

<b>COUNCIL</b>	<b>DATE</b> 27 February 2019	<b>ITEM NO</b> 14
<b>TITLE</b> Corporate Capital Strategy	<b>WARD (S)</b> All	
<b>CHIEF OFFICER</b> Director of Finance	<b>CABINET MEMBER(S)</b> Finance and Resources	
<b>DECISION CLASSIFICATION</b> -	<b>IS THE FINAL DECISION ON THE RECOMMENDATIONS IN THIS REPORT TO BE MADE AT THIS MEETING?</b> Yes	

1. **Decisions required:**

Council is requested to

- 1.1 Approve the 2019/20 Corporate Capital Strategy (Appendix A)
- 1.2 Approve the Capitalisation Policy (Appendix B)
- 1.3 Approve the Flexible Use of Capital Receipts Policy (Appendix C)
- 1.4 Note the comments of the Cabinet on 20 February 2019 (to follow) in respect of the following;
  - Adoption of the Property Asset Strategy (Appendix D)
  - Approved disposals (Appendix E)
  - Capital Programme through to 2028/29 (Appendix F)

2. **Links to the Royal Greenwich high level objectives**

- 2.1 This report, and the associated policies and strategies provide a framework for decision making and delivery of capital projects aligned to the Council's high level objectives:
  - a Healthier Greenwich
  - a Safer Greenwich
  - a Great Place to Grow Up
  - Delivering Homes Through Economic Growth
  - a Cleaner, Greener Greenwich
  - Economic Prosperity for All
  - a Great Place to Be
  - a Strong Vibrant and Well-run Borough

### 3. **Purpose of Report and Executive Summary**

- 3.1 The Royal Borough of Greenwich last adopted a Capital Strategy for the period 2002-2010; with the majority of the key objectives, such as the housing decent homes programme and construction of the three main service centres, now complete.
- 3.2 More recently a diverse and ambitious package of capital projects have been delivered within independent, largely thematic programmes, which have been developed to meet specific Council objectives e.g. School Place Planning.
- 3.3 The Capital Strategy therefore forms the foundation for the long-term planning of capital investment, building upon existing principles and processes. This is based on sound asset and resource planning, which looks across the whole asset base.
- 3.4 Clear capital investment objectives continue to be at the centre of a robust decision making framework that takes into account the need to fulfil statutory duties, the desire to pursue corporate priorities and the need to respond to changing demographics.
- 3.5 The Prudential Code for Capital Finance in Local Authorities (the Code) requires that for the 2019/20 financial year, Local Authorities must have in place a Capital Strategy. This provides the opportunity for the Council to codify, embed and strengthen processes supporting the delivery of the capital programme and to adopt best practices where possible.

### 4. **Introduction and Background**

#### **Capital Strategy**

- 4.1 The sustained squeeze on public spending makes it ever more important for the Council to deploy its resources efficiently so that it can continue to provide high quality services to residents, visitors and partners. Capital assets are the Council's most valuable resource other than its staff. How capital resources are deployed and capital assets are developed is therefore a key part of the Council's strategic planning.
- 4.2 The Prudential Code, which is published by the Chartered Institute of Public Finance and Accountancy (CIPFA), requires authorities to have in place a capital strategy for the 2019/20 financial year and has legislative backing. It states:

*“In order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.”*

4.3 The Code recommends that the same decision-making body that approves the revenue budget, treasury management strategy and prudential indicators should approve the capital strategy, which for the Royal Borough of Greenwich is full Council. In line with treasury management, a report will come before members at three points in the year (setting the strategy, mid-year and outturn) and again in line with treasury management, subject to pre scrutiny by the Audit and Risk Management Panel.

4.4 High level principles of the Capital Strategy are;

- to provide a framework for the identification of capital investment opportunities to support the delivery of Corporate and Directorate Service plans
- to set out the process for the selection and prioritisation of projects
- to provide parameters for sustainable capital investment
- to build upon current programme and project governance arrangements
- to set out transparent monitoring and reporting cycles.

4.5 Further benefits arising from the strategy will be;

- to ensure resources are deployed where needed and with maximum effect from a sound evidence base
- an improved co-ordination and collaboration across Directorates via a Capital Board structure
- the board will be strategic and include other projects and funding streams that could interact with the programme (s106, CIL, vehicle replacement etc)
- development of links with treasury management and revenue strategies.

### **Property Asset Strategy**

4.6 The Property Asset Strategy sets a broad strategic direction for the Council's property over the long term to ensure the portfolio is optimised to meet the Council's objectives. It covers all the Council's non-housing land and buildings.

