

Barnet 2024

Capital Strategy

2020 - 2024

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1. Purpose of the Capital Strategy

The Capital Strategy 2019-24 underpins the Council's Medium Term Financial Strategy and combined forms a key component of the Council's strategic response to the financial challenges it faces and its ambitions for the borough, as set out in the corporate plan: Barnet 2024.

It sets out the Council's approach to capital investment and provides both a mechanism to ensure capital investment is driven by and aligned with the Council's corporate plan and a framework by which decisions on the capital programme are made and monitored.

The objectives of the Capital Strategy are to;

- Maintain an affordable rolling capital programme of up to ten years;
- Ensure capital resources are aligned with the Council's strategic vision and corporate priorities;
- Undertake prudential borrowing only when there are sufficient monies to meet, in full, the implications of capital expenditure, both borrowing and running costs;
- Maximise available resources by actively seeking appropriate external funding and disposal of surplus assets.

This document sets out how the Council will deliver those objectives, including the governance and financing arrangements.

The corporate plan is based on three strategic outcomes and supporting priorities. These, together with the outlined approach to delivering these within financial constraints, have shaped the broad priorities for the Council's Capital Strategy:

- Driving and supporting responsible growth and development as a critical component of financial sustainability and independence
 - for example, Brent Cross regeneration
- Improving outcomes and supporting a reduction in demand on services
 - for example, investment in green spaces and leisure centres and reduced demand for local health and care services
- Enabling delivery of high value efficiencies in the MTFS
 - for example, enabling the delivery of MTFS savings such as reductions in temporary accommodation costs through investment in housing
- Enabling delivery of new statutory requirements
 - for example, the systems replacement within Adult Social Care enabling the council to work in a way best suited to discharging statutory duties

The Capital Strategy will be reviewed and revised annually, to ensure it reflects the needs and priorities of the Council.

2. Barnet 2024

The Council's Corporate Plan for 2019-2024 sets our vision and strategy. This includes outcomes we want to achieve for the borough, the priorities we will focus limited resources on, and our approach for how we will deliver these. The priorities place a particular emphasis on ensuring that:

- The growth of the borough benefits all residents
- Barnet's credentials as a family friendly borough are protected and enhanced
- We create opportunities for resident to live independent, active and healthy lives; and
- The council is well run and easy to deal with.

The Council is investing £363m for the delivery of a new Thameslink mainline rail station and associated critical infrastructure works will provide residents and visitors improved access to the area, pedestrian, cycling and vehicle links across the railway, and replace outdated waste and freight facilities.

The Council has allocated over £280m of investment for housing matters including housing strategy, homelessness, social housing & housing grants and commissioning of environmental health functions for private sector housing. Initiative include:

- open market purchases of 90 affordable homes outside of the borough to increase the supply of affordable housing to homeless households and lower the costs of temporary accommodation,
- to develop 17 new homes at affordable rent on council land to increase the supply of affordable housing for homeless households,
- Repairing and improving our housing stock properties, including the replacement of kitchens, bathrooms, doors and windows, estate improvements and door entry systems, and the replacement of water mains, domestic and communal heating systems, aerials, one off electrical rewiring and re-roofing,
- to develop 126 Extra Care homes at affordable rents for vulnerable older people, diversifying Barnet's accommodation to support older people and allow them to remain independent, give them security of tenure and further their quality of life,
- to purchase 82 residential properties in the borough for use at affordable rent
- developing 87 new homes for affordable rent to increase the supply of homes in borough
- ensure all of council's high-risk properties (high rise, sheltered schemes and hostels) meet or exceed the requirements of the fire regulations ensuring the tenants and leaseholders are safe and that the council is proactively meeting the expected changes to the building regulations

The Council has set aside a further £223m, to develop 320 new homes at affordable rent in the borough by 2022 and purchase 500 residential properties in Greater London and other areas within 50-mile radius for use at affordable rent, to increase the supply of affordable housing for homeless households.

The Council has begun work on the regeneration of Brent Cross Cricklewood and have set aside an initial £16m on a series of projects that will facilitate comprehensive regeneration of the 151-hectare area including affordable homes, employment, retail, leisure and social infrastructure such as schools, public realm and green space, offering benefits to both the local population, and wider London. This is supported by a £23m Strategic Infrastructure Fund as part of a commercial funding agreement with Argent Related, for the development of the Brent Cross site.

