CAPITAL & INVESTMENT STRATEGY 2024/25 to 2027/28

Synopsis of report:

To recommend a draft Capital & Investment Strategy and Capital Programme for Full Council approval in February 2024.

The report highlights the use of existing and future capital receipts and the potential use of revenue contributions to fund certain items of capital expenditure. The Strategies come together in the Council's Medium-Term Financial Strategy (MTFS) and detailed Revenue Budget for 2024/25 to be considered by Full Council in February 2024.

Changes to the existing Strategy include major updates to the Risk Management and Biodiversity sections to take account of the recently approved risk management framework and climate change updates.

This report should be read in conjunction with the Treasury Management Strategy set out elsewhere on this agenda

Recommend to full Council that:

i) the Capital and Investment Strategy at Appendix 'A' and the Capital Programme at Exempt Appendix 'B' be approved.

ii) In light of the requirements in the Levelling Up and Regeneration Act 2023, the Council agrees to place a moratorium on any new debt-funded asset investment.

iii) Subject to external auditor agreement, the Council sets its "low value" limit for IFRS16 reporting purposes at £10,000.

1. Context of report

1.1 Local authorities must distinguish between capital expenditure and revenue expenditure in their accounting. Unless expenditure qualifies as capital it will normally be charged to revenue in the year that the expenditure is incurred. The rules as to what can qualify as capital expenditure are complex however, in its simplest form capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

1.2 The Government places strict controls on the financing capacity of the authority, this is known as the Prudential Framework. This Framework is based on principles rather than being a prescriptive rules-based system and places a degree of reliance on local authorities to comply with the intent and spirit of the Framework and the principles of prudence, affordability, proportionality and sustainability. The Framework comprises underlying legislation (s1 & 12 Local Government Act 2003), which local authorities must **adhere to**, and four statutory codes (Prudential Code, Treasury Management Code, Guidance on Local Authority Investments and Guidance on Minimum Revenue Provision) which they must have **regard to.**

1.3 Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions are taken in light of the Council's Corporate Business

Plan, Medium Term Financial Strategy (MTFS), Capital & Investment Strategy and Treasury Management Strategy (TMS). The control of capital expenditure is therefore carefully planned and prioritised in order to maximise the benefit of resources overall

1.4 This report should be read in conjunction with the Treasury Management Strategy - this will allow readers to understand how stewardship, value for money, prudence, governance, risk management, sustainability and affordability are managed by the Council.

2 The Capital & Investment Strategy

2.1 The Prudential Code for Capital Finance in Local Authorities together with the Government's Statutory guidance, CIPFA's Prudential Property Investment Guidance, other statutory guidance and legislation requires the Council to produce a comprehensive capital strategy.

2.2 The Capital & Investment Strategy sets out the principles to be followed which demonstrate how new capital investment, together with active management of existing assets, contributes to achieving the Council's approved policies, objectives and targets. It considers future capital investment needs, especially in relation to regeneration and the growth agenda. It also helps the Council to be clear on its priorities for bidding for external funding.

2.3 The Assistant Chief Executive (s151 Officer) is responsible for ensuring that a Capital Strategy and a Capital Programme covering a 3-5 year period are prepared / updated on an annual basis for consideration initially by the Corporate Management Committee, before their submission for approval to full Council. The Council may amend the proposed Capital & Investment Strategy or Capital Programme or ask the Corporate Management Committee to reconsider areas of detail within them.

2.4 The Capital & Investment Strategy was last updated by full Council in February 2023. The strategy needs to be updated on an annual basis and an updated Capital and Investment Strategy for 2024/25–2027/28 is attached at Appendix A for approval with any changes highlighted for ease of reference.

2.5 The main changes to the Strategy include:

- Section 14 – Updates to the Environmental & Sustainability section to account for the latest work undertaken in this area
- Section 15 - Updates to the Risk Management Section to take account of the Risk Management Framework agreed by full Council in October 2023

Funding the Strategy

2.6 As part of the Council's governance arrangements the Capital & Investment Strategy, Treasury Management Strategy and MTFS consider the long-term context when making investment decisions. Individual business cases progress through various Member working groups, committees and full Council. Performance is monitored through the revenue and capital budget monitoring reports to Corporate Management Committee with Treasury Management and Prudential Indicators performance being reported to Members quarterly to both Corporate Management Committee and Overview and Scrutiny Select Committee

2.7 The overarching aims of these strategies is to provide a framework within which the capital investment plans will be delivered. While it covers a four-year timeframe the Council recognises there is some uncertainty in future years due to future funding streams and higher than anticipated costs due to the current economic environment. Therefore, the strategies focus heavily on the financial years 2024/25 to 2027/28 in light of this evolving financial position with many schemes being deferred or held as provisional within the Capital Programme.

2.8 In light of the measures contained within the Levelling Up and Regeneration Act 2023 (see below), and the existing pressures on the Council's revenue budget due to rising costs and levels of demand, the MTFS does not include borrowing costs for any major new borrowing for capital purposes. The unaffordability, given the projected budget gap, of further borrowing, severely constrains the Capital Programme moving forward, particularly in light of the scarcity of other capital resources and the limited ability for the Council to generate capital receipts through the sale of assets.

Levelling Up and Regeneration Act 2023

2.9 In November 2020, the Government made changes to the operation of the Public Works Loan Board (PWLB), which prevented local authorities from accessing PWLB borrowing if they were planning on undertaking investments primarily for yield and in July 2021 the government published a policy paper setting out its planned approach to the strengthening of the capital finance system. The latest part of this plan, came in the form of the Capital Risk Management section included in the Levelling Up and Regeneration Act 2023, which came into force at the end of October 2023.

2.10 The Capital Risk Management section expands the Government's statutory powers to directly tackle perceived excessive risk-taking within the local government capital system. This seeks to safeguard the Prudential Framework and its principle of local decision making and accountability, by providing the means to address directly instances of problematic practices rather than using systemic reform that affects all authorities. A local authority comes into scope of the new powers where a 'trigger point' is breached with respect to risk metrics, set out as in the Act.

2.11 The specific methods of calculation of these metrics will be set out in regulations, to ensure that the metrics can be amended in a timely way to respond to changes in local government risk, incorporate new/more appropriate data or otherwise be adapted as needed to remain optimally effective. While the exact method of determining these triggers and thresholds is yet to be confirmed, it is certain that the Council will meet one or more of them and will therefore be subject to some consideration by Government.

2.12 The Council is confident that it has robust financial risk measures in place and strong governance arrangements and constantly strives to adopt best practice in the management of its financial affairs. Nevertheless, it must consider what effect this new legislation and the new metrics may have and build this into its future financial plans.

2.13 The Council's last investment property purchase was undertaken in 2020 under its former Property Investment Strategy. The Council's current Asset Management Strategy, approved by Full Council in March 2023, includes its Acquisition and Disposal Policy (Appendix 5 of the Strategy) which sets out how acquisitions will be limited in nature and are likely to be linked to schemes identified in the Corporate Business Plan, for purposes other than for direct commercial investment. It further includes the statement that ***Borrowing for purely income generation reasons has now ceased and the investment property portfolio has moved into the 'asset management' phase.***

2.14 In addition, the Public Works Loan Board (PWLB) lending terms now require councils to submit a high-level description of their capital spending and financing plans for the following three years including planned use of the PWLB alongside confirmation that they do not intend to buy investment assets primarily for yield at any point during that period. In light of this on-going tightening of the prudential framework, coupled with the spirit and context of the Levelling Up and Regeneration Act 2023, it is proposed that the Council further formalises its intent not to purchase additional investment property by placing a moratorium on new debt-funded asset investments, i.e. assets purchased primarily for yield.

2.15 This will not preclude assets being purchased as part of site assembly for a future regeneration scheme for example, where some revenue may be derived from the property in the interim period.

2.16 While debt levels are high, the Council provides for servicing of this debt and its repayment and maintains robust management of its commercial property portfolio. Income from these investments has supported local regeneration and allowed the Council to maintain services to the public, due to the net contribution these assets make to the Council's budget. However, it is incumbent on the Council to consider the value of its asset base on an on-going basis, as set out in its Asset Management Strategy and to consider divestment of assets when appropriate.

2.17 In addition to the above, in late December 2023 the Council received a non-statutory Best Value Notice from DLUHC. Part of this notice was a recommendation that the Council "*Outline what steps they plan to take to reduce and manage the overall debt of the Council*". The Capital & Investment Strategy is consistent with the ongoing dialogue with DLUHC and reflects our interaction with CIPFA (including their report).

3. Capital Programme

Capital Expenditure

3.1 The MTFS action plan stipulates that no new capital projects are to be included in the capital programme without the necessary resources to meet the full capital costs, and any associated revenue implications, being in place. Business cases should reflect all financial implications and risks and be reported alongside the request for inclusion in the Programme. If it is too early in the process to provide this level of detail, a provision may be made within the budget but will be subject to reporting of the full business case to the appropriate Committee before proceeding with the project.

3.2 The updated Capital Programme is set out in exempt Appendix 'B'. This covers a ten-year period and includes a mix of proposed and approved schemes and has been split into separate HRA and General Fund programmes to aid transparency. This is very much an aspirational programme and relies on the assumed funding streams being available.

