

Report for:	Shadow Executive
Meeting Date:	28th January 2020

Title of Report:	Capital & Investment Strategy
Shadow Portfolio Holder	Katrina Wood
Responsible Officer	Richard Ambrose, Shadow s151 Officer
Report Author Officer Contact:	Mark Preston, Head of Finance Pensions, Investments & Projects (BCC); mpreston@buckscc.gov.uk ; 01296 383107
Recommendations:	<p>1. CONSIDER and APPROVE the Capital and Investment Strategy .</p> <p>2. APPROVE the MRP Policy set out in Section 7.</p>
Corporate Implications:	The Council's Capital and Investment Strategy is developed in line with the CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code), which is also supported by guidance from the Ministry of Housing, Communities and Local Government (MHCLG).
Options: (If any)	N/A
Reason:	N/A

1. Purpose of Report

- 1.1 A draft Capital and Investment Strategy for the new Buckinghamshire Council is presented to the Shadow Executive for approval.

2. Executive Summary

- 2.1 The Council's Capital and Investment Strategy is developed in line with the CIPFA Prudential Code for Capital Finance in Local Authorities (Prudential Code), which is also supported by guidance from the Ministry of Housing, Communities and Local Government (MHCLG). It covers the Councils requirements for capital investment for service delivery, strategic place development and investment for a return.
- 2.2 The strategy will need to be updated to reflect any changes to the draft capital programme once this has been agreed.

3. Capital and Investment Strategy

- 3.1 The draft Capital & Investment Strategy is attached for consideration.

- 3.2 The general policy objective for this Council is the prudent investment of its treasury balances. The Council's investment priorities are the security of capital and liquidity of its investments. The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity. The effective management and control of risk are prime objectives of the Council's treasury management activities.
- 3.3 Section 5.3 of the strategy covers commercial investments purely for a return. The County Council's professional property advisers had suggested that the County Council should aim for a commercial property investment portfolio of approximately £250m. Scaling this up for the new Council suggests a target portfolio of £300m, but this is something for the future Council to consider. Currently the consolidated portfolio is valued at around £173m. This target would exclude agricultural estates and other existing properties that are generating an income, properties held for regeneration purposes, as well as holdings in the joint venture vehicle Aylesbury Vale Estates. There is also no time imperative to reach this target level, and the ability to do so will very much be dependent upon the appropriate opportunities being available.
- 3.4 There is a limit proposed as part of the Capital Programme within the Medium Term Financial Plan, that proposes a limit up to which the Council will be able to prudentially borrow, where a strong spend to save (or deliver income) business case exists. All proposals to utilise this facility will go to Cabinet for approval as set out in the Financial Procedure Rules.
- 3.5 A key area for consideration will be the relative margins of return on any commercial investment property. The lowest yield, net of purchasing and borrowing costs should be 1.5%, which suggests currently that the lowest gross yields that should be considered should be between 5.5%-6.0%. With the recent additional 1.0% increase in PWLB borrowing rates, there are few opportunities in the market to deliver these levels of return.
- 3.6 The increase in PWLB rates also means that the Council will consider using the Municipal Bonds Agency or other alternative borrowing options, as stated in the Treasury Management Strategy, where it is prudent to do so and where rates are below PWLB rates. This will be subject to approval by Cabinet.
- 3.7 The proposed Governance arrangements are included in Section 8 and Appendix C of the strategy. It is proposed that separate governance boards are created for Property, Highways and ICT. A Corporate Investment Board will coordinate the development of the overall Capital Programme to feed into the annual Medium Term Financial Planning process, as well as monitor the overall delivery of the Council's Capital Programme. The Property and Highways Boards in particular will also feed information into the Growth Board where schemes are part of major growth programmes.
- 3.8 Although it is proposed that the governance boards can release approved capital allocations, it will be important to make sure that the relevant strategies (Property Asset Management Plan, Highways Asset Management Plan and ICT, Digital and Information Strategy) are in line with the new Council Corporate Plan before doing so. Each project is subject to an appropriate business case passing through the Capital Gateway process in line with Financial Procedure Rules and Financial Instructions.

4. Financial Implications

4.1 The adoption of the MRP Policy set out in section 7 of the Capital and Investment Strategy, leads to an MRP requirement that is £210k less than the existing MRP policies of the existing councils. This is reflected in the MRP budget that forms part of the Medium Term Financial Plan that will be agreed by the shadow Authority.

5. Legal Implications

5.1 There are no direct legal implications as a consequence of this strategy.

6. Other Key Risks

6.1 There are no risks as a result of this strategy and the risk of capital investment for a return is covered within the strategy itself.

7. Dependencies

7.1 There are no specific dependencies as a result of the recommendation, but this strategy has elements that need to be updated to reflect the draft capital programme once approved.

8. Consultation

8.1 Not Applicable.

9. Communications Plan

9.1 The strategy will need to be communicated as part of the communication of the suite of strategies that are developed for the new Council.

10. Equalities Implications

10.1 No equalities impact assessment is required as a direct result of this strategy.

11. Data Implications

11.1 No Data Protection Impact Assessment is required.

12. Next Steps

12.1 The Capital and Investment Strategy will go onto full Council for approval.

Background Papers	None
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