The Council's Children, Education & Safeguarding Committee oversees a capital programme with a budget of £49.8m. The Committee has a wide range of responsibilities for all matters relating to children, schools and education. Initiatives include;

- Modernisation programme which will oversee improvements to school infrastructure,
- Additional Places programme for Primary & Secondary Schools which has been able to re-provide 60 places at a primary school level and to create an additional 60 new places at a secondary school and facilitated the building of the new 6 form entry Saracens High School
- Special Educational Need (SEN) Schemes has enabled an additional 34 SEN places to be created at 3 schools and 1 Pupil Referral Unit, and
- The creation of new nursery places and a new children's home.

The Council continues to spend on our Network Recovery Programme, with a further £21.19m planned in the coming years to improve the boroughs infrastructure, parking, environment, air quality and traffic flow. Additionally, we are investing a further £7.6m to upgrade the borough wide street lighting, replacing them with LED powered columns which are more environmentally efficient and provide a better night perception.

The Council has established a strategic opportunities fund of £26m to enable strategic purchases which will generate a return to the Council.

The Council is investing £12.7m for the creation of two new leisure centres at Barnet Copthall and Victoria Park in New Barnet.

The Council is spending £6.9m as part of our Parks and Open Spaces Strategy, which has been developed to guide future investment in parks, ensuring that they are practical and are part of the well-used fabric of the local community.

The Council has allocated £2.83m to upgrade our Waste and Street cleansing vehicles to more fuel-efficient vehicles enabled with routing software to support smarter route planning and execution.

The Council has committed £2.18m to improve the systems and processes to allow the Council to better support our residents that require more assistance.

3. Capitalisation Policy and Investment Programme

Capital expenditure comprises the buying, constructing or improving physical assets, such as buildings, land, vehicles and other miscellaneous property, including streetlights and road signs. It also includes grants and advances that the Council may make to other bodies for capital purposes. Full details of the Council’s capitalisation policy are disclosed within the Accounting Policies, that can be found within the Statement of Accounts.

Barnet has an ambitious capital investment strategy that anticipates investing more than £1bn over the term of the Barnet 2024 strategy. This is summarised as follows, with full detail included with the Councils .

| Theme Committee | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | Total |
|------------------------------------|----------------|----------------|----------------|----------------|---------------|---------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Adults and Safeguarding | 15,994 | 1,905 | 1,110 | 1,110 | 1,110 | | 21,229 |
| Brent Cross | 101,312 | 160,416 | 107,370 | 38,228 | | | 407,326 |
| Children, Education & Safeguarding | 21,003 | 17,245 | 14,124 | 1,539 | | | 53,911 |
| Community Leadership and Libraries | 235 | | | | | | 235 |
| Environment | 18,301 | 28,461 | 10,970 | 2,792 | 1,611 | | 62,135 |
| Housing and Growth Committee | 70,867 | 114,263 | 71,141 | 42,450 | 36,446 | 6,000 | 341,167 |
| Policy & Resources | 20,115 | 10,886 | | | | | 31,001 |
| Total - General Fund | 247,827 | 333,176 | 204,715 | 86,119 | 39,167 | 6,000 | 917,004 |
| Housing Revenue Account | 54,330 | 92,955 | 93,639 | 65,146 | 43,029 | 23,080 | 372,178 |
| Total - all services | 302,157 | 426,131 | 298,354 | 151,265 | 82,196 | 29,080 | 1,289,182 |

4. Capital Financing

The financing of the capital programme set out in section 3 is summarised as follows:

| Theme Committee | Grants | S106 | Capital Receipts | RCCO/ MRA | CIL | Borrowing | Total |
|------------------------------------|----------------|---------------|------------------|----------------|---------------|----------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Adults and Safeguarding | 2,000 | 700 | 500 | | 15,841 | 2,188 | 21,229 |
| Brent Cross | 364,354 | | 900 | | | 42,072 | 407,326 |
| Children, Education & Safeguarding | 43,597 | 3,536 | 842 | | 852 | 5,084 | 53,911 |
| Community Leadership and Libraries | | | 68 | | | 167 | 235 |
| Environment | 4,255 | 4,601 | 3,380 | 440 | 12,040 | 37,419 | 62,135 |
| Housing and Growth Committee | 7,889 | 20,251 | 16,814 | 590 | 20,835 | 274,788 | 341,167 |
| Policy & Resources | 50 | | 6,124 | 5 | | 24,822 | 31,001 |
| Total - General Fund | 422,145 | 29,088 | 28,628 | 1,035 | 49,568 | 386,540 | 917,004 |
| Housing Revenue Account | 17,740 | | 10,142 | 143,462 | | 200,834 | 372,178 |
| Total - all services | 439,885 | 29,088 | 38,770 | 144,497 | 49,568 | 587,374 | 1,289,182 |

The Council seeks to maximise external funding opportunities, such as grants or section 106, and limiting internal sources, such as revenue funding. Capital funding sources are described below.