3.2 Approved schemes are where a business case has been drafted with a specific detailed budget (or estimate) that has already been approved. Proposed schemes are those which Members have agreed to in principle but require a further, more detailed, report to turn this into an approved scheme - these are entered in the Capital Programme as provisions subject to a future committee report. Provisions and estimates are equally important in financial forecasting terms as they are all built into the budget to ensure that when all added together (on the assumption that they will eventually be approved) they are affordable.

3.3 Whilst the Capital Programme covers a ten-year period, due to current uncertainties in government funding, capital receipt generation, the ability to borrow further sums and the economic outlook, the focus of this report is very much on the short term and covers the next 4 years.

3.4 The changes to the Programme since its approval in February 2023 stem from phasing adjustments between financial years due to delays and/or future resourcing issues and the inclusion of the following Business Critical new schemes approved for inclusion during the submission of growth bids as part of the MTFS report agreed by the Corporate Management Committee in December 2023:

Scheme	24/25 £	25/26 £	26/27 £	27/28 £	Impact on Capital Budget £
Replacement Finance system	375,000	275,000	20,000	20,000	190,000
Telephony development	20,000				(180,000)
	395,000	275,000	20,000	20,000	

3.5 Both of these projects were previously within the programme but have been adjusted as per the table above. Updated market intelligence regarding a replacement finance system has led to an increase in the expected capital costs which now include sums for project management resource in years 1 and 2 given the high importance of this system to ensuring good management of the Council's finances. Also now included is a modest sum for annual upgrades and additional modules.

3.6 Previously a provision had been included in the capital programme for £200,000 for telephony and call centre contract replacement. Work has been done to revisit this proposal and significantly reduce the expected costs in 2024/25 by providing a lower budget for existing hardware upgrades only and deferring any non-essential enhancements.

3.7 As well as scheme slippage, the following provisional schemes have been removed from the Programme:

Scheme	Value £	Reason for removal
Kings Lane Open Space bike track	30,000	Risks identified & ongoing costs
Addlestone youth cafe	160,000	Geek Retreat now in situ
Contribution towards Surrey wide travellers site	200,000	Scheme unlikely to progress
Restructuring & transformation provision	500,000	Scheme unlikely to progress
Addlestone One internet upgrade	100,000	Scheme unlikely to progress

3.8 The removal of these provisional schemes means that the scarce capital resources can be diverted to higher priority schemes in the Capital Programme that meet the Council's current priorities.

3.9 Taking these changes into account, the total Capital Programme costs over the next five years are estimated to be as follows:

	Revised 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
	£	£	£	£	£
Housing Revenue Account	11,249,088	28,548,500	18,912,500	13,642,000	15,705,000
Housing Services	651,507	651,507	651,507	651,507	651,507
Community Services	811,697	1,625,000	731,200	520,000	297,800
Environment & Sustainability	2,392,732	777,700	2,000,000	2,099,500	1,048,800
Corporate and Business Services	11,470,222	3,412,500	4,210,000	1,490,000	7,210,000
	26,575,246	35,015,207	26,505,207	18,403,007	24,913,107

3.10 It should be noted that the draft Capital Programme **excludes** any consequences of the addition of leased assets resulting from the implementation of IFRS16 (see section 5 below), but **includes** assumptions on vehicle and ICT replacement at the end of their lives or contracts as follows:

- Vehicle assumptions: £5.4m over the life of the programme relates to vehicle replacement. Should Members wish to electrify the fleet in the future, this will add additional costs to the programme (based on current purchase costs) These are also subject to review as part of the emerging Council Fleet Strategy;
- ICT assumptions: £3.1m for IT system replacement which assumes retendering at end of current contracts. Contract extensions or minor upgrades should reduce this cost.

3.11 In total the Capital programme currently contains provisional/unapproved schemes to the value of £10.3m. This includes a balance of £4m from the £25m HRA rebuild programme for schemes that have not yet been approved in detail by the Housing Committee.

Sources of finance

3.12 The programme is funded in a number of ways. The proposed method for financing the Capital Programme is set out in the table below.

	Revised 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
	£	£	£	£	£
Housing Revenue Account Reserves	2,098,712	7,985,000	9,307,500	3,562,500	5,170,000
Housing Major Repairs Reserve	7,784,000	10,956,000	9,355,000	9,612,000	10,535,000
General Fund Reserves	97,200	107,000	-	-	-
Earmarked General Fund Reserves	1,603,229	3,362,700	3,236,200	1,724,500	2,876,600
Other Grants & Contributions:	2,427,821	11,037,007	1,026,507	1,244,007	651,507
Capital Receipts	12,564,284	1,567,500	3,580,000	2,260,000	5,680,000
Borrowing	-	-	-	-	-
	26,575,246	35,015,207	26,505,207	18,403,007	24,913,107

It should be noted that the financing above matches the expenditure in table 3.9. These tables differ from those set out in the Treasury Management Strategy report shown elsewhere on this agenda which, for future reporting purposes, includes the consequences of the addition of existing and potential leased assets resulting from the implementation of IFRS16 (see section 5 below). The tables in this report focus purely on traditional capital expenditure to make it clear that no additional borrowing is anticipated to fund the programme.

3.13 In the Housing Revenue Account (HRA), tenant's rents fund the works to the Council's housing stock and, when a dwelling is sold, part of the sale proceeds are used to develop new homes.

3.14 In the General Fund, capital receipts from the sale of assets fund much of the Programme. In addition, the Programme is funded by external grants, developer contributions from Section 106 agreements and the Community Infrastructure Levy and also from earmarked reserves for equipment replacement and property repairs and renewals. These two earmarked reserves fund a major part of the General Fund Capital Programme, but these reserves are topped up by annual contributions from our General Fund Revenue reserves and are therefore directly linked to the financial sustainability of the Council's revenue budget, as set out in the MTFS, as reported to this Committee in December.

3.15 The Council has in the past, borrowed to fund large scale regeneration schemes to fund its regeneration initiative. The original Capital Programme for 2024/25 included financing £5.3m of the Magna Square retention payments from borrowing, however, in line with the requirements of the Best Value Notice received from DLUHC, namely to reduce and manage the overall debt of the Council, it is now intended to fund this from capital receipts rather than increase the Council's borrowing requirement.

Capital receipts

3.16 All capital receipts generated from sales of Council dwellings are subject to special rules. A proportion of all receipts are paid over to Central Government according to a set of complex criteria. The balance of any sale that is not paid over to the Government, is then split between an amount set aside for debt repayment (i.e. the debt associated with that property) leaving the balance available for like for like (1-4-1) replacement. This latter amount is fed back into the capital programme to finance the purchase of HRA properties.

3.17 The current forecast for capital receipts, both general and set aside for housing purposes, is shown in the following table and is based on existing plans for the sale of the remaining flats in the Addlestone One and Egham developments:

Scheme Details	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
General Usable Receipts					
Receipts at 1 April 2023	8,590,469	2,858,100	8,530,815	5,271,030	3,331,245
Add new receipts in the year	6,831,915	6,720,215	320,215	320,215	320,215
Less Applied during the year	(12,564,284)	(1,047,500)	(3,580,000)	(2,260,000)	(5,680,000)
Anticipated year end balance	**2,858,100**	**8,530,815**	**5,271,030**	**3,331,245**	**(2,028,540)**
Comparison to £2m Minimum Balance	858,100	6,530,815	3,271,030	1,331,245	(4,028,540)
Set Aside for HRA Debt repayments					
Receipts at 1 April 2023	1,866,609	2,196,009	2,525,409	2,854,809	-
Add new receipts in the year	329,400	329,400	329,400	329,400	329,400
Less Applied during the year	0	0	0	(3,184,209)	0
Anticipated year end balance	**2,196,009**	**2,525,409**	**2,854,809**	**-**	**329,400**
Set Aside for 1-4-1 Replacements					
Receipts at 1 April 2023	2,442,860	3,108,260	2,818,260	3,048,260	3,278,260
Add new receipts in the year	665,400	230,000	230,000	230,000	230,000
Less Applied during the year	0	(520,000)	0	0	0
Anticipated year end balance	**3,108,260**	**2,818,260**	**3,048,260**	**3,278,260**	**3,508,260**

3.18 From the above table it can be seen that the Council runs out of usable capital receipts during 2027/28. This means that in order to finance future schemes alternative sources of finance will be needed unless additional receipts can be generated through asset disposals. The Asset and Regeneration team are looking at other possible property sales within the commercial portfolio to either replenish capital receipts or reduce borrowing levels depending on the requirements at the time. Should the anticipated new receipts be delayed, or if no new properties are identified for future sale, it will be necessary to reprioritise the Capital Programme and delay or remove schemes. This will start with removing the provisional/unapproved schemes as set out above.

3.19 In the General Fund most of the capital receipts are generated from the sale of apartments in regeneration areas, however once they have gone, new sources of finance will need to be sought.

3.20 Using up all of the usable capital receipts leaves the Council open to future funding issues. With revenue resources set to deplete over the next few years, should an emergency situation arise (such as the recent replacement cladding programme at Addlestone One), there will be no resources available to undertake the work. For this reason, Full Council approved a minimum level of capital receipts of £2m to be maintained for such emergencies. Should sales activity not be forthcoming over the next year, it will be necessary to further delay some future capital schemes or find alternative methods of funding them to avoid receipts falling below the £2m minimum balance in 2026/27.

