

Council

27 February 2024



Reading
Borough Council
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Title	Capital Strategy 2024/25
Purpose of the report	To make a decision
Report status	Public report
Report author	Stuart Donnelly, Financial Planning & Strategy Manager
Lead Councillor	Councillor Brock, Leader of the Council
Corporate priority	Not applicable, but still requires a decision
Recommendations	<ol style="list-style-type: none">1. That Council approve the adoption of the Capital Strategy attached as Appendix 1;2. That Council note the updated Action Plan that forms Annex C of the Capital Strategy (Appendix 1) together with the associated financial implications.

1. Executive Summary

- 1.1. The Chartered Institute of Public Finance and Accountancy' (CIPFA) revised Prudential Code for Capital Finance in Local Authorities 2021 requires local authorities to produce a Capital Strategy on an annual basis which must be approved by Full Council.
- 1.2. The overarching Capital Strategy has been extended out to give a five year, longer term projection as required by guidance to progress with recommendations made through the approved Action Plan to the Financial Management Code report, approved by Audit & Governance Committee in April 2023.
- 1.3. In December 2023, the Government launched a new consultation relating to additional flexibilities to use capitalisation without the requirement to approach Government (further details are set out in Section 4). As the outcome of this consultation has not yet been announced, the Council's use of capitalisation and capital receipts have all been based on the existing guidance and legislation. Depending on the outcome of this consultation, and any proposed implementation date of any forthcoming new guidance, there may be a requirement for amended policies to be brought back to Council for approval in advance of February 2025.

2. Policy Context

- 2.1. The aim of the Capital Strategy is to support the delivery of the Council's Corporate Plan, which includes the Council's agreed priorities.

3. The Proposal

- 3.1. The CIPFA 2021 Prudential and Treasury Management Codes require the Council to prepare a Capital Strategy report which sets out the Council's capital requirements arising from policy objectives, as well as the associated governance procedures and risk appetite of the Council.

- 3.2. The Capital Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services; along with an overview of how associated risk is managed and the implications for future financial sustainability. It shows how revenue, capital and balance sheet planning are integrated.
- 3.3. The Strategy is informed by the Council's priorities and links to other key strategy documents notably the Corporate Plan, Medium Term Financial Strategy (MTFS), Treasury Management Strategy, Asset Management Strategy, Corporate Investment Strategy and Carbon Reduction Strategy.
- 3.4. The Capital Strategy sets out among other things, the Council's approach to asset management planning, development, and monitoring of the Capital Programme's delivery.
- 3.5. The figures in the various tables within the Capital Strategy, most particularly the Capital Programme itself, have been updated to reflect the latest position consistent with the MTFS report elsewhere on this agenda. Also, the Action Plan at Appendix 1 Annex C has been refreshed. The Director of Finance will keep this under review during the year and will bring forward any changes that may be required.
- 3.6. The Capital Programme Board chaired by the Director of Finance was introduced in December 2022 to increase oversight of the Capital Programme and its delivery. Terms of Reference for the Board are included at Appendix 1 Annex B.
- 3.7. The proposed Action Plan at Appendix 1 Annex C of the Strategy identifies four areas of ongoing work required for the Council to remain compliant with the CIPFA code requirements. These are:
 - Developing our knowledge of the Council's existing asset base;
 - Identifying what assets we need in the future;
 - Developing and implementing new systems and processes, which enable full compliance with the Code requirements;
 - Reviewing current capacity and skillsets within the organisation.
- 3.8. Progress against actions still outstanding are reported on the face of the Action Plan along with revised target completion dates. The progress against the Action Plan has not been what was anticipated when set. However, a number of significant steps forward have been made, including: strengthening staffing arrangements in the Directorate of Economy, Growth and Neighbourhood Services, especially within Property and Asset Management. The Capital Programme Board under the leadership of the Director of Finance has been established to drive improved programming and delivery.

