Buckinghamshire County Council

Capital Strategy

Version	Nature of Change	Date	By Who
1.0	Original Draft	30/07/18	RS
1.1	Amendments to reflect comments from RA	15/08/18	RS
2.1	Major Revision to include: • Amalgamation with Investment Strategy • Resources and H&W input to Appendix A • Addition of governance arrangements • Addition of prudential indicators	29/08/18	RS
2.2	Amendments to reflect comments from SA	30/08/18	RS
2.3	Amendments to reflect comments from CMT	06/09/18	RS
2.4	Amendments to reflect comments from Property Board	11/10/18	MP
2.5	Amendments to reflect DoF&P comments	17/10/18	MP
2.6	Amendments to reflect TEE and Resources updates	18/10/18	MP

Issued: December 2018

Contents

1. Purpose of the Capital Strategy

1.1 The main purpose of the Capital Strategy is to define how the Council will maximise the impact of its limited capital resources to deliver its key aims and priorities. It must consider future capital investment needs, especially in relation to the growth agenda and ensure the maximum impact of those investments.

1.2 In seeking to do this the Council will have regard to its statutory obligations within the context of a changing operational environment, the longer term impact of its decisions, the delivery of value for money and the risks associated with any particular course of action.

1.3 The strategy is designed to fully comply with the Prudential Code of Practice for local authority capital investment which has recently been revised by the Chartered Institute of Public Finance and Accountancy (CIPFA) in parallel with revised guidance to local authorities from the Ministry of Housing, Communities and Local Government (MHCLG). The main purpose of the Code is to ensure that capital investment proposals are affordable, prudent and sustainable.

1.4 By the very nature of capital investment it is necessary that this strategy takes a longer term view. However, the strategy also focusses on the medium term to fit in with the Medium Term Financial Plan (MTFP), the latest version of which covers the period 2019 – 2023. This includes the Capital Programme for the same period.

1.5 This strategy is underpinned by a number of other strategies and plans. In particular the longer term view needs to have regard to the Growth Strategy and the related Buckinghamshire Strategic Infrastructure Plan (BSIP). The Council holds a wide range of assets, but two major classes of assets in particular for which it needs to have regard in maintaining their integrity. To this end there is a Property Asset Management Plan (PAMP) and a Highways Asset Management Plan (HAMP). There is also a Technology Service Strategy to guide investment in that increasingly significant asset class.

1.6 Following revisions to the Prudential Code and guidance from MHCLG in February 2018 this Strategy includes the Investment Strategy and needs to be read in conjunction with the Treasury Management Strategy.

2. The Context of the Capital Strategy

2.1 The Council's Aims and Priorities

2.1.1 The Council's aims and priorities are set out in the Strategic Plan, the latest version of which covers the period 2017-20, although the underpinning service delivery plans are refreshed annually.

The priorities set out in the Strategic Plan are:

- Safeguarding our vulnerable
- Creating Opportunities and Building Self Reliance
- Ensuring Buckinghamshire is Thriving and Attractive

2.1.2 Of course, all that the Council does is set within a legislative context, so that meeting its statutory obligations is a key component determining the actions it takes. In the context of the capital strategy examples of the statutory requirements are the need to provide sufficient school places, to maintain the highway infrastructure to certain standards and to provide suitable disposal facilities for waste.

2.2 Growth and Demographic Change in Buckinghamshire

2.2.1 The population of Buckinghamshire is constantly changing and the County Council needs to take account of these changes in planning its future service provision. The County Council in partnership with other agencies, the Local Enterprise Partnership in particular, has responsibility for facilitating the infrastructure to promote economic growth. Current local plans indicate housing growth in Buckinghamshire of around 46,000 by 2033 leading to a population increase from c. 541,000[1] to 635,000. Recent indications from Government set expectations much higher than that, suggesting housing growth of 61,000 by 2033 and a further 42,000 by 2050. This would mean the population of Buckinghamshire growing by just over 50% between now and 2050 and may be larger still if Buckinghamshire need to pick up growth targets from neighbours unable to hit their own targets. This level of growth not only has implications for new infrastructure, but also for the wear and tear on existing infrastructure.

2.2.2 Beyond the current confirmed plans for housing growth there are many pressures in the system to go further as indicated by the Government figures mentioned in the previous paragraph. The County Council and its partners are already promoting a major development at the "Woodlands" site in south east Aylesbury. The Government has been keen to push forward housing growth through the concept of Garden Towns and the Council has submitted a Housing Infrastructure Fund (HIF) Forward Funding bid for over £200m to create the infrastructure to support these plans.

2.2.3 Notwithstanding the overall growth in the population the nature of the population is also changing. Buckinghamshire already has one of the highest rates of increase in people aged over 85 of all county areas in the country. The diversity of the ethnic and socio-economic make-up of the county is also increasing. These changes are likely to increase the demand on a range of public services, particularly care services. This too will need to be factored into the longer term planning of service provision.