External Capital Grants - Grant funding is one of the largest sources of financing for the Capital Programme. Most grants are awarded by Central Government departments, but some are received from external bodies, including The Lottery Fund or Sport England. Grants can be specific to a scheme, have conditions attached (such as time and criteria restrictions), or are for general use.

Capital receipts - The income received over the value of £10,000 from the disposal of Fixed Assets or the repayment of loans for capital purposes is defined as a capital receipt. They can normally only be used to fund capital expenditure or repay debt. Some capital receipts have additional restrictions on their use. The Council seeks to obtain the highest possible receipt achievable from each disposal after considering wider community or service benefits. The Council ring-fences receipts generated from the disposal of HRA assets to fund HRA projects.

Section 106 (s106), Community Infrastructure Levy (CIL) and external contributions - These are two types of levies that local authorities can charge on new developments. The money can be used to support development by funding infrastructure that the Council, local community and neighbourhoods want.

Private finance initiative (PFI) / Public private partnerships (PPP) - The Council makes use of additional Government support through PFI and PPP and has dedicated resources to manage schemes that are funded via this source. The Council currently has a street lighting programme that is funded this way.

Borrowing (known as prudential borrowing) - The Council can determine the level of its borrowing for capital financing purposes, based upon its own views regarding; the affordability, prudence and sustainability of that borrowing, in line with the CIPFA Prudential Code for Capital Finance. Borrowing levels for the Capital Programme are therefore, constrained by this assessment and by the availability of the revenue budget to meet the cost of this borrowing which is built into the Council's Medium Term Financial Strategy (MTFS).

Revenue Funding - The Council can use revenue resources to fund capital projects on a direct basis. However, given the pressures on the revenue budget of the Council, it is unlikely that the Council will choose to undertake this method of funding if other sources are available.

