



Capital and Property Investment Strategy

Lorraine Gore
Assistant Director (S151 Officer)



Capital Expenditure

- Expenditure that results in the acquisition, construction or enhancement of fixed assets (tangible and intangible)
- Expenditure which has been directed to be treated as capital by the Secretary of State (for example, housing adaptation grants made to third parties for the purpose of capital expenditure)



Capital Expenditure

- Expenditure fulfilling one of the definitions specified in regulations made under the Local Government Act 2003. For example permission given through capitalisation directives by the Secretary of State for one-off costs for restructuring and service transformation. Financial difficulty tests apply.



Capital and Property Investment Strategy

The Capital and Property Investment Strategy is a partner document to:

- Medium Term Financial Plan
- Corporate Business Plan
- Treasury Management Policy and the Annual Investment Strategy
- Financial Sustainability Plan



Purpose

- Key element of medium term financial planning
- Provides rationale for any capital spending plans
- Ensures capital investment directed to Council's Corporate Priorities
- Provide assets appropriate to delivery of Council services
- Enable delivery against the Council's Financial Sustainability Plan
- Strategy should be reviewed on regular basis



Purpose

Framework to ensure that capital expenditure is:

- targeted to schemes that assist the Council to achieve its priorities and deliver its services
- affordable, sustainable and prudent (CIPFA Prudential Code for Capital Finance)
- subject to appropriate governance and, project and performance management arrangements
- funded in the most appropriate way



Capital Financing

- the programme must be managed according to funding availability
- programme must be robust enough and able to be rephased if circumstances, including the availability of finance, change
- there must be scope to accelerate or defer schemes if necessary, in order to use resources effectively



Capital Financing

Finance remains one of the primary constraints on any capital programme. Resources available to the Council to support the funding of the capital programme:

- Capital receipts from the disposal of assets
- Prudential Borrowing
- Section 106, Community Infrastructure Levy and third party contributions
- Reserves and revenue contributions
- Central Government and external grants



Governance

The key elements of the corporate planning and decision making process are:

- Members approve the Corporate Business Plan
- Executive Directors develop service plans and prepare capital bids that fit both corporate and service strategies
- The ICT Development Group approves any ICT bids that are to be made to the capital programme



Governance contd.

- Financial Services prepare funding forecasts, receive and review capital scheme bids. Reports are submitted to Management Team.
- Management Team evaluates all bids and submits the proposed capital programme to Panels/Cabinet/Council
- Cabinet/Council receive reports on proposed capital programme together with comments from Panels and make final decision.



Project Management and Monitoring

- Report to Management Team and/or Cabinet/Panels on progress, monitoring and evaluation - pre and post implementation
- All schemes, existing or new, scrutinised and challenged where appropriate to verify underlying costs and alternative methods of delivery
- Expenditure procured in accordance with Contract Standing Orders and Financial Regulations



Project Management and Monitoring

- All capital schemes subject to appropriate levels of project management
- Schemes will require project lead and identified time scales
- Identified schemes will require a Project Group to be in place to monitor and report on progress



Capital Programme

Council's capital programme consists of:

- Major Projects for example
 - Major Housing Development
 - Nar Valley Housing Joint Venture
 - Townscape Heritage Initiative
 - Infrastructure for Enterprise Zone
- Operational Schemes for example
 - Housing Assistance Grants
 - Equipment and Vehicle replacements
 - Building Improvement/Refurbishment



Financial Sustainability Plan

Prepared in response to the Government's multi-year funding settlement.

Identifies capital investment opportunities to maximise the use of our assets, generate a revenue return, promote housing development, increased council tax base and new homes bonus, promote local economic and business growth and increased business rates.



Financial Sustainability Plan

Some of the identified areas include:

Further housing development

Commercial investment and development

Rationalise public assets (One Public Estate)

Invest early win revenue savings and reserves in the income generating major projects



Local Property Investment Fund

The Council's Treasury Management and Investment Strategy already includes provision to consider investment in other opportunities in addition to traditional investment vehicles, subject to separate Cabinet reports.

Proposal to set up a Local Property Investment Fund (within our existing Treasury Management function)



Local Property Investment Fund

- Council already holds investment properties
- Assets that are held for capital appreciation or to generate a return
- Mainly industrial units, development land and commercial premises (shops and offices)

Balance Sheet 31 March 2016 value £24m



Local Property Investment Fund

- Property Investment Funds are available which can provide higher rates of return than the traditional banking investments
- These require commitment to the investment over the longer term
- The Council would have no control over which individual property developments it would be supporting or where these were located.



Local Property Investment Fund

- The Council could alternatively decide to invest in property in the local area
- Generating a higher return over the longer term than traditional investment vehicles
- Added benefit of business rates/council tax growth for this Council
- Wider benefits to the local economy.



Local Property Investment Fund

- Core investment funds held by the Council are £25m
- Local Property Investment Fund to be allocated up to 30% £7.5m to invest over the longer term
- No one investment to be more than £2m (Treasury Investment Strategy is no more than £4m in one counterparty)
- Business case is required which considers options, risk, return, fit with corporate priorities, reputation (GP surgery or bookmakers)



Local Property Investment Fund

- Day to day operation of local property investment fund to be delegated to the Leader/Portfolio Holder for Regeneration/Property Services Manager and Assistant Director (S151 Officer)



Questions?

Any comments that the Panel want to feed into the final Capital and Investment Strategy to be considered by Cabinet in January 2017?

