment Strategy must be approved prior to the financial year to which it relates.
- Any delay in approving the Strategy could leave the Council open to the same risks identified in option 3 below.
15. **Option 3** - To not support the contents of this report
- This would mean that the Council fails to meet the new reporting standards and also lacks the required frameworks for undertaking future investment decisions.

## **LEGAL IMPLICATIONS**

16. There are no direct legal implications arising from this report.

## **FINANCIAL IMPLICATIONS**

17. The financial impacts of the Capital Investment Strategy have already been reflected within the Council's 2019/20 Budget proposals. There are no additional direct financial implications that arise from this report or from the changes to the CIPFA Prudential Code.

## **EQUALITIES IMPLICATIONS**

18. There are no equality implications arising from this report.

## **COMMUNICATION IMPLICATIONS**

19. There are no communication implications arising from this report.

## **RISK MANAGEMENT CONSIDERATIONS**

20. These are detailed in Annex 1

## **OTHER IMPLICATIONS**

21. There are no other implications arising from this report

## **CONSULTATION**

22. The proposals in this report have been reviewed by a Member Panel led by the Portfolio Holder for Finance in February and then by the Overview and Scrutiny Committee at its March meeting.

## **POLICY FRAMEWORK**

23. The Capital Investment Strategy will be part of the Council's Policy Framework as set out in Article 4 of the Constitution.

## **Background Papers:**

24. None