5. Governance

Oversight and decision making

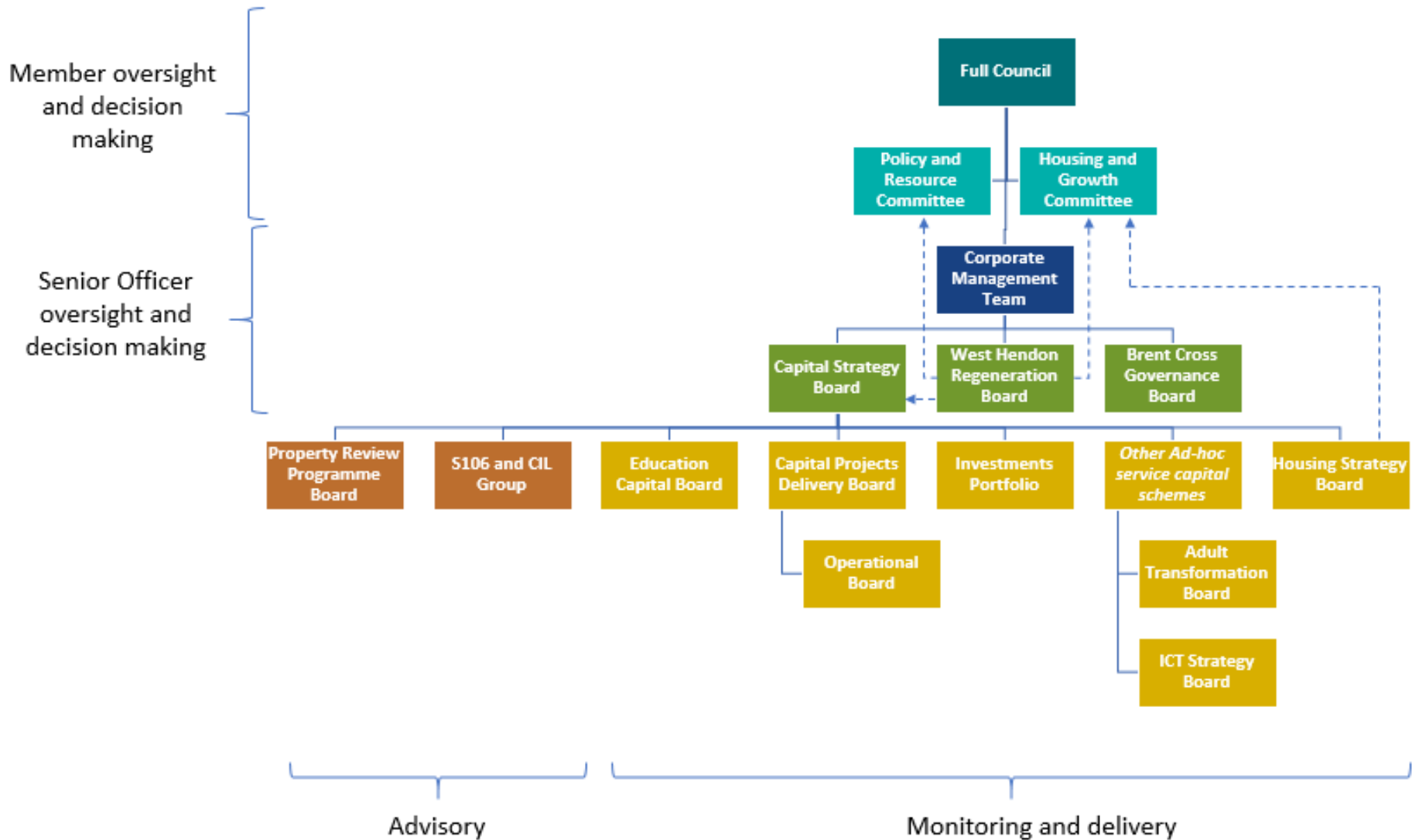
The Capital Strategy Board (CSB) has oversight of the Council's capital programme. The CSB is an officer body with a remit to discuss capital strategy at a senior director level cross cutting level. It takes any decision-making power from the delegated authority of officers attending as set out in the Financial Regulations and the Council's Constitution. It makes decisions only in accordance with the existing priorities agreed in the budgetary framework. It also ensures that necessary consultation is carried out with the Council Management Team (CMT) and (P&R) and relevant directors as part of the decision-making process. Any decision or policy that is outside the agreed budget or policy framework is referred to P&R Committee and/or Council in accordance with the Constitution.

The role of the Capital Strategy Board (CSB) is as follows:

- lead on the development and maintenance of a Capital Strategy that is consistent with Council priorities;
- identify and monitor the resources available to fund the capital programme ensuring all approved schemes are fully funded;
- within this framework, develop and manage the Capital Programme; and,
- monitor the progress of the capital programme and key variances between plans and performance.

The CSB reports to the Council Management Team. Decisions are recommended to Policy & Resource Committee who are responsible for strategic policy, finance and corporate risk management including recommending the Capital and Revenue Budget, Medium Term Financial Strategy and Corporate Plan to Full Council.

An overview of the CSB's governance role and its place in the Council's structure is provided in the diagram below.



Additions to the Capital Programme

Throughout the financial year, business areas put forward proposals for new projects that are required to meet the needs of their services for consideration at the Capital Strategy Board.

All proposed schemes requiring capital investment provide capital bid forms including the following minimum information:

- Description of the scheme,
- The estimated financial implications, both capital and revenue,
- The expected outputs, outcomes and contribution to the Council's Priorities,
- Risk assessment and appraisal with potential mitigations, and
- Any urgency considerations (e.g. statutory requirements or health and safety issues).

Business cases are scrutinised by the Capital Strategy Board where representatives will discuss and appraise the schemes based on reference to the capital strategy, corporate priorities, and evaluation criteria contained within the capital bid form. Recommendations are then put to CMT for consideration.

These proposals along with the officer approved Capital Programme are then presented as part of the Budget Report to Policy & Resources Committee in February and referred to Full Council for approval; thereby setting the full capital programme for future years.

Monitoring and Reviewing the Capital Programme

The decision-making framework and monitoring arrangements support effective delivery of the programme by ensuring projects are and continue to be realistic, not only financially but also regarding timescales for delivery and benefits realisation. Quarterly reports are developed based on the outcome of reviews at Finance Business Partner level and additional review and challenge at the Capital Strategy Board. The reports are scrutinised by elected members through the Financial Performance & Contracts Committee and provide a basis for the CSB to understand and address risks, and change forecasts where appropriate.