3.21 In the 2022/23 Provisional Local Government Finance Settlement a 3-year extension was announced from 2022-23 onwards for the existing flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery. Due to a lack of Capital Receipts, there are currently no proposals to take advantage of this flexibility in the revised Capital Programme. £1m was however set aside from the underspend in the Council's revenue budget at the end of 2022/23, to provide funding for this purpose via a Service Transformation Reserve.

4 Non-treasury Investments

4.1 The Prudential Code, TM Code and DLUHC regulations include guidance on what are termed “non-treasury” investments. These are essentially investments that sit outside of the Treasury Strategy that are undertaken for service reasons or commercial gain.

<u>Service investments</u>

4.2 Service Investments are investments held clearly and explicitly for the provision of operational services, including regeneration. Such investments include loans to external organisations that are delivering the Council’s strategic objectives. Details of the Council’s Service Investments as at 31 March 2023 are as follows:

Borrower	Year	Duration	Loan	Outstanding
			£	£
Virginia Water Scouts	2017/18	40 years	90,000	78,000
Addlestone Canoe Club	2020/21	15 years	150,000	139,285
			240,000	**217,285**

Both loans were given interest free (known as a soft loan) and are shown in the Council’s accounts as long term debtors.

<u>Commercial investments</u>

4.3 Commercial Investment are investments undertaken primarily for financial reasons including commercial loans to companies and other organisations and holding property for a financial return (investment property).

4.4 The most significant commercial investments that the Council has undertaken to date are in relation to property acquisitions which are managed through its Asset Management Strategy, and development loans made to its wholly owned company, RBC Investments (Surrey) Ltd, which enabled it to buy some of the properties resulting from the Council’s regeneration schemes. The capital value and net income of the commercial investments currently held by the Council as at 31 March 2023 was as follows:

Investment	Value	Net income	Yield
	£	£	%
Investment Properties*	539,580,800	26,208,000	4.9%
Development Loans to RBCI	38,163,649	1,645,463	4.3%
Total Investment	**577,744,449**	**27,853,463**	**4.8%**

* Net income excludes provision for bad debts and borrowing costs.
Including these reduces the yield to 2.1%

Both Net income figures include part year figures relating to the Magna Square development. These figures will increase in a full year.

4.5 Non-Treasury investments are analysed periodically to ensure that the fair value/carrying value of each investment is appropriate as required under the relevant Accounting Standard (Service Investments – IFRS9, Commercial Investments – IAS40). The Investment Properties will be independently revalued as at 31 March 2024 as part of the Council’s 2023/24 financial accounts process.

5 Leasing

5.1 Leasing obligations are similar to borrowing as they have an ongoing revenue budget commitment. Leasing will be considered following due diligence over the life of the asset, comparing the financial and non-financial benefits and risks compared to the Council owning such assets itself.

5.2 From 1 April 2024 the accounting standard which sets out the guidelines for accounting for leases changes from IAS 17 (International Accounting Standard) to IFRS 16: Leases (International Financial Reporting Standard). This means from this date the way the Council accounts for assets it leases will change.

5.3 The definition of a lease has been adapted for the public sector as being 'a contract, or part of a contract, that conveys the right to use an asset for a period of time.'

5.4 Under these changes all existing leases and any assets contained in contracts that are deemed "right of use assets" will be shown on the balance sheet except for:

- leases of 12 months or less
- the asset is of "low value"
- where a contract contains use of an asset but the supplier has the ability to substitute alternative assets throughout the period of the contract.

5.5 The Council's policy on capitalisation in accordance with its approved accounting policies and procedures, is that expenditure on land, buildings, vehicles, plant, machinery and intangibles over £10,000 will be capitalised. Expenditure under these limits is deemed to be a revenue cost. This was set to match the limit of £10,000 set in The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 for recognising capital receipts.

5.6 Under the new leasing rules the Council must set its own "low value" limit, however it must meet certain criteria and must not be too low that it excludes certain items such as vehicles. For this reason, officers are recommending that in order to be consistent, the Council agrees to set its "low value" limit at £10,000 and a recommendation to this effect is included accordingly. This figure must be agreed by the Council's external auditor.

5.7 In preparation for the introduction of the new standard, a data gathering exercise has been undertaken to record all the leases and potential "right of use assets" the Council has, including those at peppercorn/nil consideration (where the Council pays little or no rental payments at any point during the duration of the lease). The Council will have to evidence to its external auditors that it is prepared for these changes.

5.8 When any leased asset is recognised in the balance sheet a corresponding liability is then created, representing the obligation to make lease payments. When the Council makes a lease payment rather than it showing as an expense against the relevant cost centre, it is split between paying off this liability and interest payments. The asset is depreciated in the same way as similar assets of that class, usually over the life of the lease unless the asset useful life is lower.

<u>Leases and Prudential Indicators</u>

5.9 IFRS 16 treatments largely affect Prudential Indicators for estimates that are subject to monitoring, rather than those that provide limits within which the authority must operate. The impact of IFRS 16 implementation can therefore reasonably be reported after the fact as a variation on the original estimates. However, the Authorised Limit is a fixed limit and the Council will be in breach of its statutory powers if the Limit is exceeded.

5.10 The Prudential Code requires the Authorised Limit to be set with components for borrowing and for other long-term liabilities. The limits set for either of these two components can be exceeded, provided that the overall Authorised Limit is not broken. If this happens, the event must be reported to the next meeting of full Council.

5.11 The usual consequence of breaching the Authorised Limit is that the new borrowing or the new or modified credit arrangement that caused the breach would have been entered into unlawfully (sections 2 and 8 of the Local Government Act 2003 respectively). Changes can be made to the Limit at any time, but timeliness will then be constrained by the Council's administrative process for securing full Council authorisation and the risk that members might not wish to give such authorisation. The complications will therefore be largely administrative and reputational.

5.12 To avoid this, certain assumptions and contingent amounts have been built into the calculation of the Prudential Indicators for 2024/25 and these are set out in the Treasury Management Strategy shown elsewhere on this agenda.

Leases and the Minimum Revenue Provision (MRP)

5.13 As capital expenditure, additions to right-of-use assets need to be included in capital financing arrangements from 1 April 2024. The Statutory Guidance on MRP has already been amended to extend the treatment previously expected for finance leases to all leases. The MRP charge for the year should be the element of the rent that goes to write down the lease liabilities. As this is generally the only element of the rent that has not already been charged to revenue, it is basically an instruction for the total charge to the General Fund Balance to equal the rents payable for the year. The authority's MRP policy shown in the Treasury Management Strategy shown elsewhere on this agenda has been updated to reflect this new requirement.

6 Treasury Management Strategy (TMS)

6.1 The Treasury Management Strategy (TMS) sets out the framework each year for the Council's treasury operations and is inextricably linked to the Capital & Investment Strategy and Capital Programme. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed - particularly where capital purchases are concerned. The capital plans set out in this report provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

6.2 Where capital expenditure has been incurred without a resource to pay for it, this will increase the Council's Capital Financing Requirement (CFR) which is the Council's underlying need to borrow. The Council is required to make a prudent provision for the repayment of historic capital expenditure from its revenue budget. This is known as a Minimum Revenue Provision (MRP). CFR is calculated below:

Opening Capital Financing Requirement (CFR
+
Capital Expenditure in year
-
Grants, contributions, reserves & capital receipts
-
Statutory provision for repayment of debt (MRP)
=
Closing Capital Financing Requirement (CFR)

6.3 The Council's CFR at the end of March 2023 was £707,452,000

Prudential and Treasury Management Indicators

6.4 The Prudential Code requires all local authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources and make sure that decisions are being made with sufficient regard to the long run financial implications and potential risks to the authority. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, proportionate, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

6.5 To demonstrate that these objectives are being fulfilled the Prudential Code operates through the provision of prudential indicators which highlight aspects of capital expenditure planning. Each indicator is annually updated as part of the budget process and projected forward for the next three years. The Code requires that the Council approves as a minimum, certain mandatory prudential indicators. A complete set of all indicators is included in the Annual Treasury Management Strategy report.

7 Legal Implications

7.1 Under the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting (England) Regulations 2003, local authorities must have regard to statutory proper practices in their treasury management and borrowing activities. These are set out in the following:

- CIPFA's Treasury Management in the Public Services: Code of Practice 2021 Edition [The CIPFA Code] which requires the Council to approve a treasury management strategy before the start of each financial year;
- CLG Guidance on Local Authority Investments, 3rd Edition [CLG Guidance] which requires the Council to approve an investment strategy before the start of each financial year; and
- CIPFA Prudential Code for Capital Finance in Local Authorities 2021 Edition [The Prudential Code] which requires the Council to have regard to the Prudential Code when determining how much money it can afford to borrow.
- Numerous other CIPFA codes and statutory guidance

7.2 The above codes require all local authorities to produce a detailed Capital Strategy. The Capital Strategy is intended to give 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. The development of a Capital Strategy allows flexibility to ensure that the overall strategy, governance procedures and risk appetite are fully understood by all elected members.