2.2.4 The location of Buckinghamshire also creates a unique set of circumstances which impacts on economic development and other infrastructure demands which are likely to have capital implications. The high speed rail line (HS2) will run through the county and have significant knock-on impacts. The proximity of the south of the county to London and Heathrow Airport is likely to place an increased burden on transport infrastructure. The north of the county lies at the heart of plans to link Oxford and Cambridge with both an East-West Railway and major new highway. Few of these plans are yet firm, less so how they will

[1] ONS Mid-year estimate 2018

be funded, yet the direction of travel is clear, so they cannot be ignored by this Capital Strategy, albeit presents a challenge to plan with certainty.

2.3 Changes in Technology

2.3.1 As well as changes to the profile of the population, developing the economy needs to reflect changes to the way we work and better still to reflect the way we will work in the future. The pace of change in technological advancement appears to get ever faster, so keeping up with these changes presents a range of challenges.

2.3.2 The Council has a role in putting in place, or at least facilitating, enabling infrastructure. A good example of this currently might be the developing market in electric vehicles that need a more comprehensive network of charging points. However, as is often the case with emerging technologies there are a number of different options available, so identifying which particular solution to support is a key challenge if capital investment is not to be wasted.

2.3.3 By contrast the economic development role the Council plays may need to facilitate experimentation, such as creating space for start-up businesses in emerging technologies. The very nature of this means that there is likely to be a fair degree of failure and the Council needs to determine the degree of risk it is prepared to take and the mitigations that can be put in place.

2.4 The Changing Public Sector Landscape.

2.4.1 The County Council has made application to the Secretary of State proposing a single unitary council for Buckinghamshire to replace the current County Council and four District Councils. The Secretary of State has stated that he is minded to agree this proposal, but a final decision is still awaited. Should this decision be confirmed this is likely to need to a rationalisation and re-profiling of the local government estate in Buckinghamshire.

2.4.2 Regardless of the outcome of the decision on a unitary authority there are pressures in the system likely to lead to change, as all public sector bodies are under financial pressure as well as there being a need to offer the public a more coherent means of accessing services. The One Public Estate (OPE) project aims to achieve the rationalisation of publicly held assets regardless of the existence of a unitary authority. Also as part of this property rationalisation and in order to facilitate a more coherent service offer to the public the Council is also pursuing the creation of Community Hubs to bring access to a wide range of service into a single location.

2.4.3 Those financial pressures on local authorities, caused in large part by huge cuts in Government grant funding, but also significant increases in demand for services, lead to the exploration of alternative sources of income. This in turn prompts consideration of investment in assets which can support the generation of additional income. This might mean investing in existing assets to facilitate their use to create income streams. It may also mean investing in assets purely, or significantly, for the purposes of making a return.

3 Capital Investment Objectives

3.1 The key objectives of capital investment will be to:

- Support service delivery in line with the Council's strategic objectives
- Facilitate the generation of income, be that from commercial assets held predominantly for their rental yield, or service based assets capable of generating income as a by-product.
- Enhance value for money by helping to reduce or avoid costs
- Support economic development and the wider growth agenda

3.2 Where assets are held by the Council that do not fall into the above categories the Council will aim to dispose of such assets. However, it will seek to maximise the return in doing so and therefore will on occasions hold assets awaiting favourable market conditions. The retention of assets in this way will require an explicit decision to do so.

3.3 As well as the key objectives set out in 3.1 above there will also be regard for the following:

- Meeting legislative requirements, such as school place planning requirements, or health and safety.
- Maximise community benefits, working in partnership with other agencies
- Ensure that investments are affordable and sustainable
- Safeguard the on-going integrity of existing assets (property, highways, ICT, etc.) ensuring they remain fit for purpose, including reducing the maintenance backlog.
- Be forward looking in terms of investing in future technologies and recognising societal behaviour patterns and not the ways of the past.
- Ensure, where appropriate, that investments are in line with the Property Asset Management Plan, the Highways Asset Management Plan and the Technology Strategy

3.4 Based on the above objectives it is envisaged that capital investment will fall into three main categories:

- Assets owned by the Council to support the direct delivery of services by the Council itself.
- Assets owned by the Council to support the delivery of services by third parties where there is a strategic need/advantage in continuing to own the assets.
- Assets held for a financial return to support the financial resilience of the Council.

3.5 In addition the Council may on occasions make capital investments in assets owned by third parties where doing so facilitates the delivery of Council objectives, or legislative requirements.

4 Key Areas for Investment

4.1 Given both the Capital Investment Objectives and the Corporate Priorities described above the following list, whilst not necessarily exhaustive, describes key areas where one might expect to see investment directed.