Changes to the Capital Programme

Any slippages or accelerated spending or deletions to the capital programme are approved by the Policy and Resources Committee.

a) Deletions

Regular formal challenge is provided to capital schemes throughout the capital programme from multiple sources such as Finance Business Partners (FBPs) and CSB members. Scrutiny is applied when expenditure has not yet been incurred or is lower than the anticipated profile of payments. Consequently, deletions are identified which remove projects which are recognised as no longer being required. Removing unnecessarily planned capital expenditure not only reduces the revenue

requirement but also supports good financial management in accurately forecasting project costs and reducing slippage.

b) Slippage & Accelerated Spend

In addition to the process of challenge of continued inclusion within the capital programme, scrutiny by FBPs or CSB members has been provided to the profiling assumptions of every scheme. As major capital works can span many financial years, there is a need to plan over a longer time horizon. Expanding the planning period enables existing schemes to spread the cost over a more reasonable delivery period.

6. Treasury Management

The Council's Treasury Management Strategy supports the Capital Investment Strategy by ensuring that the Council's capital investment and associated borrowing is financially sustainable. It includes:

- New borrowing requirements and debt management arrangements,
- A Minimum Revenue Provision Policy Statement,
- The Annual Investment Strategy,
- The Treasury Management Policy Statement, and
- Prudential Indicators for Capital and Treasury Management.

Capital Financing Requirement

This Council's capital expenditure plans are set out in section 3, and how these plans are to be financed are set out in section 4, including the amounts that need to be financed by borrowing. Expenditure which is financed by borrowing (be it internal or external) gives rise to an increase in the Council's Capital Financing Requirement (CFR). The CFR is therefore a measure of the Council's indebtedness and represents its underlying borrowing need; it will increase with unfunded capital expenditure, and decrease as the Council

The table shows external debt projections (the treasury management operations) against the underlying capital borrowing need (the Capital Financing Requirement):

| Capital Financing Requirement £000 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Estimate | Estimate | Estimate | Estimate | Estimate |
| CFR - Non Housing | 346,825 | 434,011 | 528,880 | 608,129 | 634,927 | 654,159 |
| CFR - Housing | 200,634 | 223,468 | 252,223 | 282,168 | 285,034 | 285,134 |
| Total CFR | 547,459 | 657,479 | 781,103 | 890,297 | 919,961 | 939,293 |
| Increase In CFR | 88,293 | 110,020 | 123,624 | 109,194 | 29,664 | 19,332 |
| Movement in CFR represented by: | | | | | | |
| Net financing need for the year | 99,616 | 122,067 | 137,018 | 125,139 | 48,008 | 38,057 |
| Less MRP and other financing applied | (11,323) | (12,047) | (13,394) | (15,945) | (18,344) | (18,725) |
| Increase In CFR | 88,293 | 110,020 | 123,624 | 109,194 | 29,664 | 19,332 |

The CFR distinguishes between the amounts relating to the Housing Revenue Account (HRA) and those that do not. This reflects the statutory requirement for the HRA to be a ring-fenced account that is self-sufficient and does not subsidise nor is subsidised by other Council financing arrangements.

Borrowing Activity

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt against the CFR, highlighting any over or under borrowing.

| External Debt £000 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Estimate | Estimate | Estimate | Estimate | Estimate |
| Debt at 1st April | 304,080 | 349,080 | 399,761 | 529,844 | 640,966 | 672,216 |
| Actual/Expected change in debt | 45,000 | 50,681 | 130,083 | 111,122 | 31,250 | 20,137 |
| Other Long Term Liabilities (OLTL) | 15,974 | 15,489 | 15,116 | 14,743 | 14,370 | 13,997 |
| Expected Change in OLTL | (485) | (373) | (373) | (373) | (373) | (373) |
| Actual Gross Debt at 31st March | 364,569 | 414,877 | 544,587 | 655,336 | 686,213 | 705,977 |
| Capital Financing Requirement | 547,459 | 657,479 | 781,103 | 890,297 | 919,961 | 939,293 |
| Under/(Over) Borrowing | 182,890 | 242,602 | 236,516 | 234,961 | 233,748 | 233,316 |

As part of ensuring the financial sustainability of the Council and its investment the Council sets a series of prudential indicators, including limits on levels of borrowing.