4.7 Key recommendations in the strategy are the implementation of a 'Corporate Landlord' model and adoption of a twin-track approach balancing:

- Short-term 'efficiency' – identifying opportunities to reduce costs and release capital (from disposals) in order to meet current commitments including capital programme initiatives - and
- long-term 'opportunity' – identifying and delivering sites with latent value which can be exploited over time and support re-investment back into future Council priorities.

4.8 The following specific recommendations are relevant to the capital strategy and capital programme:

- Review the portfolio to identify assets that can be released, with the capital receipts used to support the capital programme in the short to medium term,
- lower the operating costs of property through release of poorly performing assets,
- support provision of integrated access to public services through joint working with partners to create multi-agency service facilities where opportunities allow and
- adopt a Corporate Landlord model in order to promote a more strategic and consistent approach to the management of assets.

### **Disposals**

4.9 In order to support the delivery of the Capital Programme a number of assets have been identified as surplus to requirement following consultation with Directorate leads. The list of assets in Appendix E were presented to Cabinet on 20<sup>th</sup> February 2019 and are included in the resourcing of the Capital Programme, prior to disposal these will be subject to review in accordance with the recommendations set out in the Property Asset Strategy and Corporate Capital Strategy.

### **Capital Programme**

4.10 The outline capital programme set out in Appendix F forecasts indicative expenditure commitments and income profiles over a 10 year programme at programme board level. The figures are representative of live projects, fully approved schemes and rolling programmes, for items such as vehicle acquisitions, which support the delivery of business critical services such as passenger transport for the vulnerable and waste collection.

4.11 Inclusion of a planned maintenance programme along with the works to Woolwich Old Library and the Ezra building in Woolwich Common are subject to formal approval by Cabinet on 20 February 2019. The detailed rationale is set out in the Property Asset Strategy noted below; however, it will provide an essential funding source for investment in the Councils existing asset base, focusing primarily on statutory compliance, health and safety and sustainability. Proposals on the utilisation of these resources will be agreed on an annual basis utilising property condition data and other sources of business intelligence in the prioritisation process.

### **Programme Development**

4.13 A brief description of emerging capital projects is outlined below. Each of these capital schemes, along with those identified through the bidding process will be subject to the governance processes and controls set out in the Capital Strategy.

- Woolwich Leisure Centre – Redevelopment of the Viscount House site in General Gordon Square to provide a replacement for the Waterfront Leisure Centre, which will contribute to the Councils place making ambitions for Woolwich.
- Woolwich Town Hall – Refurbishment and essential works to the listed building and public hall, and works to improve utilisation.
- Woolwich Old Town Hall – Refurbishment works to improve the utilisation of the building.
- Borough Halls – Redevelopment of the asset and addressing of essential health and safety and compliance issues and liabilities.
- Birchmere Depot – Essential refurbishment and reconfiguration of the building and parking.
- Community Centres – Funding to address essential health and safety / compliance work and adaptations to facilitate future use.
- Plumstead Power Station – Further works to maximise the utilisation of the asset, complementary to the Good Growth Fund scheme
- Woolwich Old Library (GLLab) – Refurbishment to enhance the building utilisation
- Calderwood Street Car Park Lifts – Essential lift upgrade works
- Invest to save schemes – Programme of discreet works, such as street lighting replacement, which will provide financial and non-financial benefits.
- Royal Hill Car Park – Post feasibility costs for a scheme to provide accommodation for adults with learning disabilities.

- Avery Hill Winter Gardens – Essential maintenance and refurbishment works to the Winter Gardens, subject to transfer from the University of Greenwich

## **Other Policies**

### Capitalisation Policy

- 4.14 The Capitalisation Policy (Appendix B) has regard to the relevant accounting policies and regulations governing Local Authority finances. It sets out the Councils definition of capital expenditure, de minimis levels and accounting treatment, which in turn impacts on the Councils Statement of Accounts.

### Flexible Use of Capital Receipts Policy

- 4.15 The Flexible Use of Capital Receipts Policy (Appendix C) sets out a governance framework to take advantage of a temporary override to the regulations governing capitalisation.
- 4.16 This enables the Council, should it choose to do so, to allow capital receipts to be used to finance transformational revenue projects that deliver on-going savings or reduces cost pressures, where ordinarily it would not be permitted to do so. For instance the funding of a project team which looks at demand management across a number of services, leading to a reduction in budgetary overspend / savings or negates the impact of future demographic changes. Decisions on specific capital receipts and transformational projects will be undertaken in line with the Leaders scheme of delegation.

## **5. Available Options**

- 5.1 Approve the recommendations set out in this report.
- 5.2 Recommend changes to one or more of the policy documents and decisions set out in this report.

## **6. Preferred Option**

- 6.1 Approve the recommendations set out in this report.