- Structural Maintenance of Highways Infrastructure
- Structural Maintenance of Properties in which the Council has a continuing interest, including schools within the local authority family of schools.
- Meeting the statutory requirement to provide school places for all primary and secondary age children
- Investment to increase availability of specialised accommodation to meet needs of increasing numbers of highly vulnerable adults and children
- Assets which facilitate community involvement in services which meet corporate objectives
- New infrastructure such as roads and schools to support the growth in housing.
- Investments that facilitate Economic Development in the County.
- ICT Infrastructure, both to facilitate modern service delivery from the Council and within the local community, e.g. Broadband connectivity across the community.
- The re-design/re-configuration of assets or services that permit lower on-going revenue costs, or halt a trend of increased revenue costs.
- New or enhanced existing assets that allow a secure revenue income stream to the Council.
- Assets that help the Council meet sustainability targets, such as reduced energy consumption/CO_2 emissions, reduced waste disposal via landfill and flood defence.
- Assets which facilitate easier access to services, including the Council's website.
- Assets which facilitate service improvements provided that these are identified corporate priorities and are financially sustainable on an on-going basis.
- Assets that facilitate the release of other assets, where the net effect is an increase in value to the Council.

4.2 Given that resources are limited it would not be expected that investments will be made in the following, although there might be exceptional circumstances that dictate otherwise.

- Assets which facilitate service improvements, but that are not corporate priorities

- Assets which result in increased revenue expenditure unless meeting other key priorities
- Assets that lead to an adverse environmental impact created by the Council unless this is unavoidable in achieving a statutory requirement, of Strategic Plan objective.
- Assets where the risk exposure exceeds the probable benefits

5. Investments for a Return

5.1.1 Beyond those investments for cash management purposes and for service enhancement the Council may also make investments, with a range of economic and social objectives in mind, but with a key element being on making a return on the investment. It is these types of investments which are the focus of this section of the Strategy.

5.1.2 It must not be forgotten that the Council is an organisation heavily governed by statute and that it is not a commercial organisation with the purpose of making a financial return for shareholders. Nonetheless like any organisation it does need to fund its activities and with more traditional funding sources, such as government grants, substantially decreasing and local taxation being heavily constrained by central government rules, there is a need to look to more innovative ways of generating income, the financial return on investments being one such approach in addition to other intangible social and regeneration benefits these investments can yield.

5.1.3 Recognising the Council's core objectives to support its local community there may be a range of further objectives beyond a simple financial return that the Council seeks when making investments and in so doing may accept a lower rate of financial return in order to achieve, or facilitate these other objectives. Examples of this might be to promote local economic development, or to support partner organisations. The remainder of this section seeks to set out the nature of investments the Council will engage in and the circumstances in which it will do so.

5.2 Financial Investments

5.2.1 Financial Investments can fall into three categories, as defined by the Statutory Guidance issued under section 15(1)(a) of the Local Government Act 2003: Specified Investments; Loans and; Non-specified Investments.

5.2.2 Specified and non-specified investments are only likely to be undertaken on either a short, or a long term basis as part of managing the council's cash flows and are therefore covered by the Treasury Management Strategy rather than here.

5.2.3 Loans may also be used for treasury management purposes, but where they are used in support of service delivery objectives this is covered by the Loans and Guarantees Financial Instruction.

5.3 Non-Financial Investments

5.3.1 For purposes of this strategy a non-financial investment is a non-financial asset held by the authority primarily, or partially to generate a surplus. This might be through an anticipated appreciation in the capital value of the asset, or by way of delivering a regular income stream, or a combination of both. However, in the current financial climate the emphasis is likely to be on assets that generate a regular income stream.

5.3.2 Although the Council remains open minded to consider a range of opportunities the high likelihood is that non-financial investments will involve property assets. Chosen carefully, property offers the opportunity for a higher yield and less volatility than financial investments, however, it is an illiquid asset and carries with it the inherent risk of being unable to respond quickly enough to changes in market conditions.

5.3.3 The recommendation of the council's expert property advisors is that the council should aim to have an investment portfolio of in the regions of £250m in the long run, in order to achieve a suitably balanced portfolio of asset classes, locations, etc. so that risks are spread. A portfolio of this size at a yield of 6% would produce a revenue income stream of £15m p.a.