8 **Equality implications**

8.1 There are no direct equality implications resulting from this report. Any implications arising from new initiatives or those marked as being subject to a further report, will be fully explored within those future reports

9. Environmental/Sustainability/Biodiversity implications

9.1 The capital programme is the expression in financial terms of the Council's agreed policies and schemes and as such there are no specific Environmental, Sustainability, or Biodiversity implications arising from this report. Any implications arising from new initiatives or those marked as being subject to a further report, will be fully explored within those future reports.

10. Risk Implications

10.1 The Council's updated Risk Management framework was approved by Full Council in October 2023 and sets out the processes and procedures for the identification and evaluation of risks and opportunities and the cost-effective control of risks to ensure that they are reduced to an acceptable level and any impact on delivery of objectives is minimised.

10.2 Risks are assessed continually from both an operational and financial perspective. In carrying out due diligence, potential project risks are identified, and relevant mitigation measures documented prior to approval. All risks are then managed in line with the Council's Risk Management framework and must be reflected in Service Area Plans which feed into the Corporate Risk Register.

10.3 Without doubt, the biggest capital risks the Council is subject to are in relation to property both in terms of our investment properties as well as our operational properties. These include:

- The cost of maintaining the assets
- Potential future decarbonisation requirements
- Fluctuations in valuations
- Delayed or reduced capital receipt generation

The Asset Management Strategy identifies and plans for these risks in detail and a summary of risks is also set out in Section 15 of the Capital and Investment Strategy.

11. Timetable for Implementation

11.1 After consideration by the Corporate Management Committee, the Capital & Investment Strategy will be referred to full Council for approval. Once approved it will take effect from the 1 April 2024.

12. Conclusion

12.1 The Council recognises that effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions (treasury and non-treasury) are taken considering the Council's Corporate Business Plan, Medium Term Financial Strategy (MTFS), Capital & Investment Strategy, Asset Management Strategy and Treasury Management Strategy.

12.2 The Capital & Investment Strategy and Capital Programme balance the resources available to the Council and leave options open as to future funding over the life of the MTFS. The key objectives of the Capital, Asset Management and Treasury Management Strategies are to deliver a Capital Programme that will:

- Ensure assets of the Council are used to support the delivery of the priorities set out in the Corporate Business Plan.
- Supports the Council's specific project plans – especially economic development and regeneration
- Is affordable, financially prudent and sustainable.

12.3 In preparing these strategies it is clear that future resourcing of capital schemes could become an issue unless additional capital receipts can be generated, or other sources of funding can be obtained.

12.4 The ten-year Capital Programme is an aspirational one and the assumption that the previous borrowing requirement anticipated for the Magna Square development (£5.3m) would still be allowable once the Levelling Up and Regeneration Act Capital Metrics have been finalised has been removed by the Best Value Notice's requirement to reduce the Council's borrowing levels. This means that the Capital Programme beyond 2025/26 will need to be revisited and adjustments made in line with the prioritisation methodology set out in the Capital & Investment Strategy to ensure the programme remains affordable in the medium term.

13. Background papers

- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes – 2021 Edition
- The Prudential Code for finance in local authorities - 2021 Edition
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- The Levelling Up and Regeneration Act 2023
- DLUHC Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision

14. Appendices

- Appendix A – Updated Capital & Investment Strategy for 2024/25 to 2027/28)
- Appendix B (Exempt) – ten-year Capital Programme

Runnymede Borough Council

Capital and Investment Strategy 2024/25 – 2027/28

Contents

Introduction

1.1 The Capital and Investment Strategy forms a key part of the Council's Corporate Planning framework. The strategy sets out the rationale for investment in capital assets and projects, including prioritisation, planning, outcomes, funding, and project management and monitoring. It is updated annually to react to the changing Council priorities, social and demographic changes and crucially the financial climate. The Capital Strategy focuses on the core principle that underpins the Councils detailed capital programme. The strategy applies to the General Fund only; the strategy for the Council's dwelling stock is contained in the Housing Revenue Account Business Plan.

1.2 Capital expenditure is spending on assets that will provide a benefit beyond the current financial year and is defined as "expenditure that results in the acquisition or construction of a fixed asset (land, building, vehicle, equipment) or enhancement of an existing fixed asset".

1.3 The Council's policy on capitalisation in accordance with its approved accounting policies and procedures, is that expenditure on land, buildings, vehicles, plant, machinery and intangibles over £10,000 will be capitalised unless wholly funded from external sources. Expenditure under these limits is deemed to be a revenue cost.

1.4 The Council has no authority to capitalise revenue expenditure without the express approval of the Secretary of State for Levelling Up, Housing and Communities

1.5 Most items of capital expenditure have associated revenue implications. For that reason, most of the items included in the detailed Capital Programme will sustain an essential service, reduce running costs in the medium term or generate an income to the Council. The detailed annual report to Council in February each year shows the current position and projects where the Council will be in three years' time and how it will get there.

1.6 The Capital & Investment strategy maintains a strong and current link to the Council's priorities and to its key strategy documents notably the Treasury Management Strategy, Asset Management Strategy, Medium Term Financial Strategy (MTFS) and the Corporate Business Plan. It is also consistent with the Council's housing policies and programmes. The Capital and Investment Strategy describes how the deployment of capital resources will contribute to the achievement of these aims.

1.7 The Council has long established links with local community and voluntary groups, many of whom it supports through grant funding, and has signed a formal compact with the voluntary and community sector. In addition, the Council works with a number of other organisations including:

- Surrey County Council and neighbouring Borough Councils
- Surrey Police
- Registered Social Landlords
- North Surrey Clinical Commissioning Group, Health Trusts and the Surrey Health and Wellbeing Board.
- Business Runnymede and the universities
- Sports clubs
- Local Enterprise Partnership
- Voluntary Support North Surrey

1.8 The financial implications of the Capital Strategy are reflected in the Council's Treasury Management Strategy, Prudential Indicators, the overall Medium-Term Financial Strategy (MTFS) and revenue budget and tax setting proposals. The Council's MTFS aims to set a balanced budget over the life of the financial planning cycle. The Council maintains a working balance to fund unforeseen cost increases or to pump prime initiatives or fund some items of capital expenditure from revenue resources.

1.9 The objectives of the Prudential Code are to ensure:

- capital expenditure plans are affordable and proportionate
- all external borrowing and other long-term liabilities are within prudent and sustainable levels
- treasury management decisions are taken in accordance with good professional practice.
- the risks associated with investments for service and commercial purposes are proportionate to their financial capacity

1.8 The asset portfolio of the Council broadly falls into four distinct categories:

- **Operational** – supporting core business and service delivery e.g. the Civic Centre, waste management depot.
- **Investment** – to provide a financial return for the Council in order to progress regeneration plans.
- **Community** – to support specific local communities e.g. through, community and day care centres.
- **Regeneration –** enabling strategic place shaping and economic growth for example Magna Square.

1.9 The Council is ultimately accountable and has a clear and transparent framework for its decision making. These strategies are driven by the Council's Corporate Business Plan - the key strategic planning document which articulates the Council's vision, aims and objectives.

Borough profile

Runnymede Borough lies in north-west Surrey some 20 miles south-west of central London, covering an area of 7,804 hectares. Its northern and eastern edges are formed by the Rivers Thames and Wey. It has a population of over 90,000 living in approximately 35,000 households. The area has an extensive Green Belt which makes it an attractive location to live and work. Development restrictions and demand for housing are reflected in high property prices. Additionally, Runnymede has a strong local economic base with many commercial enterprises in the town centres, industrial estates and business parks located in the area. As a result, more people commute into Runnymede for work than commute out. Equestrian and market gardening activities dominate in the rural areas with some traditional farming.

The below map demonstrates the broad positioning of the main settlements and transport routes within Runnymede.

Objectives

3.1 Like a lot of complex organisations, Runnymede Borough Council has a medium-term plan to guide its work. Councillors approved our four-year Corporate Business Plan and five overarching strategies which underpin it in October 2022. The Corporate Business Plan is the Council's top level strategic document. Together with the strategies, it sets out our priority areas of work which we describe as our themes, and how we will use our resources to achieve them. Our themes are:

- Climate change,
- Empowering our Communities,
- Health and Wellbeing,
- Economic Development, and
- Organisational Development.

3.2 Our vision is:

To be a community leader, providing high quality services, enhancing the environment and advocating for our community's interests.

In order to achieve this, we aim to be:

- customer-focused,
- performance driven
- innovative
- passionate
- promoting equality and diversity, and
- delivering excellent value for money.

3.3 It is recognised that we cannot achieve all the changes/developments we would like to see locally as one organisation, so the Council seeks to achieve these aims in a number of ways. The Council will act as a lead agency for delivering the Corporate Business Plan and will work with our partners in steering the vision and the delivery mechanisms.

3.4 In essence Runnymede councillors determine their programmes for capital investment that are central to the delivery of quality services. The Prudential Code plays a key role in supporting that objective. The code requires a local authority to look at its capital spending and investment plans in the light of its Corporate Plans and how these will be resourced. Decisions made now on capital spending have regard to the long-term financing implications and potential risks.

Strategic aims

4.1 This strategy is a high-level summary of the Council's approach to capital investment. It guides the development of service capital plans and sets out the policies and practices that the authority uses to establish monitor and manage the Council's capital programme, in line with the MTFS.

