

## CORPORATE CAPITAL STRATEGY

### PURPOSE

This strategy sets out the Council's approach to capital investment and the approach that will be followed in making decisions in respect of the Council's Capital assets.

Capital investment is an important ingredient in ensuring the Council's vision is achieved and given that capital resources are limited it is critical that the Council makes best use of these resources.

The Strategy sets the policy framework for the development, management and monitoring of this investment and forms a key component of the Council's planning alongside the Medium Term Financial Strategy (MTFS).

It sets out the strategic influences on the Council's capital investment plan and how the Council is going to work with these influences to bring about the best advantage to meet local needs – including working with Partners:

- the Local Enterprise Partnerships (Greater Birmingham and Solihull and Staffordshire and Stoke-on-Trent) of which the council is a Member;
- the West Midlands Combined Authority as a Non-Constituent member;
- Staffordshire Commissioner for Police, Fire and Rescue and Crime;

with the aim to drive economic regeneration, deliver local plan objectives and access inward investment to support the delivery of local capital priorities.

The Council plans to update its approach to Asset Management and long term asset planning to improve the way strategic property objectives can be delivered. This will enable the development of a longer term plan for the management and maintenance of its assets, whilst identifying the funding ambition gap to maximise inward investment opportunities for funding from Partners.

It also demonstrates that the Council has regard to the Prudential Code for Capital Finance by giving a clear and concise view of how much it can afford to borrow and its risk appetite. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

### Summary Capital Investment Plan

Capital Programme	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
General Fund	11,790	3,313	1,201	1,352	1,181	18,837
HRA	10,714	6,925	9,000	9,946	9,869	46,454

The General Fund capital programme will require unsupported borrowing of £0.5m over the next 5 years subject to the exploration and availability of alternative funding.

Key Schemes include:

- Future High Street Fund, £11.8m;
- Disabled Facilities Grants, £650k p.a. (including £547k p.a. BCF grant);
- Balancing Ponds, £850k;
- Recovery & Reset ICT costs, £523k in 2022/23 plus programme costs £150k p.a.;
- Energy Efficiency Upgrades-Commercial and Industrial Units, £75k p.a.
- Street lighting, £405k;
- Technology upgrades, £340k;
- ICT Audio/Video Technology for Town Hall, £87k;
- Play area refurbishment, £55k;
- CCTV, £229k.

Key HRA Schemes:

- HRA Business plan works to dwellings, £21.75m;
- Neighbourhoods £2.5m;
- Disabled Facilities Adaptations £1.25m;
- Energy Efficiency works £0.35m;
- Street lighting £0.6m;
- High Rise works £0.56m;
- Retained Garage Sites, £0.75m;
- Regeneration & Affordable Housing, £4.25m;
- Sheltered schemes, including lifts & Telecare, £1.29m
- Fire Risk mitigation works, £0.9m;
- Damp & Mould works, £0.5m;
- Decarbonisation works to achieve Zero Carbon, £10.7m.

### **Impact on Medium Term Financial Plan**

The General Fund capital programme will require unsupported borrowing of £0.5m over the next 5 years which will be funded through internal borrowing (with an associated loss of investment interest) and will require provision for debt repayment. Given the significant changes in spend over the 4 years of c.£12.3m then there will be a significant funding gap for the HRA capital programme of c.£5m.

### **Summary of Risk Assessment**

Risks specific to the capital programme and the capital strategy are managed in accordance with the Council's Risk Management Policy and are recorded and monitored through the Pentana Performance Management system. Risks are monitored on an ongoing basis as part of routine risk management practices and are reviewed and updated where appropriate as part of the refresh of the Capital Strategy. Risks specific to the capital strategy are included in a table at **Annex C**. They align with other corporate risk registers and are informed by project/ programme level risks to ensure risks are monitored and managed from operational through to strategic level.

## The Capital Strategy

The Capital Strategy is a 'live' and dynamic document, which will update and evolve as strategic influences and priorities change. The Corporate Capital Strategy will be reviewed annually and an update presented to Council in February each year as part of the MTFS report. However should a significant situation arise, whether it be a policy matter, an investment opportunity or a new risk for example, an update to the Capital Strategy will be presented to Members as part of the quarterly performance report.