5.3.4 When selecting suitable properties in which to invest the Council will have regard to the following criteria:

- Lot size to ideally be within a range of £5m to £30m. Exceptions can be made for high value strategic purchases.
- Target rate of return for the portfolio is a blended running yield of **6.00%** for the entire portfolio, after the deduction of purchaser's costs, with a minimum expected yield per property of 5.00%. The yield is calculated before allowing for the cost of any borrowing necessary to finance the purchase of the asset.
- Lease length, or the average of lease lengths if multiple occupation, to be generally 5 years left to run or greater.
- A preference for purchases to be in locations within but not limited to the County, or with an economic footprint falling within the County.
- Only opportunities let to strong covenant tenants on full repairing leases will be considered based on Dun & Bradstreet ratings, or similar.
- Properties in strategic locations with good transport links
- Properties that offer a marriage value with the existing portfolio
- Properties and/or tenants consistent with the ethical values and aims of the public sector.

- Weight will be given to properties that offer the option of alternative uses through gaining planning permission for a change of use, or through redevelopment in order to enhance the capital value.
- A preference will be given to premises that offer the opportunity to increase income streams by infilling additional services e.g. coffee shop.

5.3.5 The following risks associated with the purchase of commercial property are recognised:

- The relative illiquidity of property as an asset class compared with holding cash reserves or a share portfolio.
- As lease lengths erode the value of the asset will tend to diminish in most cases.
- The risk of a tenant failing financially, which will present the Landlord with a temporary loss of income coupled with the cost of re-letting the accommodation.
- Void rates and service charge liability whilst the property remains vacant.
- Obsolescence of the building and the cost of returning it to a tenantable condition at the end of a lease.
- Over time certain segments of the property market can weaken leading to a loss of both a revenue income stream and capital value.

5.3.6 In order to mitigate the risks it will be essential to carry out full due diligence. To this end investments in property will only be made following advice from suitably qualified and experienced specialist advisors. Adherence to the selection criteria set out in 5.3.4 will also be important to ensure that properties are well located and have tenants with a strong covenant. It will also be important that a diverse portfolio is established to reduce vulnerability to market fluctuations. A suitable balance needs to be found between yield rates and lease length and security. Active asset management will be essential to ensure that tenant obligations under the lease are fulfilled and regular rent reviews are carried out, as well as looking for opportunities to maximise income streams and reduce the likelihood of voids. Despite these measures it is inevitable in any portfolio of scale that there will be some level of voids from time to time. A reserve account has been created into which is paid 5% of all rental income in order to cover unforeseen void/default issues.

5.3.7 The acquisition and disposal of property assets can require a quick response to market opportunities, which does not necessarily fit readily with normal Council governance processes. However, it remains of vital importance that appropriate governance is applied to such significant decisions. In recognition of this a separate governance arrangement exists to address these competing demands and is set out in Appendix B which is intended to streamline the decision making process to align with the market without unduly losing out on good opportunities.

5.3.8 On occasions the Council may choose to purchase land or property for strategic reasons rather than for any short term return. This might be to protect existing service provision, but will most likely linked to its community leadership role in accommodating and facilitating economic and housing growth. This will require well documented formal decision.

6. Funding Capital Investment

6.1 There are a number of potential sources of financing for the capital programme. These can be described as follows:

6.1.1 **Grant Funding** (often specifically for capital purposes and also often from central government, but they may come from, or through, other agencies).

6.1.2 **Capital Receipts** (receipts arising from the disposal of existing assets are constrained to only be useable for the purposes of funding new assets. Such funds when generated are held in a Capital Receipts Reserve until such time as used).

6.1.3 **Developer Contributions** (S106 agreements and/or the Community Infrastructure Levy (CIL) effectively impose a tax on new development in order to fund infrastructure required as a consequence of the development.)

6.1.4 **Partner Contributions** (some projects may be jointly funded between the Council and other agencies, such as schools, other councils, or the Buckinghamshire Thames Valley Local Enterprise Partnership (BTVLEP). Under current arrangements the Council is the accountable body for the BTVLEP and thus capital expenditure on behalf of the BTVLEP is included in the Council's Capital Programme and funded by resources available to the BTVLEP)

6.1.5 **Prudential Borrowing** (the Council is able to borrow in order to fund its capital expenditure provided that the revenue financing costs of such borrowing are affordable and sustainable. Prudential borrowing will be considered as a source of capital funding in accordance with the Government's guidelines and with regard to the Prudential Code for capital finance in local authorities.)

6.1.6 **Revenue Contributions to Capital** (the Council is able to use it revenue resources to fund its capital expenditure, but obviously this then reduces the funding available for recurrent expenditure.)

6.1.7 **Use of Earmarked Reserves** (essentially this is just a mechanism for deferring the application of one of the sources listed above, e.g. revenue contributions, or capital receipts. A typical example is the use of a Repairs and Renewals Fund)

6.1.8 **Leasing** (essentially this is a specialised form of borrowing linked directly to the asset)

6.2 The choice of funding for the capital programme and projects within it will depend upon the overall availability of resources and any constraints applicable to particular sources.