4.2 The key objectives of the Capital Strategy are to deliver a Capital Programme that will:

- Ensure assets of the Council are used to support the delivery of the priorities set out in the Corporate Business Plan.
- Support the Council's specific project plans – especially economic development and regeneration.
- Spend to save – transformation projects to reduce costs and enhance the services we provide.
- Addresses major infrastructure investment.
- Delivers wider economic outcomes such as employment opportunities.
- Asset management maintenance and investment.
- Be affordable, financially prudent and sustainable.

4.3 The Capital Strategy should be read in conjunction with the Treasury Management Strategy, Asset Management Strategy, Housing Asset Management Plan and the overarching Medium Term Financial Strategy (MTFS). These strategic plans show where capital and revenue investment can assist the Council in delivering its priorities. The financial impact of these strategies is summarised in the MTFS and HRA Business Plan. This demonstrates the Council's plans to invest in the Borough not only improves the residential and commercial offering to residents, but also provides an income stream to continue delivering services the residents need/desire.

4.4 A key element of the Corporate Business Plan are the regeneration projects, which in the past have largely been funded by borrowing and use of capital receipts to reduce revenue costs. During construction the schemes do not generate income, in some cases they reduce income as car parks are closed and existing Council owned income generating assets are demolished as part of the scheme. For that reason, the Council approved a Property Investment Strategy in 2014/15 which sought to acquire assets which would generate income to fund borrowing costs and replace the lost income during the developments. The five-year Property investment Strategy ended in March 2020 however, the Council still wishes to continue its regeneration strategy in other phases of Addlestone, Egham and Chertsey and will now seek alternative ways to finance them.

Priority areas for investment

5.1 There is increasing pressure on the availability of housing in the Borough – social housing and private sector rented accommodation. The Council has a housing strategy which accounts for a significant part of the capital programme. The figures in the programme include the Council's expenditure on its own stock. Works to the housing stock are totally financed from tenants' rent. The expenditure on private sector housing includes making grants to private householders to enable them to continue living in their own home, for instance Disabled Facilities Grants. The present Housing Strategy and long-term business plans are currently under review and this will include reviewing our approach to the provision of more affordable housing. The investment needed to fund this will be considered at the same time.

5.2 The Council continues to have ongoing responsibilities to maintain its assets and will keep its asset base under review and will continue to invest in its key assets which include the Civic Centre, community halls, depot and car parks.

5.3 The Council has commitments to partners as well as legal and other statutory obligations. It will continue to support capital works to discharge those commitments.

5.4 It is anticipated "invest to save" and income generation projects will continue to play a key role in assisting the Council in its efficiency and business transformation agenda.

5.5 The Council's priority areas for investment are summarised as:

- Housing investment
- Asset maintenance and enhancement
- External partnerships commitments
- Invest to save
- Economic regeneration

6.1 It is recognised that there is a need for a more sustainable and long-term strategic approach to the management of the Council's property assets. Therefore in 2023, the Council developed a Corporate Asset Management Strategy to replace the Property Investment Strategy which came to its natural conclusion in 2020. The Corporate Asset Management Strategy is a high-level summary of the Council's overall approach to the strategic management of its land and building assets. It is linked to the vision and priorities of the Council to provide a policy direction for the effective and efficient use of the Council's assets for the benefit of the residents.

6.2 The Asset Management Strategy (AMS) gives a framework of how we strategically manage both our commercial and operational assets that sit within the General Fund (there is a separate HRA Housing Asset Management Plan in place). The key components of the Strategy are to:

- Understand the requirement to maintain our asset portfolio
- Optimise use of the Council's asset portfolio
- Meet legal requirements i.e. Health and Safety
- Optimise service requirements

6.3 The AMS sets out the Council's vision, aspirations, opportunities and objectives for both portfolios and outlines an Action Plan for how it aims to achieve these outcomes this will be achieved with the following documents:

- Asset Management Strategy
- Accommodation Policy
- Acquisition and Disposal Policy
- Commercial Lettings Policy
- Corporate Landlord Policy
- Investment Update executive view
- Repairs and Maintenance Policy

6.4 For all Investment assets and Operational assets (other than Housing) assessments of the level of maintenance required for each property are being made and this assessment will feature in both capital and revenue budgets, as it is important that the quality of the stock is maintained in order to sustain performance. The income generated by the Council's Investment Properties supports other spending in the borough.

6.5 Whilst the Council has not been investing to make a capital gain, historically, property has proved to be one of, if not the best, investment in terms of capital growth over the last 50 years. If the Council owns a property for say 15 years, and the property is well managed and maintained, the Council can expect to see an increase in the value of the property as well as an annual income. It is however recognised that even well maintained properties do not always appreciate in value and the AMS highlights any such issues at an early stage to ensure mitigating measures can be taken.

6.6 Holding on to commercial property carries risks which the Council is fully aware of. Examples include: property prices falling, maintenance liabilities, depreciation of the asset, rent default, void property should a tenant leave etc. To mitigate the risks and manage the portfolio effectively, the Council:

- Has a fully developed Asset Management Strategy in place setting out the risks in detail
- Has created Investment Management Practices for non-treasury investments which includes our investment properties (appended to this Strategy)
- Has created two reserves - a repairs and renewals reserve and an income equalisation reserve – to even out future year's income and expenditure on the maintenance of the Council's asset base.
- Carries out fair value assessments for all investment property assets as part of the year end accounting process in accordance with International Accounting Standard 40: Investment Property

6.7 The Council assesses the risk of loss whilst holding property investments by having clear, robust and transparent governance arrangements in place as set out in the AMS. This is critical in meeting the statutory guidance and ensuring an appropriate level of due diligence and scrutiny is applied, together with objective arms-length external advice where appropriate.

6.8 The AMS will identify underperforming assets, or those where an opportunity arises, for divestment or re-purposing, following review and decision by the relevant Committee. The future of the Capital Programme is heavily dependent on the production of new capital receipts; which is increasingly important where future borrowing may be restricted or where there is limited ability for the general fund to support capital spending either directly or through bearing the cost of carrying debt.

6.9 The risk of not achieving the desired income or an unexpected maintenance liability is partially covered by both an income equalisation reserve and a property maintenance reserve. Annual payments are deducted from the rental income each year to add to these reserves.

Approach to investment

7.1 The Capital Programme is approved by the Council in February each year and is amended during the year to reflect changing circumstances. Future capital programmes are driven by the budget and business planning process. The size of the programme is determined by:

- any requirement to incur expenditure,
- affordability and available resources, and
- revenue implications from capital expenditure.

7.2 The de-minimis for schemes to be included in the programme is £10,000 unless wholly funded from external sources. Schemes below this threshold are funded from revenue sources.

7.3 The Council identifies programmes and prioritises investment and funding via a robust business case and project management methodology. Business cases must be approved by the relevant Service Committee and Corporate Management Committee before being included in the draft strategy for Council to consider in February.

7.4 No new capital projects are to be included in the capital programme without the necessary resources to meet the full capital costs, and any associated revenue implications, being in place. Business cases should reflect all financial implications and risks and be reported alongside the request for inclusion in the Programme. If it is too early in the process to provide this level of detail, a provision may be made within the budget but will be subject to reporting of the full business case to the appropriate Committee before proceeding with the project.

Specific funding of schemes

8.1 Funding of capital schemes can originate from a number of sources and in some cases a variety of sources. Irrespective of the source of funding all capital schemes are included in the Council's approved programme. The main sources of funding are likely to be the following:

8.2

- **Revenue funding** - There may be instances where a revenue contribution in part or wholly is used to fund the capital expenditure. Items would include CCTV cameras, vehicles and ICT equipment. Invest to save schemes or income generation schemes could provide funding to "pay back" the initial investment.

- **External funding** - Funding may in part or wholly come from external bodies. This includes government capital grant, contributions from other public sector bodies or via negotiated agreements (such as Section 106 agreements).

- **Capital receipts** - The Council on occasion sells a capital asset which is surplus to requirements. The sales proceeds are used to fund future capital schemes. The receipts are treated as a corporate resource to be used to invest in the Council's priorities. This means an individual service is not solely reliant on its ability to generate capital receipts.

- **Borrowing –** In certain circumstances, the Council may take out loans to fund capital expenditure. The Treasury Management Strategy approved by Council in February each year sets out the acceptable counterparties and the Council's borrowing limits which comply with the Prudential Code. The ability to borrow may also be subject to certain restrictions stemming from the capital metrics introduced as part of the Levelling Up and Regeneration Act 2023.

8.3 The Council will explore ways of delivering its major capital spending priorities in ways that reduce the burden on the Council's resources. This may be by phasing delivery of large programmes over a period or looking at new funding models and partnerships with both the public and private sector. The Council needs to balance delivery of such schemes for its residents, with the affordability of capital spend and the effect on its revenue income streams. This is now particularly relevant following the introduction of the Levelling Up and Regeneration Act 2023, as it may need to find ways of progressing its strategic priorities without increasing borrowing levels.

Capital finance

9.1 The main source of the Council's capital resources has traditionally been capital receipts derived from land sales.

9.2 The Council's overall financial position is formally reviewed at least two times per year. Every quarter the Corporate Management Committee receives an update on projected spending for the remainder of the financial year and the likely level of available capital receipts for the following year.