## **7. Reasons for Recommendations**

- 7.1 The recommendations set out in this report are designed to ensure that:

- Capital investment is targeted towards supporting the Council’s corporate objectives
- The stewardship of assets is properly taken into account in capital planning
- Capital investment is prudent, sustainable and affordable and provides value for money
- Members and senior officers have a common understanding of the long-term context in which investment decisions are made and all the financial risks to which the Council is exposed
- Capital projects are delivered timely and within financial capacity
- There is improved transparency at programme level along with a clear process for member engagement
- The Council is seen as an exemplar of good practice in its capital planning.
- The Council has a financially sustainable capital programme

8. **Next Steps: Communication and Implementation of the Decision**

8.1 Subject to approval by Council on 27 February 2019, the recommendations set out in both the Corporate Capital Strategy and Property Asset Strategy will be rolled out for implementation.

9. **Cross-Cutting Issues and Implications**

Issue	Implications	Sign-off
<p><b>Legal</b> including Human Rights Act</p>	<p>The legal framework relating to local authority capital finance is set out in the Local Government Act 2003 and Regulations made under the Act.</p> <p>The powers of a local authority relating to the acquisition, use and disposal of property are set out in various pieces of legislation.</p> <p>Under the Responsibility for Functions section of the Council’s Constitution, Full Council is the appropriate body to approve the 2019/20 Corporate Capital Strategy, together with any Appendices. The other recommendations fall to be decided by Cabinet.</p>	<p>John Scarborough, Head of Legal Services, 18 February 2019</p>

	<p>The adoption of the Corporate Capital Strategy and the Property Asset Strategy will strengthen the Council’s corporate governance processes around capital investment, the delivery of the capital programme and the use of the Council’s assets.</p> <p>The legal implications for each individual scheme which is brought forward pursuant to either the Corporate Capital Strategy or the Property Asset Strategy will be considered when approval is sought for that particular scheme. Each scheme within the capital programme will be approved in accordance with the Council’s Constitution.</p>	
<p><b>Finance</b> and other resources including procurement implications</p>	<p>The capital strategy, which has been drafted in compliance with CIPFAs Prudential Code for Capital Financing, provides a robust decision making framework for future capital allocations; reflective of the corporate priorities and balancing both risk and opportunities whilst also ensuring integration with the Council’s revenue and treasury management planning.</p> <p>The asset management strategy has been developed alongside the capital strategy and complements the underlying principles and governance structures contained within.</p> <p>Receipts generated from the disposal of the assets outlined in Appendix E will be deployed against the existing commitments within the capital programme. Valuations have been prudently assessed and form part of the programme resource envelope.</p>	<p>Michael Horbatchewskyj Accountancy Business Change Manager 12 February 2018</p>

	<p>Revocation of the decision to dispose of those assets noted in Appendix E contribute to the programme shortfall of £28m, which will be underwritten by the Councils strong financial position, and will be addressed in the future investment strategy and activities of the Strategic Property Board.</p> <p>Where revocations have been agreed as part of the funding strategy for specific schemes, including the Plumstead Library Redevelopment, there are sufficient resources to mitigate the impact in the short term.</p> <p>It is essential that there are sufficient revenue resources underpinning the capital programme to fund feasibilities and other associated non-capital expenditure. Income generated from regeneration properties will be monitored to ensure that the maximum benefit is realised to support both service delivery and a sustainable capital programme. Any financial implications will be monitored as part of the established budget setting and reporting process.</p>	
<b>Equalities</b>	<p>The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no apparent direct equality impact on end users.</p> <p>Equalities factors will be considered as each project is brought forward</p>	<p>Michael Horbatchewskyj 12/02/2019</p>
<b>Risk Management</b>	<p>The capital programme contains a number of risk factors, for example, appropriate utilisation of resources, unsecured resources, project spend and</p>	<p>Michael Horbatchewskyj 12/02/2019</p>

	H&S / compliance risks. The strategy shall ensure that resource allocation is in line with corporate objectives and that using both programme and project best practice, programme boards provide strategic oversight, lines of responsibility and transparent reporting of the programme	
<b>Health and Safety</b>	The recommendations set out in the report, specifically the adoption of the Asset Management Strategy and creation of a new Planned Maintenance Budget will ensure that the Council can undertake statutory Health and Safety works across the corporate property estate.	Michael Horbatchewskyj 12/02/2019

## 10. Report Appendices

10.1 The following documents are to be published with and form part of the report:

- *Appendix A: Capital Strategy*
- *Appendix B: Capitalisation Policy*
- *Appendix C: Flexible Use of Capital Receipts Policy*
- *Appendix D: Property Asset Strategy*
- *Appendix E: Disposals and Revocations*
- *Appendix F: Capital Programme*

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