- Wherever possible external resources such as partner contributions, or grants will be the first preference for funding projects. It is likely that developer or partner contributions will only be available for specific projects. It is also possible that some grant funding is ring-fenced for specific purposes, although this tends not to be the case in recent times.

- Prudential borrowing will be the second choice of funding, but will only be used where there is a strong business case offering an appropriate rate of return.
- Finally the Council's own resources (capital receipts and revenue contributions) will be used where available and affordable.

6.3 The Council will aim to maximise its funding for capital expenditure by bidding for grant funding, disposing of surplus assets, seeking to maximise its leverage with partners in respect of joint funding opportunities, etc. Indeed the ability to respond to the very substantial growth agenda will be heavily dependent upon the ability to attract additional resources. This may come in the form of additional funding from Government, such as is being sought via the HIF bid, developer contributions, or working in partnership with other bodies e.g. district councils, the BTVLEP, other public bodies, or the business community. The council has carried out the Location Asset Strategic Review (LASR) which has identified opportunities to reduce the property estate and thus generate capital receipts. However, there may be longer term strategic reasons to hold on to assets and/or the ability to improve the operational efficiency including the potential to generate income which need to be considered.

6.4 Although the Council will continue to bid for all the resources it can, the Government's austerity measures are leading to a tightening of grant funding. For Buckinghamshire this is particularly relevant in respect of Basic Need funding for school places where there has been a zero allocation for 2020/21.

6.5 Historically the Council has provided a reasonable level of revenue contributions to fund the capital programme. However, as part of measures to keep the revenue budget in balance in the face of reduced funding and increasing service pressures the capacity to do this has been reduced to a relatively low level in the future.

6.6 Any capital investment decision which involves prudential borrowing must include the cost of servicing the debt as part of a robust business case. Investment decisions will be supported when the cashable cost reductions (or increased income) exceed the financing costs of any borrowing needed to fund the investment over its life, with a reasonable tolerance to cover off risk.

7. Minimum Revenue Provision

7.1 Minimum Revenue Provision (MRP) is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme. MRP, which is largely defined by regulation is aimed at ensuring that the council does not have time expired/fully depreciated assets, but still has associated outstanding debt.

7.2 Where capital expenditure was incurred before 1 April 2008 MRP will be charged on a straight line basis over 50 years in accordance with the guidance. For capital expenditure incurred on or after 1 April 2008 and funded through borrowing, the Council will calculate MRP using the asset life annuity method. Using this method MRP is calculated in a similar way as calculating the capital repayment element of a fixed rate repayment mortgage.

7.3 In accordance with provisions in the guidance, MRP will be first charged in the year following the date that an asset becomes operational.

7.4 The asset life annuity method calculation requires estimated useful lives of assets to be input in to the calculations. These life periods will be determined under delegated powers to the Director of Finance and Procurement, with regard to the statutory guidance. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the asset life annuity method would not be appropriate.

7.5 As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

7.6 Recognising the impact of MRP on the revenue budget is an important element in determining the affordability and sustainability of borrowing to fund an asset. Essentially, if there is no on-going capacity within the revenue budget to afford the MRP then one shouldn’t take out the borrowing in the first place. This is why a robust business case demonstrating a rate of return in excess of costs (including MRP) is important.

.

8. Capital Governance and Processes

8.1 Overview

8.1.1 This Capital Strategy sets out the framework for the governance of capital assets for the organisation. Primary responsibility for the development of the Strategy rests with the Director of Finance & Procurement, although ultimate accountability for its approval rests with Full Council in line with the Prudential Code.

8.1.2 The development or purchase of new assets, maintenance of existing assets and disposal of surplus assets are matters of operational and financial significance and therefore require robust governance arrangements. For this reason the Corporate Management Team (CMT) will play a pivotal role in these governance arrangements, providing co-ordination and consistency across the organisation.

8.1.3 Whilst this Strategy sets out the framework for identifying, approving, implementing and reviewing capital projects, the details are set out in the Financial Instructions for Capital.

8.2 Governance Boards

8.2.1 Although the assets held by the Council can be as diverse as the services it delivers they can be grouped into a few broad categories, namely: property; technology and; highways. For each of these broad categories this will be an appropriate governance board chaired by the relevant Cabinet Member.

8.2.2 The Property Board will cover all land and property whether held for service delivery purposes, or as an investment for financial return. It will be responsible for all land and property regardless of which services are delivered from those premises at any point in time. So, for example, it will cover multi use offices, but also care homes, highways depots, waste processing sites and other single service premises.

8.2.3 The Technology & Digital Board will cover all technology assets, be that laptops, screens, phones, or servers, cabling and other hidden infrastructure. It will also include capitalisable software licences and assistive technology. This will apply to technology assets owned by the council whether they be within council premises, or elsewhere.