9.3 The Local Government Act 2003 introduced the Prudential Regime. The Prudential regime requires all local authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources and make sure that decisions are being made with sufficient regard to the long-term financial implications and potential risks to the authority. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent, sustainable and proportionate; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.

9.4 The Council recognises that effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions (treasury and non-treasury) are taken in light of the Council's Strategic Business Plan, Medium Term Financial Strategy, this Capital Strategy and the Treasury Management Strategy.

9.5 One important Council policy is in relation to prudential borrowing. The Council will only borrow to fund capital projects where a robust business case has been developed and the Prudential Indicators prove that the project is affordable, prudent and proportionate. This will include consideration of past borrowing, maintenance requirements and planned disposals, not just in the medium term but over the life of the asset base or underlying debt. Where maturity loans have been taken out then each year the Council will set aside income to fully repay the loan when it matures via a Minimum Revenue Provision (MRP).

9.6 Government legislation now precludes buying commercial assets purely for profit and the Treasury have amended their lending terms for the PWLB (Public Works Loans Board) to help facilitate this. HM Treasury has developed guidance in consultation with CIPFA and the local government sector to help local authorities ensure that their capital plans are compliant with ongoing access to the PWLB. The PWLB will continue to support service spending, housing, economic regeneration, preventative action, and treasury management. The guidance also includes a definition of investment assets bought primarily for yield, which the PWLB will not support.

9.7 The Council's last investment property purchase was undertaken in 2020 under its former Property Investment Strategy. The Council's current AMS, approved by Full Council in March 2023, includes its Acquisition and Disposal Policy (Appendix 5 of the Strategy) which sets out how acquisitions will be limited in nature and are likely to be linked to schemes identified in the Corporate Business Plan, for purposes other than for direct commercial investment. It further includes the statement that Borrowing for purely income generation reasons has now ceased and the investment property portfolio has moved into the 'asset management' phase.

9.8 In light of the on-going tightening of the prudential framework, coupled with the spirit and context of the Levelling Up and Regeneration Act 2023, it is proposed that the Council further formalises its intent not to purchase additional investment property by placing a moratorium on new debt-funded asset investments i.e. assets purchased primarily for yield.

Prioritisation, governance and agreement of capital project proposals

10.1 In common with other local authorities Runnymede is facing a challenging financial climate and it is therefore essential that systems are in place to ensure that scarce resources are allocated in the most effective possible way and therefore expenditure needs to be prioritised.

10.2 All new schemes are subject to a business case being prepared to be submitted to Members for approval via Service Committees. This gives Service Committees the opportunity to introduce new schemes, vary the specifications and defer others as operational needs develop over time. Following a review of the business case the Corporate Management Committee releases the capital budget. Every quarter the Corporate Management Committee receives an update of the projected outturn via the Financial Monitoring report or updated strategies.

10.2 The business case for each proposed scheme includes a financial appraisal using a whole life costing approach for the capital and revenue implications, pay back periods etc. If a business case has been drafted with a specific detailed budget then it can have a capital ESTIMATE approved. A business case lacking in sufficient detail will be put in the Capital Programme as a PROVISION which will need a further, more detailed, report to turn this into an ESTIMATE (usually as part of a procurement process). Provisions and estimates are equally important in financial forecasting terms as they are all built into the budget to ensure that when all added together (on the assumption that they will eventually be approved) they are affordable.

10.3 The Corporate Management Committee consider the impact on the overall capital programme and make the final recommendation to Council in February each year on the size and schemes to be included in the Capital Programme. The housing capital programme (HRA) is evaluated separately in accordance with the Council's Housing Strategy by the Housing Committee who makes recommendations to full Council as part of HRA rent and budget setting.

10.4 The financial strategy includes projections of capital resources likely to be available within the period of the plan and provides the framework within which the forward Capital Programme has been developed based on existing and expected resources. The Capital Programme is reviewed throughout the year with only those schemes which have undergone detailed scrutiny being included in the programme.

10.5 In order to make their way into the Capital Programme during the year any new capital projects are brought forward in the first instance to the appropriate Committee, having been appraised in consultation with the Corporate Head of Finance and the Corporate Leadership Team using a full business case, prepared using the Council's project management and procurement methodology.

10.6 Once agreed, the Service Committee will make an appropriate recommendation to the Corporate Management Committee and subsequently full Council if appropriate, to include the scheme in the Capital Programme. It will be for the Corporate Management Committee to approve the method of financing the scheme.

10.7 When necessary, schemes are then prioritised and evaluated according to the agreed corporate criteria by the Corporate Leadership Team. Potential schemes are evaluated in terms of the following categories to give an order of priority. Within each priority ranking each “bullet point” ranks higher than the one below it.

Priority 1

- Schemes essential and to the extent necessary to comply with statutory obligations, including Health and Safety.
- Schemes for which there is a contractual commitment to another party.
- Schemes necessary to avoid a service breakdown.
- Schemes which a business plan demonstrates to be self-financing.
- Schemes which will permit future savings or increased efficiency.

Priority 2

- Schemes necessary to maintain an existing asset.
- Schemes necessary to maintain required standards of service.
- Schemes to meet urgent established need.

Priority 3

- Schemes to permit the development of services in accordance with approved policies.

Priority 4

- Schemes representing other desirable developments within services
- Schemes to meet emerging needs and/or demands emanating from consultation, benchmarking or Best Value exercises.

Expenditure on non-treasury investments

11.1 In recent years, local authorities have used increased powers to engage in commercial activities. Due to the perceived excessive risks that some authorities have entered into in this area, the revised Treasury Management Code (2021) requires all investments and investment income to be attributed to one of the following three purposes:

- treasury management,
- service delivery, or
- commercial return.

11.2 As well as the normal day to day treasury management investments (covered by the Treasury Management Strategy), the Council holds service and commercial investments as follows:

- **Service Investments** – investments held clearly and explicitly for the provision of operational services, including regeneration. Such investments include:
  - loans to external organisations that are delivering the Council's strategic objectives

- **Commercial Investment –** investments undertaken primarily for financial reasons including:
  - commercial loans to companies and other organisations, and
  - holding property for a financial return (investment property).

11.3 Commercial activities that involve capital expenditure and the incurring of other long-term debt and liabilities are no longer permissible without risking the Council's future ability to access PWLB funds. Existing debt-funded commercial activities will be reviewed as guidance/regulation develops. This excludes investment of short-term cash surpluses as part of day-to-day treasury management activity and investments whose primary purpose is to achieve a service objective.

11.3 Loan Facilities Agreements have been entered into between the Council and RBC Investments (Surrey) Limited for the purchase of property (from the Council) and separately for working capital purposes to be drawn down as and when required. Under accounting regulations, the development loan is classed as capital expenditure whilst the working capital loan is a revenue cost to the General Fund.

11.4 The Council owns a significant investment property portfolio, a majority of which were purchased as part of a Property Investment Strategy which ended in 2019/20. The Council takes a proactive stance in managing this portfolio to achieve several aims including diversification of assets, facilitate regeneration schemes, and to compensate for lost income during developments. The management of these properties falls under the Asset Management Strategy.

11.5 The CIPFA Treasury Management Code requires authorities to establish Investment Management Practices (IMP) for their non-treasury management investments, similar to their treasury management practices. The IMP recommends a schedule for each such investment portfolio, setting out the investment objectives, investment criteria, risk management arrangements, decision-making and reporting arrangements, performance measurement and management, and arrangements for training and qualifications. The IMPs for the Council are set out in Appendix A to this Strategy.

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Capital loans

12.1 The Council may make loans to third parties to meet a strategic priority. In doing so it may choose to make loans to local enterprises as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

12.2 The Council may also from time to time make Soft Loans (Loans charged at interest rates at less than market value) to community organisations in the Borough whose objectives meet our own aspirations and add social value. Before such loans are undertaken, the implied subsidy will be clearly identified and quantified as part of the decision-making process.

12.3 Any loans to a third party will only be undertaken if there is an acceptable level of risk. This will be assessed against the overall sustainability of the Council and will include considerations such as:

- The level to which the budget is dependent upon income from the loan and the certainty of the income moving forward.
- The amount of the capital invested and the potential volatility of the fair value of the loan compared to the initial investment.
- How the investment is to be financed and its affordability.
- The liquidity of the investment compared to the longer-term cash flow requirements of the Council.
- The cumulative impact of all the loans made by the Council.

12.4 Any loan to an outside body brings with it a risk of non-repayment. A loan to a community group predominantly reliant on income from its users increases this risk. Therefore, where possible the Council agree a loan guarantee facility that is secured on the assets of the groups.

12.5 For any new loans, the Council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks. All loans are agreed by the Section 151 Officer. All loans will be subject to regular monitoring.

12.6 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts is shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Value for money

13.1 Value for money is delivered through two separate mechanisms. The first is efficient procurement of goods and services through competitive processes and partnerships. These are established mechanisms and are set out in the Procurement Strategy. The other means is through careful scrutiny of possible projects at the assessment stage and prioritising them according to the extent to which the outcomes they promise to deliver match the priorities of the Council.

