

Cabinet

26 February 2020



Title	Capital Strategy 2020 - 2025		
Purpose of the report	To make a recommendation to Council		
Report Author	Terry Collier, Deputy Chief Executive Heather Morgan, Group Head Regeneration and Growth		
Cabinet Member	Councillor Ian Harvey	Confidential	No
Corporate Priority	Financial Sustainability		
Recommendations	Cabinet is asked to recommend to Council: Approve the Capital Strategy for 2020/21		
Reason for Recommendation	Since April 2018 there has been a statutory requirement for every Council to have Capital Strategy. This is particularly important for us in light of our £1bn investment portfolio and substantial level of development activities. It sets out in plain english the why, what, where, when and how of our capital investment decisions.		

1. Key issues

- 1.1 The Councils' first Capital Strategy was adopted on 21 February 2019, after the government stated it was a statutory requirement. This was in response to the growing level of commercial investment activity being undertaken by authorities in 'non treasury assets' (essentially property investments). All Councils are required to set out what need the Council has for capital financing, why it has this need and what the money will be spent on. In addition to that, there are more technical aspects which have to be included and the document should also outline our approach to risk management and how we are resourcing this side of our business.
- 1.2 The 2020 Strategy is a refreshed and revised version of the 2019 document, taking account of activity in the last year, and reflecting our greater emphasis on the performance of the investment portfolio, refined and improved governance arrangements and the need to embed sustainability.
- 1.3 There has been no change in direction or approach on the three drivers, which are:

(1) **investing** in commercial property which will deliver an ongoing sustainable income stream to support development activity

(2) **creating** new housing for residents and regenerating our town centres

(3) **delivering** the affordable homes which the market fails to provide and we are prioritising people who are on our housing register

1.4 It continues to be the case that we are using the investment assets to drive forward with our transformational agenda of delivering housing, regeneration and prosperity in the borough. Our investment parameters remain unchanged.

2. Options analysis and proposal

2.1 There is a statutory requirement for a Council to have a Capital Strategy and for this to be adopted on an annual basis before the end of the financial year (in much the same way as we are required to do with our Treasury Management Strategy). This Strategy needs to be formally agreed by Council, hence the recommendation.

2.2 The revisions and improvements include the following:

- (a) Specific reference to ensuring that the Council embeds sustainability in its broadest sense (particularly within the development portfolio)
- (b) Enhanced performance monitoring of the investment portfolio through a series of Key Performance Indicators. These will cover matters such as loan to value ratio, portfolio running yield, voids by income and rent collection. A number will be reported on annually whilst others will be reviewed on a quarterly basis to enable active asset management and corrective action to be taken promptly (if required). These are included as a new Appendix.
- (c) Refined governance arrangements have been set up (agreed by Cabinet on 6 November 2019) with the creation of Property and Investment Committee which will operate as a Cabinet sub-committee. This will ensure that the Council can make fully informed and transparent decisions but at a speed that is acceptable within a fast moving and commercial environment.
- (d) Minor amendments to update on our acquisitions and to reflect our current and forthcoming development programme.
- (e) An asset management plan has been developed which be considered at March Cabinet

3. Financial implications

3.1 These are set out in the Capital Strategy itself, especially in relation to the capital financial requirements to deliver the proposed housing activity. It needs to be read alongside and in conjunction with the annual Treasury Management Strategy and the budget for 2020/21.

4. Other considerations

4.1 Risk management, governance, skills, governance and performance management are all covered in the Capital Strategy itself and do not require repeating here. As previously, an Executive Summary will be provided to give the headline information in an easily digestible format. A series of appendices

provide the supporting and technical detail. As a whole the strategy has again been kept short, informative and readable.

5. Timetable for implementation

- 5.1 The Capital Strategy needs to be adopted by Council by the end of the financial year alongside the budget, which is also on this agenda. Once adopted the text will be put into the same presentational format as the current Capital Strategy for consistency.

Background papers: None

Appendix 1	Capital Strategy 2020 - 25
Appendix 2	Appendices to Capital Strategy