8.2.4 The Highways Strategy Board will cover all highways assets, such as roads and footpaths, but also bridges, signals, safety fences etc.

8.2.5 For any assets that do not fall readily into any of these major categories, potentially some items of plant and equipment, CMT will either allocate responsibility to one of the above Boards, or exercise that responsibility directly itself.

8.2.6 To ensure that appropriate technical financial advice is available to each of the boards, there will be a senior finance representative on each board:

- Property & Assets Board – Director of Finance & Procurement
- Technology & Digital Board – Resources Head of Finance
- Highways Strategy Board – TEE Head of Finance

8.3 Development of the Capital Programme

8.3.1 Each year the Capital Programme will be developed as part of the Medium Term Financial Plan, culminating in approval by full Council in February each year. The table below sets out the timeline to be followed.

Jun - Aug	Portfolio groups/BUs develop capital bids (Robust business cases produced supported by BU FD)
Early Sep	Corporate Finance consolidates bids and reports summary to CMT CMT advise on strategy to resolve any gap.
Mid Sep	Property/Technology/Highways Boards review bids and prioritise
Late Sept/ Early Oct	Director of Finance and Procurement convenes a Capital Star Chamber meeting of FDs and Board lead Members/officers to scrutinise bids in detail and arrive at a proposal for a balanced capital programme.
Mid Oct/Nov	CMT reviews DoF&P proposal and agrees recommendation to Cabinet
Dec	Cabinet approves draft capital programme for consultation
Jan -Feb	Follows MTFP process in parallel with revenue

8.3.2 bids to the capital programme should be prioritised by both Portfolio groups and the three governance boards taking guidance from this Capital Strategy and any relevant service priorities. The following criteria will be used to prioritise bids in order to close any gap to the available resources:

a. Reductions from the previous programme
b. Ring-fenced funding, e.g. S106 or genuinely ring-fenced grants (i.e. no call on Council resources)
c. Strong financial business case, i.e. the savings arising from the investment will pay back the cost of the investment within 7 years (or less); or the capital receipt generated exceeds the cost of the investment.
d. Statutory requirement (including Health & Safety)
e. Strategic Plan priority
f. Business Unit, Service Plan priority

8.4 Monitoring of Progress

8.4.1 Once the Capital Programme is approved individual schemes will be allocated to the most appropriate governance board. Each Board will then have the authority to release resources on individual schemes to project managers in line with the Capital Gateway Process, subject to the necessary requirements at that stage, e.g. outline business case, full business case, etc.

8.4.2 Each Board will put in place appropriate arrangements to monitor progress and drive delivery of the individual projects both in financial terms and practical delivery, effectively carrying out a high level Programme Management Office role.

Appendix A

Portfolio Needs Analysis and Priorities

Details of the capital requirements and priorities for each Portfolio and the One Public Estate project, including condition survey information where appropriate, will be included here. This will include the details of the approved capital programme.