13.2 Value for money will also be assessed via the regular reporting of property investments and capital loan portfolios so that any material increase in risk or threat to ongoing yield can be assessed. Going forward we will be working with MSCI (a leading provider of critical decision support tools and services for the global investment community) who will provide analytic information to enable us to measure the performance of our commercial property portfolio to inform decisions on how we retain, review, and where appropriate regear our property asset base ensuring we achieve value for money.

Environmental and Sustainability

14.1 One of the themes in the Council's Corporate Business Plan is on Climate Change. Climate change is a complicated and evolving subject, but the Council is determined to make concerted efforts to meet challenging targets.

14.2 The Council's Climate Change Strategy (adopted in October 2022) and supporting Action Plan (due for adoption by the end of March 2024) will inevitably permeate all of our activities and functions including those relating to Capital expenditure and investment. As an example, some of the following aims will have a direct impact on this strategy going forward:

- To deliver carbon net zero for all Council operations by 2030.
- To align climate change actions and environmental improvements with economic gain.
- To use our procurement strategy to create effective 'green' solutions.
- To drive biodiversity net gain.
- Working with Surrey County Council to encourage use of public transport, provide more and quicker bus and train journeys with real time information and affordable fares.
- Playing a leading part in delivering the River Thames Scheme by 2030.
- Improving energy efficiency of buildings throughout the Council's asset portfolio including 3,000 homes owned by the Council, and exploring options and costs associated with moving the Council's energy supplies to greener alternatives when existing arrangements come to an end.
- Providing digital access to all of our services to prevent the need for journeys
- Providing and/or enabling sufficient numbers of EV charging points across the Borough.
- Retaining sufficient flexibility to embrace hydrogen and other new technologies as they develop..

14.3 The Capital Programme and the Capital and Investment Strategy that surrounds it, is the expression in financial terms of the Council's agreed policies and schemes and as such there are no specific Environmental, Sustainability, or Biodiversity implications attributable to the Capital and Investment Strategy itself. Instead, any implications arising from new initiatives or those marked as being subject to a further report, will be fully explored within those future reports and through any resulting procurement processes.

14.4 Most Capital expenditure is incurred through a procurement process of one form or another. As such the Council's current Procurement Strategy and Sustainable Procurement Policy both have a significant role to play in ensuring that Environmental, Sustainability and Biodiversity principles are adhered to. In this regard, our Procurement Strategy espouses the following:

- We will ensure that procurement decisions take account of sustainability, the impact on the environment and climate change, and the Council's duty to promote equality
- We will aim to reduce our carbon footprint by engaging with local businesses in our supply chain when possible
- We will work with our supply chain to reduce and where possible eliminate the use of avoidable single use plastic.

14.5 The Sustainable Procurement Policy sets out how environmental considerations will be built into the procurement and delivery of goods, works and services through its specifications, tender questions, evaluation criteria, key performance indicators and clauses of contracts.

Risk management

15.1 The Council's overarching risk appetite statement is as follows "Risk Management is a continuously evolving process, whereby the Council constantly seeks to refine and improve process, in order to support the delivery of its objectives and take a proportionate approach to risk. Identifying its risk appetite enables the Council to take a balanced approach in respect of risk by understanding the risk levels it may tolerate, and therefore target its scarce resources at the management of risks that cannot be tolerated. Effective risk management supports informed decision-making through the determination of the nature and extent of the principal risk exposure of the Council and how much risk it is capable of absorbing to achieve its objectives. It is often not possible to manage all risk to the most desirable level, but the setting of risk appetites means that risks can be managed to a tolerable level".

15.2 The Council is very aware that risk always exists in some measure and can never be totally removed. In order to regenerate the Borough in the way the Council plans, some risk has to be accepted. It is worth noting the Public Accounts Select Committee supports risk taking across government, recognising that innovation and opportunity to improve public services requires risk taking - provided that the ability, skills, knowledge and training to manage those risks will exist within the organisation or can be brought to bear. In general, the Council's risk appetite is expressed through its tolerance to risk in terms of capital preservation (level of capital receipts etc.), meaningful liquidity (General Fund working balance) and income volatility (e.g. business rates equalisation fund, provision for bad debts etc.). These risks are reported to Members annually in February.

15.3 The Council has in the past purchased investment properties to help aid regeneration schemes within the borough. The Council recognises that the investment in such assets primarily for financial return, taken for non-treasury purposes, requires careful investment management, both at the outset and ongoing. Such capital expenditure includes loans supporting service outcomes, investments in subsidiaries and investment property portfolios. The Council fully recognises that the risk appetite for these activities is different from others and plans for these separately in the Asset Management Strategy.

15.4 The Council approved the Risk Management Framework 2023 – 2026 in October 2023 which formalises risk management across the organisation. Risks appetite statements have been approved by Standards and Audit Committee and Full Council for 2024/25 and will be reviewed annually as part of budget setting. In addition to having an overarching risk appetite statement, the Council has developed statements to describe its attitude to accepting risk in each of its principal risk categories; recognising that risk appetite is not a single, fixed concept but that there will be a range of appetites for different risks and that these appetites may well vary over time.

15.5 Risk appetite set for 2024/25 for relevant Risk Categories applicable to the Capital Strategy, is Cautious. Specific examples relevant to this Strategy are provided below:

Strategy Risk:	CAUTIOUS: Guiding principles or rules in place that allow considered risk taking in organisational actions and the pursuit of priorities. To illustrate: The Capital & Investment Strategy is refreshed every year and any amendments are taken in light of the Council's Corporate Business Plan, Medium Term Financial Strategy (MTFS), Asset Management Strategy (AMS) and Treasury Management Strategy (TMS), thereby ensuring a joined up approach to strategic risk across the Council.

	The AMS is a high-level summary of the Council's overall approach to the strategic management of its land and building assets. It is linked to the vision and priorities of the Council to provide a policy direction for the effective and efficient use of the Council's assets for the benefit of the residents.
Governance Risk:	CAUTIOUS: Willing to consider actions where benefits outweigh risks. Processes, and oversight / monitoring arrangements enable cautious risk taking. To illustrate: RBC has strong governance arrangements, reporting and controls supporting decision making through CLT, SLT, Taskforces and Member Working Groups and Service Committees, Full Council, and Overview and Scrutiny, ensuring that prudence and careful consideration are prominent in Council decision-making, augmented by quality independent advice and appropriate checks to ensure that we have the correct level of oversight, scrutiny and efficiency.
Financial Risks:	CAUTIOUS: Seek safe delivery options with little residual financial loss only if it could yield upside opportunities. To illustrate: our Capital Programme is regularly reviewed and reported to Members and officers on a regular basis, highlighting any perceived shortfall in funding or potential financial risks. Any scheme likely to exceed its budget by 10% or £25,000 (whichever is lower) must be reported to Committee. Any potential reduction in capital receipts will cause a review of the schemes contained within the programme to ensure they are still deliverable within the available resources and if not they will be deferred.
Property Risks:	CAUTIOUS: Requirement to adopt a range of agreed solutions for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money. To illustrate: the AMS provides the arrangements and requirements to support delivery. The impact if risks were to materialise is significant and therefore cautious is appropriate. As well as in the AMS, property risk mitigation is also set out in sections 6, 9 and Appendix 1 of the Capital & Investment Strategy. The Council also has two reserves specifically set aside for property repairs and income equalisation to mitigate fluctuations in income and capital expenditure requirements.
Project/ Programme Risks:	CAUTIOUS: The Council has an established project management methodology to support project delivery, deviation from the methodology is generally avoided unless necessary. Decision making authority generally held by senior management. Plans aligned with strategic priorities, functional standards. To illustrate: our project management methodology requires establishment of a Project Board and defined roles and responsibilities. The Project Sponsor is typically a Senior Officer. We have established project reporting and monitoring to measure progress and provide early warning when issues need to be addressed to reduce the likelihood of a project going off course. Business cases are aligned to the Corporate Business Plan and Corporate Strategies to demonstrate how the project will deliver on priorities.

15.6 Risk implications of capital schemes are regularly reported to and approved by members of the following Committees - Standards and Audit, Overview and Scrutiny, Corporate Management Committee with Full Council taking on responsibility following reports from those committees. The risk management arrangements detailed below, especially release of funds are contained in the standing orders and financial regulations of the Council.

15.7 . Each project on the capital programme is subjected to a rigorous business appraisal process The Council operates a whole life costing methodology, “the systematic consideration of all relevant costs and revenues associated with the acquisition and ownership of an asset.” In practical terms this means that any appraisal will need to consider not just the initial outlay but all costs/income associated with the project that are likely to occur in future years, including possible replacement. This is vital to ensure that the Council is not committing itself to future liabilities that are unsustainable.

15.8 The Council’s project management methodology sets out the requirement to identify project risks that could impact on delivery of the project In carrying out due diligence, potential project risks are identified, and relevant mitigation measures documented prior to approval. All risks are then managed in line with the Council’s Risk Management framework These risks are not just financial but any risk that could impact on the time for delivery, staffing resources required, quality parameters and project scope. Significant project risks are escalated to the relevant Corporate Head of Service and added to the risk management system for monitoring and reporting.

15.9 Every report to members from officers which includes references to any of the above strategies must be approved by the Chief Executive and include resource, legal, ESG and risk management implications as a minimum.