The Capital Strategy will:

- Reflect Members' priorities as set out in the Corporate Plan including the approach to the allocation of its capital resources and how this links to its priorities at a corporate and service level;
- Balance the need to maintain the Council's existing asset base against its future ambition and associated long term asset needs, and consolidate assets where appropriate;
- Recognise that growth is the strategic driver for financial self-sufficiency;
- Be affordable in the context of the Council's MTFS;
- Seek to ensure value for money through achieving a return on investment or by supporting service efficiency and effectiveness;
- Be flexible to respond to evolving service delivery needs;
- Seek to maximise investment levels through the leveraging of external investment through working with regional/County partners;
- Recognise the value of assets for delivering long-term growth as opposed to being sold to finance capital expenditure;
- Recognise the financial benefits and risks from growth generated through investment to support investment decisions; and
- Reflect the service delivery costs associated with growth when assessing the level of resources available for prudential borrowing.

The capital strategy informs the strategic direction of capital investment through consideration of strategic priorities and objectives. It feeds into the annual revenue budget and MTFS by informing the revenue implications of capital funding decisions. The implications for the MTFS are fully considered before any capital funding decisions are confirmed.

The Strategy is supported by the leadership of the Council, including the Chief Executive and the Leader of the Council. The recently updated CIPFA Prudential Code now requires that 'the chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions.' The statement below is the response of the Executive Director Finance:-

Affordability and risk are key considerations within this capital strategy. The key principles articulated are that the strategy must support the financial viability of the Council, and that payback should be a key consideration of the strategy.

The capital investments detailed within the strategy provide for a number of regeneration opportunities. Robust risk management is also a requirement of our strategy. Business cases for new schemes are required to ensure that risks are adequately considered. The most significant risks are currently capacity to deliver individual projects, and adequately identifying resources required at the commencement of projects.

Over the next five years the strategy is expected to see c.£65m of capital expenditure (both General Fund and HRA). The HRA capital programme is a key element of the 30 year HRA Business Plan. Within this financial context and considering the Council's balance sheet and asset base, and its track record in acquiring, managing and disposing of assets where required to support its objectives, the capital strategy as a whole is proportionate to the Council's overall activities and financial position.

Specialised external advice is obtained where required with regard to specific schemes, for example to support commercial acquisitions or in considering the financial implications of major schemes included within the strategy. The Council also utilises our treasury management advisors, Link Asset Services, to consider the implications of the Prudential Code and the impact on the treasury management strategy.

The strategy articulates a wide range of new and existing activities. This includes regeneration ambitions, new infrastructure and significant investment in Housing as well as smaller schemes. The strategy also leaves space for consideration of new income streams that fit with our ambitions as a Council and support areas in which we already have skills and knowledge.

## **Background**

The Council has an ongoing capital programme of over £52m for 2021/22 and an asset base valued at £252m (as at 31<sup>st</sup> March 2021).

Traditionally the Council's capital programme has been set and approved for a five year period, with a 30 year HRA business plan setting out future plans for the Council's housing stock. In order to improve longer term strategic planning, so that the Council can better prioritise spending and align with local, regional and national priorities, it is recognised that the current capital programme needs to have a longer-term focus for the purposes of the capital strategy, ideally looking to a 20-30 year timeframe.

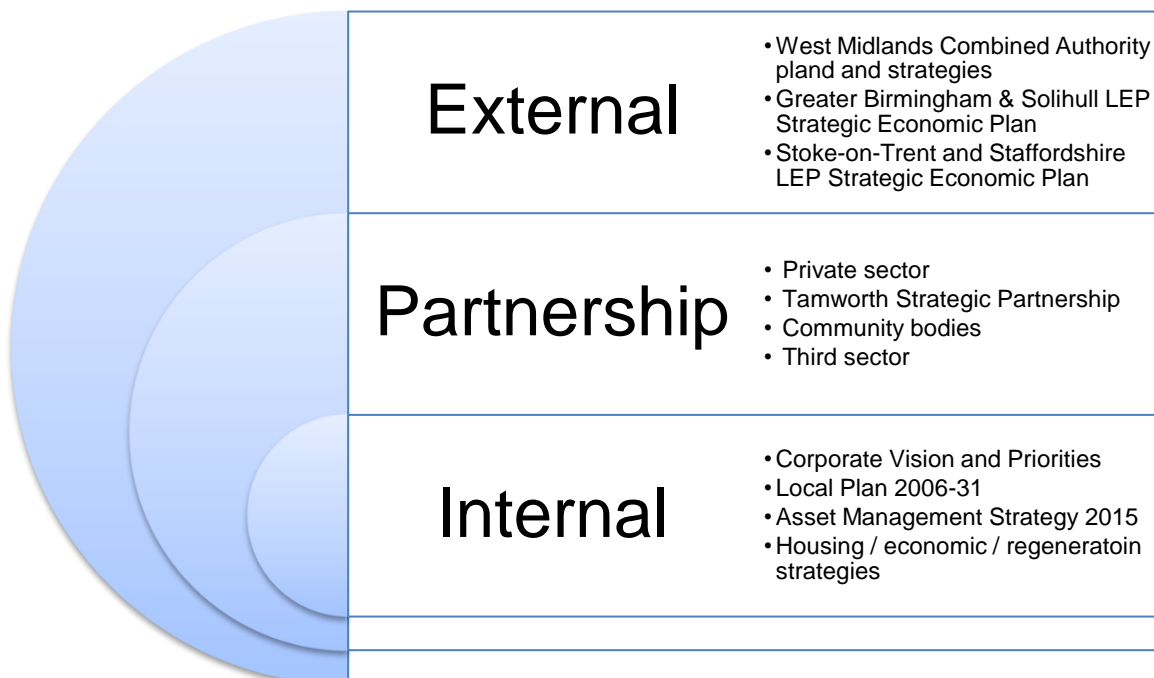
As a result, the following 2019/20 action plan item was implemented through the development of a 30 year whole life costing model:-