Health & Wellbeing

Education & Skills

Resources

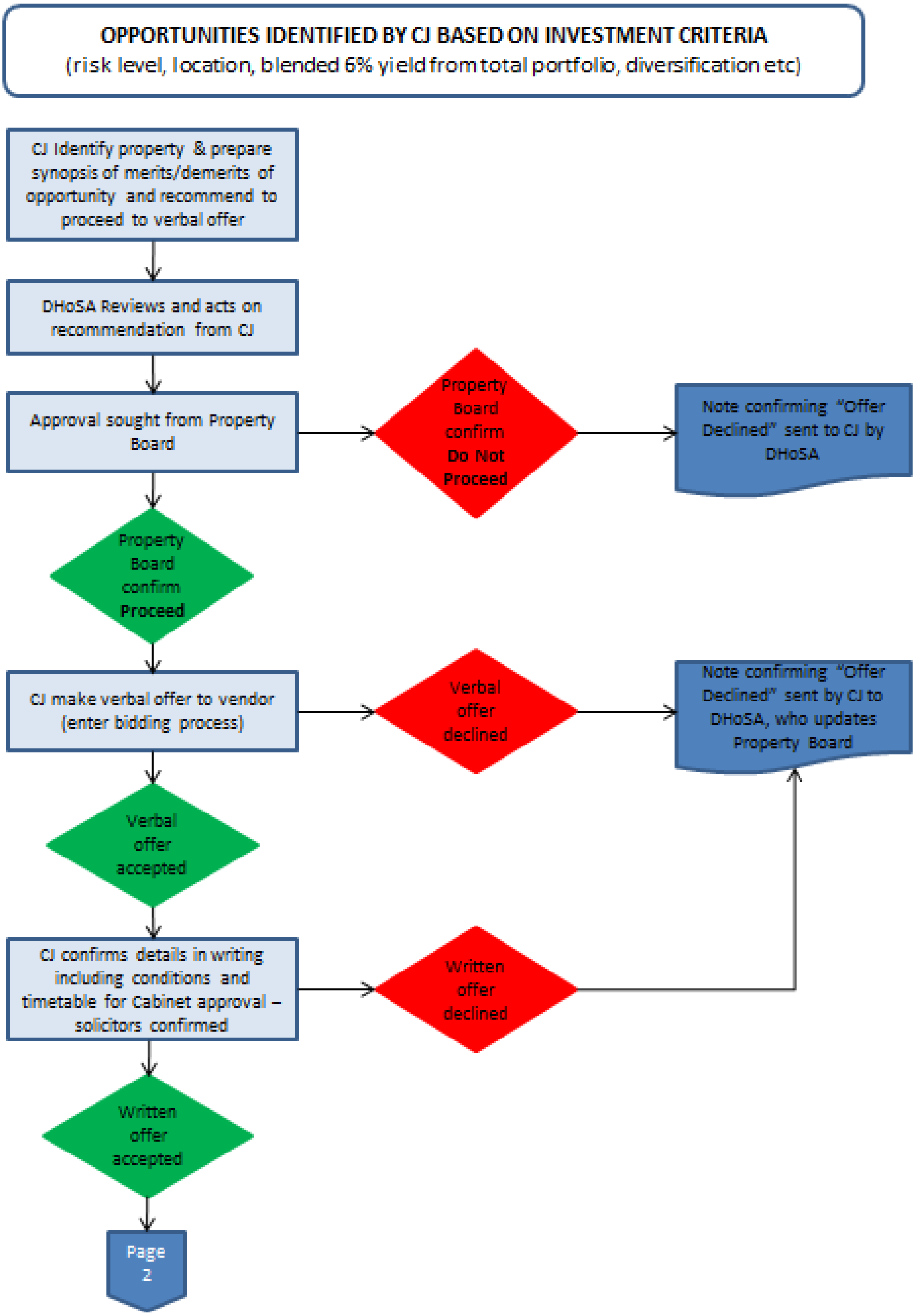
Planning & Environment

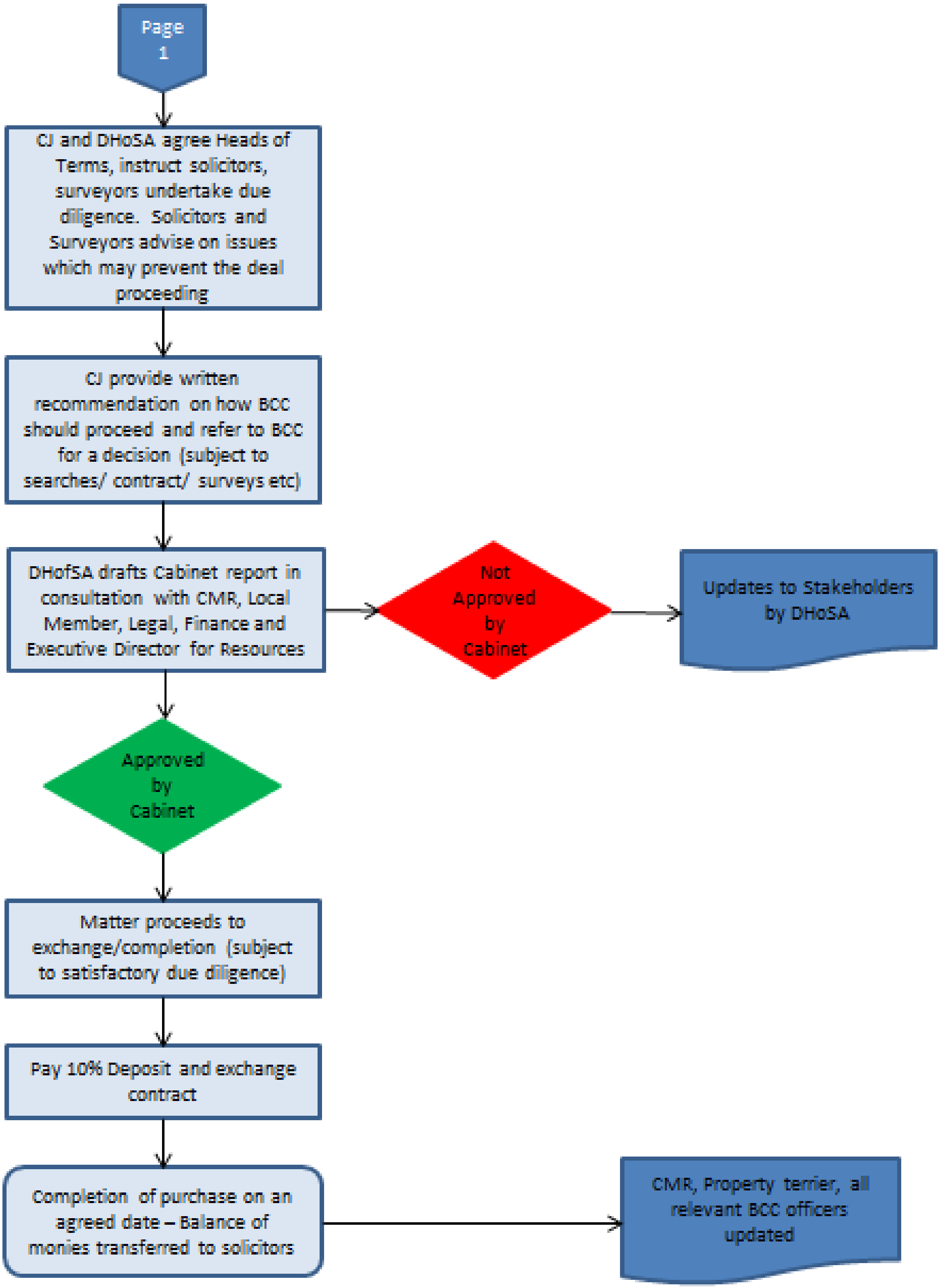
Transportation

One Public Estate

Appendix B

BCC Investment Commercial Property Governance




Page 1
CJ and DHoSA agree Heads of Terms, instruct solicitors, surveyors undertake due diligence. Solicitors and Surveyors advise on issues which may prevent the deal proceeding
CJ provide written recommendation on how BCC should proceed and refer to BCC for a decision (subject to searches/ contract/ surveys etc)
DHofSA drafts Cabinet report in consultation with CMR, Local Member, Legal, Finance and Executive Director for Resources
Not Approved by Cabinet
Updates to Stakeholders by DHoSA
Approved by Cabinet
Matter proceeds to exchange/completion (subject to satisfactory due diligence)
Pay 10% Deposit and exchange contract
Completion of purchase on an agreed date – Balance of monies transferred to solicitors
CMR, Property terrier, all relevant BCC officers updated

Appendix C

Prudential and Performance Indicators

Prudential Indicators

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Estimates of capital expenditure	Estimate	Years 1, 2 and 3 (and longer as necessary)	£000	122,611	141,841	80,726	74,474	74,474

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Estimates of capital financing requirement (CFR)	Estimate	Years 1, 2 and 3	£000	390,866	403,813	445,189	448,813	440,905

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Estimates of ratio of financing costs to net revenue stream	Estimate	Years 1, 2 and 3	%	4.8%	4.5%	4.3%	4.3%	4.4%

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Estimates of the incremental impact of capital investment decisions on Council Tax	Estimate	Years 1, 2 and 3	£ per Band D Equivalent	£1.36	-£1.94	£0.06	-£0.25	-£0.31