Asset management planning and disposals

16.1 Asset disposals should meet specified criteria to ensure proper consideration and terms, and also compliance with Section 123 Local Government Act 1972 as amended by The Local Government Act 1972: General Disposal Consent 2003.

16.2 Part of the Asset Management Strategy (See section 6 above) contains a policy of Acquisitions and Disposals. The purpose of this policy is to provide guidance an demonstrate transparency and fairness for the acquisition and disposal of property assets and to provide a consistent process to be followed. This policy:

- Acts as reference point for procedural matters.
- Ensures that the Council is consistent in its dealings.
- Ensures that best practice is considered.
- Ensures that the Council meets legislative requirements.
- Enables efficient and effective responses to purchase requests; and
- Enables the Council to reduce overall property holding costs.

16.3 Regular reviews are undertaken to identify assets that could be used as part of one of the Council's regeneration projects; or be redeveloped, or their use changed to generate additional income. In the absence of adding value or to contain the cost of asset ownership, to declare the asset surplus and maximise the selling price. Furthermore, as part of reviewing the property portfolio the Council may determine to dispose of a commercial asset to reduce its exposure in a particular market sector, geographic location or simply to release capital that can be reapplied to regeneration projects or to acquire new or redevelop old commercial property assets.

16.4 The Council's reviews also involve challenging all property assets and an options appraisal judged against the value and contribution that assets can make to service delivery and corporate objectives. For example, building utilisation can be improved by a combination of agile working and improved work scheduling techniques. Assuming the released space is marketable, the same services can be delivered using less space and therefore securing additional revenue income from the released space.

16.5 The asset challenge process will therefore determine which of the following five categories the asset will fall into:

- **Fit for Purpose** - these should be retained and maintained through a programme of planned and reactive maintenance; or
- **Enhanced Utilisation** – These should be retained; however, utilisation should be re-considered to improve the financial and/or service delivery performance (for example through shared services); or
- **Major Investment –** The future direction of the building needs to be determined as major works are required; or
- **Vision Property –** These assets should be retained, undertaking minimum maintenance pending investigation of the development potential of the site. The asset should be developed or disposed when its potential can be maximised; or
- **Surplus** - Develop or dispose of the asset immediately, in accordance with the Investment Strategy.

16.6 Where a disposal is considered the following criteria must be satisfied:

- **Market Testing** - Any sale of an asset should be subject to an open market test where reasonable steps have been taken to identify all interests in acquiring the asset and so to have sought to optimise the value of the sale;
- **Valuation** – Where there is a substantial value to the asset an independent valuation should be sought. For property sales, an independent Royal Institute of Chartered Surveyors' Red Book" valuation should be undertaken which confirms the value of the sale is at or above the independent valuation;
- **Optimising Value** - The Council should seek to optimise the price paid through considering current and future value and, for property sales for example, applying overage clauses in the sale agreement, where there is a potential for increasing the number of residential units to be built / increased value of the units / land assembly with increased marriage value / etc.

16.7 Any proceeds from the disposal of assets such as land or buildings in excess of £10,000 are determined as a 'capital receipt'. The sale of assets under this value (small pockets of land, vehicles etc) often brings in income of less than £10,000. This income is classed as 'revenue income' and is posted to the revenue income and expenditure account

Consultation

17.1 The Council consults on its strategies and provides feedback to the community and a wide variety of interested groups. This is undertaken through, special interest groups (such Disability Liaison Group, tenants' associations and allotment users), Business Runnymede, other local authorities, other strategic partners, and via the media, social media and our website. This two-way process is informed using relevant performance indicators, benchmarks and detailed outcome reports.

17.2 The views obtained inform the development of service strategies and the Corporate Business Plan, which in turn inform the Capital Strategy.

17.3 Major capital investment will be in response to evidence-based work, covering need, demographic trends and the appropriate local or user group consultation. Effective ward networks provide an important source of policy and service aspirations.

Investment Management Practices

The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) requires the setting out of the responsibilities and duties of Councillors and officers, allowing a framework for reporting and decision making on all aspects of Investment management. The Investment Management Practices (IIMPs) below set out the way in which the Council will seek to achieve those policies and objectives and prescribe how it will manage and control those activities.

Practice	Title
IMP1	**Risk Management**
IMP2	**Performance measurement**
IMP3	**Decision making and analysis**
IMP4	**Reporting requirements and management information arrangements**
IMP5	**Training and qualifications**
IMP6	**Use of external service providers**

Introduction

As well as the normal day to day treasury management investments (covered by the Treasury Management Strategy), the Council holds service and commercial investments as follows:

- **Service Investments –** investments held clearly and explicitly for the provision of operational services, including regeneration i.e. loans to external organisations that are delivering the Council's strategic objectives

- **Commercial Investment –** investments undertaken primarily for financial reasons including commercial loans to companies and other organisations, and holding property for a financial return (investment property).

These Investment Management Practices cover the arrangements for these investments.

IMP1 Risk Management

An objective of the Prudential Code is that the risks associated with service and commercial investments are "proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services" In particular, could the authority's budget survive a major reduction in its income from service and commercial investments if some perform badly or fail?

The Capital & Investment Strategy sets out some of the risks and mitigations in these types of investments in the following paragraphs which cover some the inherent risks in each area:

- Section 6 - Corporate Asset Management Strategy (and the Actual AMS itself)
- Section 9 - Capital finance
- Section 11 - Expenditure on non-treasury investment
- Section 12 - Capital loans
- Section 15 - Risks (many of the risks being equally applicable to Non-treasury related investments)

More detailed analysis of the risks associated with Commercial Investments can be found within the Asset Management Strategy where it acknowledges that a balanced portfolio will include a spread of differing risk profiles in relation to asset classification and differing investment sectors. Section 7 of the Investment Report document contained within the Asset Management Strategy sets out the following range of risks that need to be addressed:

- Financial risks related to the investment of our assets, cash flow and market volatility
- Macroeconomic risks related to the growth or decline of the local economy, interest rates, inflation and the wider national and global economy
- Credit and counterparty risks related to investments, loans to public and private institutions
- Operational risks related to operational exposures within the organisation, its counterparties, partners and commercial interests
- Strategic risks related to key initiatives undertaken by us such as areas of organisational change necessary to enable the Council to meet its goals and objectives, significant capital schemes and major purchases and new ventures
- Reputational risks related to our dealings and interests, and the impact of adverse outcomes on our reputation and public perception
- Environmental and social risks related to the environmental and social impact of our Strategy and interests
- Governance risks related to ensuring that prudence and careful consideration are prominent in Council decision-making, augmented by quality independent advice and appropriate checks to ensure that we have the correct level of oversight, scrutiny and efficiency

Investment property risks, control measures, and mitigations are reported to the Assets and Regeneration Officer Group on a monthly basis

IMP2 Performance measurement

The Council needs to be able to describe to a wide audience the role the investment property portfolio plays in the Council's capital and revenue strategies. The following table sets out the key performance indicators to be reported upon:

Revenue and Tenancy Management Performance

Reference	Description	Metric
KPI 001	Net Investment Property Income	Variance from target income showing income and expenditure variations as well as net total
KPI 002	Investment Property Rent Arrears	As a percentage of the total portfolio income – to be taken prior to Quarterly Payment Dates
KPI 003	Vacancy Rates	As a percentage of the total portfolio area in SQ FT
KPI 004	Tenant Retention	Number of renewals completed and tenant breaks not exercised
KPI 005	Income Return (Proportionality)	Investment income as a percentage of all general fund income

Annual Indicators - Capital & Treasury Performance

Reference	Description	Metric
KPI 006	Capital Values	Difference in Capital Values, annually.
KPI 007	Capital Appreciation/Reduction	Difference in Capital Valuations since purchase/construction
KPI 008	Loan to Value ratio	Amount of debt compared to the total asset value
KPI 009	Interest cover ratio	The total net income from property investments compared to the total interest on associated borrowings
KPI 010	Debt cover ratio	The total net income from property investments compared to the total annual MRP and interest on associated borrowings
KPI 011	Average return on investments	Rental income divided by Capital Value

It is anticipated that these measures will be further developed in 2024-25 using benchmarking analysis relative to the broader market, based on frequent data via a subscription to MSCI Analytics

IMP3 Decision making and analysis

The Council will maintain full records of its investment management decisions, and of processes and practices applied in reaching those decisions, both for the purpose of learning from the past and for demonstrating that all reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at that time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the Asset Management Schedule

IMP4 Reporting requirements and management information arrangements

Reporting of performance will be undertaken as part of the Quarterly Treasury and Capital Performance Monitoring report to the Corporate Management and Overview & Scrutiny Committees and/or the Quarterly Budget Monitoring report whichever is felt more appropriate at the time.

IMP5 Training and qualifications

The Council recognises the importance of ensuring that all staff involved in the management of property are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The present arrangements are set out in the Asset Management Strategy.

IMP6 Use of external service providers

The Council recognises that responsibility for investment decisions remains with the Council at all times. It recognises that there may be potential value of employing external independent and expert advice in order to acquire access to specialist skills and resources to ensure due diligence is suitably robust before any new transactions are entered into.

Where feasible and necessary, the Council ensure that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

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