**The process for the consideration of capital expenditure within the MTFs process has been reviewed and refined to ensure that there are provisional plans for expenditure out to a 10 year timeframe, with an indication of requirements out to 20-30 years.**

A number of actions/improvements have been identified throughout this capital strategy, and they are summarised in an action plan, with target completion dates and responsible officers, at **Annex B**.

## Influences

The following diagram illustrates some of the main internal and external influences on the Council's capital strategy, including our partners. Consideration of these plans and strategies in the context of our own capital ambitions is important because it may provide new opportunities for investment or funding.



The Council's corporate priorities are an integral influence in informing the Capital Strategy and set the scene for how capital projects and individual proposals are assessed.

The Council is committed to working with its public, peers and partners in order to:

- a) Sustain essential services at agreed standards for those in greatest need;
- b) Deliver a programme of projects, planned initiatives and work streams designed to achieve outcomes against the Corporate Priorities;
- c) Adopt a commercial approach to growth and investment designed to generate a sustainable income to support a) and b); and
- d) Continue its excellent performance in financial planning, management and investment. By being 'Risk Aware' rather than 'Risk Averse', the Council will consider all opportunities to improve and/or sustain services.

## The Capital Appraisal Process

The capital appraisal process is important as it helps to prioritise schemes in order to target spending in a challenging funding climate, and to ensure that the Council is spending on projects which help to deliver its strategic priorities.

As part of the Council's business planning process, managers and Assistant Directors are required to consider the capital resources needed to deliver their services now and into the future (5 year timeframe). The asset management plan and HRA business plan also inform the capital strategy.

All capital bids should be prepared in light of the following list of criteria, and the proposed investment should address and be assessed with regard to:

- the contribution its delivery makes towards the achievement of the Council's Corporate Priorities;
- the achievement of Government priorities and grant or other funding availability;
- the benefits in terms of compliance with the Corporate Capital Strategy requirements of:
  1. Invest to save
  2. Maintenance of services and assets
  3. Protection of income streams
  4. Avoidance of cost.

The current de-minimis for capital expenditure is £10k per capital scheme.

It is important that capital investment decisions are not made in isolation and instead are considered in the round through the annual budget setting process.

All proposed schemes requiring capital investment should have as a minimum the following information:

- A description of the scheme;
- The expected outputs, outcomes and contribution to corporate objectives;
- The estimated financial implications, both capital and revenue;
- Any impacts on efficiency and value for money;
- The nature and outcome of consultation with stakeholders and customers (as applicable);
- Risk assessment implications and potential mitigations; and
- Any urgency considerations (e.g. statutory requirements or health and safety issues).

Corporate Management Team and Service Managers identify the potential need for capital investment, in light of external influences, internal strategies and plans, service delivery plans and, in particular, the Asset Management plan. This is seen as a core influence on the Capital Strategy, and informs the priorities and schemes considered as it takes account of issues such as the condition of council owned assets and future maintenance requirements. Other key considerations are health and safety requirements, statutory obligations of the council, operational considerations and emerging opportunities for investment including possible sources of external financing.

The Asset Strategy Steering Group (ASSG) review capital bids prior to consideration by Members. Once capital bids have been prioritised, Executive Management Team will review the outcome of the deliberations of the ASSG and will make recommendations to Cabinet through an updated Medium Term Financial Strategy (MTFS) report on a proposed budget package which will include capital budget proposals. The MTFS report (including capital budget proposals) will ultimately be considered by Budget Setting Council each year.