			%	0.11%	-0.15%	0.00%	-0.02%	-0.02%

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Gross Borrowing	Estimate	Years 1, 2 and 3	£000	195,000	185,000	185,001	185,002	185,002
Capital Financing Requirement			£000	390,866	403,813	445,189	448,813	440,905

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Authorised limit (for borrowing) *	Estimate	Years 1, 2 and 3	£000	230,000	230,000	230,000	230,000	230,000
Authorised limit (for other long term liabilities) *	Estimate	Years 1, 2 and 3	£000	15,000	15,000	15,000	15,000	15,000
Authorised limit (for total external debt) *	Estimate	Years 1, 2 and 3	£000	245,000	245,000	245,000	245,000	245,000

* These limits can only be breached with the approval of the full Council to raise them

Indicator			Unit	2018/19	2019/20	2020/21	2021/22	2022/23
Operational boundary (for borrowing)	Estimate	Years 1, 2 and 3	£000	210,000	200,000	200,000	200,000	200,000
Operational boundary (for other long term liabilities)	Estimate	Years 1, 2 and 3	£000	7,500	7,500	7,500	7,500	7,500
Operational boundary (for total external debt)	Estimate	Years 1, 2 and 3	£000	217,500	207,500	207,500	207,500	207,500

Investment Performance Indicators

Indicator	Target Level	Current Level
Debt to Net Service Expenditure (NSE) ratio		
Commercial Income to NSE ratio		
Investment Cover ratio		
Loan to Value ratio		
Target Income Returns – blended yield	6.00%	
Benchmarking of Returns	4.70% (industry benchmark)	
Gross Investment Income	£15m	
Net Investment Income		
Operating Costs as a proportion of Investment Value		
Weighted Average Unutilised Lease Term (WAULT)	7 Years	
Vacancy Levels for Non-Financial Investments	MSCI Benchmark currently at 7.11%	