The operational boundary – This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund “underborrowing” by other cash resources. The limits below are based on projected CFR with a reduction of £100 million to reflect retained reserves.

| Operational Boundary £000 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Estimate | Estimate | Estimate | Estimate | Estimate |
| Debt | 349,080 | 639,242 | 666,360 | 775,927 | 805,964 | 825,669 |
| Other Long Term Liabilities (OLTL) | 15,489 | 15,601 | 14,743 | 14,370 | 13,997 | 13,624 |
| Total | 364,569 | 654,843 | 681,103 | 790,297 | 819,961 | 839,293 |

The authorised limit for external debt represents the maximum level of external borrowing. It reflects the level of external debt that could be afforded in the short term, but may not be sustainable in the longer term. The authorised limit is presented to Full Council for consideration and approval, as part of the Treasury Management Strategy Statement.

| Authorised Limit £000 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Actual | Estimate | Estimate | Estimate | Estimate | Estimate |
| Debt | 349,080 | 739,242 | 765,614 | 875,181 | 905,218 | 924,923 |
| Other Long Term Liabilities (OLTL) | 15,489 | 20,601 | 19,743 | 19,370 | 18,997 | 18,624 |
| Total | 364,569 | 759,843 | 785,357 | 894,551 | 924,215 | 943,547 |

HRA Debt Limit

Until October 2018, the Council was limited to a maximum HRA CFR through the HRA self-financing regime. This limit was £240.043 million. The Council has now set a voluntary limit of £350 million.

| HRA Debt Limit £000 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--------------------------------------|---------------|----------------|---------------|---------------|---------------|---------------|
| | Actual | Estimate | Estimate | Estimate | Estimate | Estimate |
| Voluntary Debt Cap | 240,043 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 |
| Capital Financing Requirement | 207,961 | 243,982 | 252,223 | 282,168 | 285,034 | 285,134 |
| HRA Headroom | 32,082 | 106,018 | 97,777 | 67,832 | 64,966 | 64,866 |

Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is an annual charge to the revenue accounts that is applied to reduce the Council's Capital Financing Requirement (CFR). The Council is required to determine a methodology that represents a prudent and sustainable reduction in the CFR over the life of which the assets are utilised. This is set out in the MRP Policy Statement, which is included within the Treasury Management Strategy Statement. Key features are:

- For capital expenditure incurred before 1st April 2008, the Council applies a 4% reduction per year.
- All other expenditure is provided for over the estimated life of each asset, with certain exceptions as detailed in the MRP Policy.
- There is no requirement on the HRA to make a minimum revenue provision as this is expected to be met by the depreciation charge. However, the Council is currently applying transitional arrangements that substitute depreciation for Major Repairs Allowance (MRA) estimate.

7. Strategic Asset Management and Disposal Plans

The Council holds property to sustain and support its corporate objectives as set out in the Corporate Plan, and other strategies. At the last valuation date, the Council's property portfolio's estimated value was £1.552bn. The aim of the Strategic Asset Management Plan is to set out the Council's vision, aspirations and objectives for its land and property assets portfolio, and to outline a long-term plan for how it intends to achieve these outcomes.

The Strategic Asset Management Plan is a key corporate strategic tool which sets out the London Borough of Barnet's property objectives, focussing on how the Council intends to utilise its asset base to deliver its Corporate Plan.

The objectives of the Strategic Asset Management Plan are to:

- Articulate a vision for Council land and property assets over the next five years in support of the council's objectives.
- Set out a strategic approach in respect of the Council's land and property assets so the portfolio is managed holistically rather than considering assets in isolation.
- Shape the Council's operational estate to optimise service provision and meet the needs of customers.
- Ensure that the procurement of works for buildings meets sustainable design criteria and those buildings are maintained and managed for maximum energy and resource efficiency.
- Support longer term regeneration and growth by preparing business cases for retaining, acquiring or disposing of assets ensuring best consideration is achieved and where relevant community and social value is taken into consideration.
- Provide a framework against which strategies for council assets such as highways, housing and parks can be developed.
- Develop an approach that maximises letting income and where relevant, this should be balanced against community or social value and;
- Achieve efficiencies by sharing assets across the public sector.

The Council's Strategic Asset Management Plan was last drafted in 2014. The Council is currently undertaking a detailed and comprehensive review of its asset portfolio as renewing the Strategic Asset Management Plan to meet the needs of Barnet 2024. This includes engaging the service of property professionals to assist the Council in reviewing its asset portfolio, their current utilisation and asset potential.