It was recognised last year that further action is required to fully embed the capital appraisal process, including proper consideration of options and risk, into the capital strategy and planning processes at Tamworth, and ensure that this is not just a 'tick-box' exercise. Therefore the following action plan task has been implemented:-

- 1) Consideration of service units' capital requirements now form part of the business planning process and a template has been drawn up to ensure this is properly considered and captured on Pentana, the performance management system;**
- 2) The capital appraisal process and associated documentation has been reviewed and updated to ensure proper consideration given to whole life costs of scheme. Further work is needed during 2022/23 to further improve the consideration of alternative options; risk management, etc, and to address the concerns outlined on completion of the CIPFA Property Capital Strategy Self-Assessment Checklist.**

### **Monitoring of Approved Capital Schemes**

Each capital scheme has a budget holder/project manager who is responsible for ensuring progress against scheme in line with agreed timescales and for ensuring adherence to the approved budget. The Collaborative Planning (CP) system is used to monitor spend against budget and to inform the projected outturn position. The budget holder/project manager will hold monthly meetings with his/her Accountant to update budget monitoring information on the system and provide a brief commentary as to the progress of each project. Projected capital slippage and potential re-profiling of associated budgets is also reported. The monitoring of progress on individual schemes is reported to Corporate Management Team on a monthly basis and to Cabinet quarterly as part of Financial and Performance Healthcheck reports.

An annual Capital Outturn report is prepared for Cabinet in June each year which details the final outturn for the year, the latest project update from the Service Manager and any proposals to re-profile spend to future financial years for Cabinet approval.

A post implementation review is not appropriate or necessary for all capital projects. They should be prepared where learning is identified which could assist future projects or where there is a significant financial or political impact. Directors should encourage the collation of data during the project and identify any lessons learned which will assist in improving the process in the future.

**As part of the approved Strategy for 2019/20, the following action plan tasks have been implemented:**

- a) A post implementation review is completed for each scheme where learning is identified which could assist future projects or where there is a significant financial or political impact;**
- b) The Asset Strategy Steering Group now meet on a Quarterly basis to:**
  - i. scrutinise the completed post implementation reports;**
  - ii. review the management and monitoring of the capital programme; with appropriate feedback and challenge – identifying improvements to improve the future management of the capital programme.**

The full capital appraisal and monitoring process and guidance for managers can be found on the intranet at this link:-

<http://infozone.tamworth.gov.uk:901/financial-guidance>

**A review of the guidance to reflect changes implemented is planned for 2022/23.**



## Review of Asset Management Plan

The Council's Asset Management Plan will be reviewed on an ongoing basis. This will identify any assets held by the Council that are no longer either required or fit for purpose and appropriate recommendations made regarding retention for alternative use or disposal.

The Corporate Asset Management Strategy was last updated in 2015 relating to the following assets:

<b>Asset Description</b>	<b>Value (31/03/15)</b>
Investment Properties	£14,588,052
Land and Buildings	£6,537,500
<b>Total</b>	<b>£21,125,552</b>

It details an estimated 10 year maintenance cost for each asset (**totalling c.£8m**) based on the inspections that had been undertaken.

<b>Asset Type</b>	<b>Estimated Backlog Costs (10 years)</b>
Non-Operational – Commercial	£3.288m
Non-Operational – Retail	£1.861m
Operational Properties – Direct	£0.482m
Operational Properties – Indirect	£1.052m
Non-Operational – Community spaces	£0.194m
Non-Operational – Cemetery Land	£0.179m
Operational Properties – Office & Admin.	£1.038m
Other Properties	£0.333m
<b>Total</b>	<b>£8.427m</b>

An updated survey has been carried out by Michael Dyson Associates during 2021 to determine the current condition and extent of repair and maintenance required. The overall planned maintenance cost for the assets in the next 30-year period amounts to £5,611,576, an average of £37,916 per surveyed asset (over the portfolio of 178 non-HRA properties which include a mix of commercial premises, shops and corporate properties).

It has been identified that the Council, through this strategy and through the development of a long term strategic plan, needs to take a longer-term view of the assets required to deliver its Corporate Plan priorities and to support its Medium Term Financial Strategy (MTFS), including spend required (and associated potential funding streams) to address the identified maintenance and repairs backlog for corporate assets. This could include the option to invest in or dispose of current asset holdings or make further acquisitions.

