

Item

Strategy & Resources 3 February 2020 - Finance and Resources Portfolio: Capital strategy 2020/21

To:

Councillor Richard Robertson, Executive Councillor for Finance and Resources Portfolio

Report by:

Caroline Ryba, Head of Finance

Tel: 01223 - 458134 Email: caroline.ryba@cambridge.gov.uk

Wards affected:

(All) Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

Key Decision

1. Executive Summary

- 1.1 The council continues to develop and expand well-established, long term capital planning.
- 1.2 This report presents the capital strategy of the council together with a summary capital programme for the General Fund (GF) and Housing Revenue Account (HRA). The previous capital strategy was approved by the council on 21 February 2019. The strategy is focused on providing a framework for delivery of capital expenditure plans over a 10-30 year period. These plans cover spending on operational assets to support service delivery and on investments which provide an income for the council alongside meeting the council's objectives in relation to economic development and place-making, regeneration and climate change mitigation. Governance arrangements are also outlined in order to ensure the capital programme continues to deliver value for money.

- 1.3 The council has a substantial capital programme which is mainly guided by and supports the strategic aims of the council as outlined in the *One Cambridge – Fair for All* vision and defined in the *Annual Statement* as published on the council website.
- 1.4 The strategy has been updated to reflect recommendations from Stage 2 of the property review and the council's plans to redevelop the multi-storey car park on Park Street to include an aparthotel which will form a significant part of the council's commercial property investment portfolio.

2 Section 151 officer report

- 2.1 The council's section 151 officer is required to report explicitly on the affordability and risk associated with the capital strategy.
- 2.2 As highlighted in the strategy the council ensures that capital projects and schemes are accompanied by detailed funding proposals. Where projects are to be funded from borrowing – either internally from cash balances or externally, a prudent Minimum Revenue Provision charge is made. The council has not borrowed externally to fund capital expenditure in the recent past, the current external borrowing representing debt incurred on the transition from the old housing subsidy system to HRA self-financing.
- 2.3 Where the council has expanded its commercial activities by purchasing additional commercial properties or making loans to subsidiaries and joint ventures to facilitate the provision of intermediate housing or the development of sites for market and affordable housing it ensures that the risks taken are proportionate to the size and scale of the authority. Legal advice is taken alongside the completion of appropriate due diligence and any loans are secured where appropriate. On projects undertaken by joint ventures the council monitors the expected repayment of loans and expected future surpluses carefully. The council has not borrowed externally to fund the increase in commercial activity.

2.4 External debt will be used, however, to fund the redevelopment of the Park Street multi-storey car park and future housing developments within the HRA. The council is aware of the risks associated with borrowing for these purposes and will seek appropriate external advice.

3 Recommendations

3.1 The Executive Councillor is asked to:

- Recommend the capital strategy to Council; and
- Note the summary capital programme

4. Implications

(a) Financial Implications

The capital strategy underpins the Medium Term Financial Strategies (MTFSs) and Budget Setting Reports (BSRs) for the General Fund (GF) and Housing Revenue Account (HRA). The financial implications of the strategy are included within those documents. The treasury management implications of the strategy are summarised within the treasury management strategy statement.

(b) Staffing Implications

The capital strategy is considered to be deliverable within current staff resources. However, this will be kept under review by management through the relevant programme boards.

(c) Equality and Poverty Implications

Decisions around individual items of capital expenditure, properties and investments will consider the equality and poverty implications as and when specific proposals are made.

(d) Environmental Implications

Decisions around individual items of capital expenditure, properties and

investments will consider the environmental implications as and when specific proposals are made.

(e) Procurement Implications

There are no direct procurement implications arising from this report. Any subsequent actions will be undertaken in accordance with procurement regulations, contract procedure rules and any other related legislation.

(f) Community Safety Implications

None.

5. Consultation and communication considerations

Individual proposals arising from this strategy will be consulted on as appropriate.

6. Background papers

These background papers were used in the preparation of this report:

- General Fund Property Review – Report and minutes – Strategy and Resources Scrutiny Committee 1/7/19.
- GF and HRA Budget Setting Reports 2020/21
- Treasury Management Strategy Statement 2020/21

7. Appendices

The following item is included in this report:

- Capital Strategy 2020/21

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Author's Name: Caroline Ryba, Head of Finance
Author's Phone Number: 01223 - 458134
Author's Email: caroline.ryba@cambridge.gov.uk