4. Local Authority Capital Flexibilities Consultation

- 4.1. The current Flexible Capital Receipts Directive issued by Central Government, which allows Local Authorities to use Capital Receipts to fund revenue expenditure which generates future and ongoing savings and service transformation, is currently due to end on 31st March 2025.
- 4.2. On 19th December 2023, the Government launched a consultation seeking to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage invest-to-save activity, and more flexibilities to use capitalisation without the requirement to approach Government.
- 4.3. The Government has not committed to any of the options set out in the consultation but at a high level these can be categorised as:

- a. **Supporting invest-to-save activity.** Increasing the flexibilities to use capital receipts and borrowing to finance the costs of transformation and efficiency projects;
 - b. **Local management of budget pressures.** Providing greater flexibilities on the use of capital receipts, including the scope to meet general budget pressures, and potential additional flexibilities where the proceeds relate to the sale of investment properties.
- 4.4. The options are not intended to be mutually exclusive, and local authorities that use any new flexibilities provided by the Government will be expected to put in place plans to reduce costs and improve efficiency in a way that reduces future risk.
- 4.5. The Government has not announced an expected response date in respect of this consultation. The 2024/25 Budget and Medium Term Financial Strategy 2024/25, the Capital Strategy 2024/25 (including the Flexible Capital Receipts Strategy) and the Treasury Management Strategy Statement have all therefore been prepared in alignment with the current guidance relating to the flexible use of capital receipts.

5. Contribution to Strategic Aims

- 5.1. Full details of the Council's Corporate Plan and the projects which will deliver these priorities are published on the Council's website. These priorities and the Corporate Plan demonstrate how the Council meets its legal obligation to be efficient, effective, and economical. The updated Corporate Plan is presented to Council elsewhere on this agenda.
- 5.2. The Capital Strategy provides a link between the Corporate Plan and the development of the Capital Programme as well as setting out the approach taken to asset management to ensure that these fit with the corporate priorities.

6. Environmental and Climate Implications

- 6.1. There are no environmental or climate implications arising directly from the report; these are set out in the 2024/25 Budget and Medium Term Financial Strategy 2024/25 – 2026/27.

7. Community Engagement

- 7.1. The Council's public budget engagement ran from 15th December 2023 until 19th January 2024. The feedback from this engagement, alongside the feedback from the Resident's Survey 2023 is set in in the main body and appendices of the 2024/25 Budget and Medium Term Financial Strategy 2024/25 – 2026/27 report which appears elsewhere on the agenda.

8. Equality Implications

- 8.1. Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:
 - eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

- 8.2. An initial Assessment of the proposals as set out in the MTFS (including the Capital Programme) has been undertaken and Appendix 10 to the 2024/25 Budget & Medium Term Financial Strategy 2024/25-2026/27 Report, which is elsewhere on the agenda, sets out the individual budget proposals where specific equality impact assessments will need to be undertaken prior to implementation.
- 8.3. Additionally, when considering changes to service provision, local authorities are under a duty to consult representatives of a wide range of local stakeholders. Authorities must consult representatives of council tax payers, those who use or are likely to use services provided by the authority and those appearing to the authority to have an interest in any area within which the authority carries out functions. The consultation on the Draft Budget proposals assists with this requirement.

9. Other Relevant Considerations

- 9.1. There are none.

10. Legal Implications

- 10.1. This report assists the Council in fulfilling its statutory obligation to prepare a Capital Strategy report which sets out the Council's capital requirements arising from policy objectives along with associated governance procedures and the Council's risk appetite.

11. Financial Implications

- 11.1. The Council's Capital expenditure requirements are set out within the Strategy attached at Appendix 1. The financial implications of the Council's Capital expenditure plans are set out in 2024/25 Budget and Medium Term Financial Strategy 2024/25 – 2026/27 report and Treasury Management Strategy Statement which appear elsewhere on the agenda.
- 11.2. All schemes included in the approved Capital Programme, including those planned to start in 2024/25 shall remain subject to spending approval in detail by the responsible Committee or Policy Committee or Council, as appropriate, for schemes over £2.5m, with the exception of expenditure on rolling programmes of routine capital expenditure.

12. Timetable for Implementation

- 12.1. Not applicable.

13. Background Papers

- 13.1. There are none.

Appendices

1. Capital Strategy 2024/25