Development Pipeline

Many assets owned by the Council do not currently maximise the potential of the land upon which they are built. Such assets generally offer the potential for redevelopment of the land to provide a mixture of uses.

The Council's Housing Strategy 2019-2024 sets out the intent to deliver homes that people can afford by increasing housing supply, regeneration and growth. The strategy sets out how a continuing pipeline of developing on Council Land will secure a range of tenures,

including mixed tenure housing with affordable homes funded by private sales, new affordable homes to rent on existing Council housing land, extra care and wheelchair accessible homes to reduce demand for care, and private housing for rent.

8. Commercial & Investment Strategy

As part of the Council's financial resilience agenda, the Council intends to invest in and develop a portfolio of assets which provide a commercial return through rental income and/or capital appreciation. The Council has therefore established a strategic opportunities fund of £26m to enable strategic purchases which will generate a return to the Council.

In advance of entering any such investment the Council will explicitly assess the risk of any loss which will make clear:

1. The assessment of the market within which it is competing
2. The nature of that competition the future expected evolution of the market
3. Any barriers to entry and exit of the market and any ongoing investment requirements.
4. The use of external advisors, explicitly:
 - a. Treasury Management advisors
 - b. Property Investment advisors – Red Book valuation & Ancillary valuations,
 - c. Income & Lease risk assessment
 - d. Further specialist advisors – Market and Competitor assessments, Full Structural Buildings Survey, Vendor assessment & rationale for disposal
 - e. Specialist advisors to support s151 assessment of the potential investment
5. The management arrangements for the use of external advisors
6. The credit ratings issued by the credit rating agencies employed where this is relevant, the frequency with which these are monitored and what action is to be taken should these ratings change
7. The further sources of information used to assess and monitor the risk.

The Council will adopt a balanced portfolio approach to investment, management and turnover of properties in order to ensure risk is balanced across its investments. This will take into account the type of properties acquired and their location in particular.

9. Risk Identification and Management

The major risks concerning the Capital Programme are around funding of the current and future projects, variations in the cost from agreed budgets and the projects not delivering the planned outcomes. These risks are minimised by the processes that have been incorporated into the Council's normal practices.

Funding – All projects included within the Programme are fully funded. Where external sources of funding are being used, these will only be relied upon when the Council is in receipt of funding agreements or where the funds are received in advance. Where conditions apply careful monitoring will be in place to ensure the terms are met to prevent possible loss. Where borrowing is required the revenue costs will be built into the MTFS.

Cost Variation – These fall into two categories;

(a) Where the timing of expenditure changes from the budget set; This may result in a change to the borrowing profile of the Council and therefore have revenue implications. It may also affect the overall outcome of the project as delays may require value engineering decisions to ensure the project can be completed or adjustments to benefits delivered.

(b) Where the overall cost of the projects changes from the approved budget; Managers are required to ensure adequate budget is in place prior to the commencement of projects. Budget should include a contingency sum to allow for possible anticipated variations where prices are not fixed with contractors.

Careful monitoring and timely reporting is required to reduce the effects of cost variations. Budgets will be re-profiled to ensure timing changes are captured. Managers are required to identify alternative funding sources where overall cost variations occur during the delivery to contain them before sums are committed.

Delivery of Outcomes – Outcomes must be measured and compared against original objectives to ensure value for money and to reduce risk. Objectives fall broadly into three main categories;

- (a) **To support core service delivery** - Risk may increase if project delays cause disruption to the service and require interim solutions, with both financial and non-financial consequences. The Capital Strategy Board will meet regularly throughout the year to discuss progress on projects and make decisions to minimise risk.
- (b) **To produce savings** - If planned savings are not produced from the investment the revenue budgets may have a shortfall which will have to be addressed. It is therefore essential that careful evaluation of business cases and financial models are carried out and approved prior to the projects commencing.

- (c) **To generate income or economic development** - Investment on projects whose primary aim is income generation Investment portfolio's will be balanced to reduce impact of market changes in an individual sector.

10. Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Council also has a training and development programme to support staff to study towards relevant professional qualifications.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. This approach ensures that the Council has ready access to knowledge and skills commensurate with its ambition and risk appetite.

Member training was undertaken as part of the induction programme following the last local elections and commencement of current member's term, with training and advice provided to relevant cabinet portfolio members as necessary.