It was recognised that significant further work is required in this area in order to deliver a robust capital strategy, and the following action is to be finalised by March 2022:-

**The Asset Management Plan is to be reviewed and updated, with an up to date stock condition survey. This should set out the detailed capital resources/expenditure required to maintain assets, together with the associated timeframe, to inform options appraisal and feed into the capital strategy for ASSG/CMT review of potential schemes.**

## **HRA BUSINESS PLAN**

The Local Plan to 2031 has a target of 177 units of new housing, of which only 40 units per year are likely to be delivered by private developers. This represents only 21% of the total required number of new affordable homes – leaving 79% of need unmet.

The HRA Business Plan has the potential to address some of this unmet need. However the extent to which it can make up a shortfall depends on the resources available within the HRA.

As at April 2018, the Council's stock comprised 4,269 homes, 390 leasehold properties and 1,454 garages. Of the 4,269 homes, 2,391 (56%) are houses, 1,278 (30%) flats or maisonettes, 235 (5.5%) are bungalows. A further 365 properties (8.5%) are sheltered accommodation located in 10 separate schemes and comprising a mixture of flats and bungalows. 1029 properties (24%) are of non-traditional construction. The construction type, location and mix of properties in Tamworth have implications for the Investment Programme and Business Plan.

We know that resources within the Business Plan are unlikely to allow the Council to achieve all that it wants to do. However, over the course of the next thirty years opportunities may arise and there may be scope to progress these if the Business Plan has capacity at the time.

Three areas in particular will continue to be actively considered as priorities if additional resources become available:

- New affordable housing
- Regeneration of additional estates
- Investment in early help and preventative based strategies

Where savings are achieved when delivering existing Business Plan commitments, these may be used on the priority areas above.

## **DEBT AND BORROWING AND TREASURY MANAGEMENT**

Details of the Council's borrowing need (Capital Financing Requirement – CFR), current and forecast debt, and other prudential indicators, as required by the CIPFA Prudential Code for Capital Finance, will be set out in the Treasury Management Strategy Statement, Treasury Management Policy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2021/22.

### **Capital Funding Streams**

Decisions on capital investment should be made in the context of limited resources. The capital programme is currently reliant on funding from capital receipts and third party contributions/external grants. Other potential funding opportunities for future consideration include external borrowing and direct revenue funding (from other sources such as revenue contribution).

**External Grants** – external grant allocations are received from central government, for example Disabled Facilities Grant, and also other organisations such as the Heritage Lottery Fund (currently part-funding the Assembly Rooms project).

**Section 106 and External Contributions** – S106 contributions from developers can support Leisure and open space programmes in the Borough.

**Capital Receipts** – the Council is able to generate capital receipts through the sale of surplus assets such as land and buildings and has recently benefitted from £24m as a result of the sale of the Golf Course at Amington, which is earmarked for investment under the Council's Commercial Strategy. The potential for future sales will be determined as part of the Council's Asset Management Strategy, to be refreshed as per the action plan detailed previously. Any further capital receipts generated will be reinvested in the capital programme.

**Reserves** – the Council has a level of reserves which are earmarked to be used to support delivery of the Corporate Plan or Invest to Save projects.

**Revenue Funding** – the Council can use revenue resources to fund capital projects by making a 'revenue contribution to capital,' however continuing revenue budgetary constraints mean this option is limited.

**Prudential Borrowing** – the introduction of the Prudential Code in 2004 allows Councils to undertake unsupported borrowing which is subject to the requirements of the Prudential Code for Capital Expenditure. The Council must ensure that unsupported borrowing is affordable, prudent and cost effective. This type of borrowing has revenue implications for the Council in the form of financing costs.

## APPROACH TO RISK MANAGEMENT

The Council is committed to the culture of Risk Management ensuring that its reputation is not tarnished by an unforeseen event nor is it financially or operationally affected by the occurrence. The risks considered in the capital strategy are considered with reference to the corporate risk management policy and practices. The Risk Management Strategy and further information can be accessed at the following link:-

<http://infozone.tamworth.gov.uk:901/risk-management>

### Risk Appetite

The risk appetite is “the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time” (CIPFA). The Council will manage the risks by reducing, preventing, transferring, eliminating or accepting the risk.

Whilst the Council acknowledges that it will have “severe” (red) risks from time to time, it will endeavour to reduce those to an acceptable level either through controls or ceasing the activity (if applicable). Sometimes risks are identified and even though managed, may still remain “severe” (red risk).

### Risk Management Roles and Responsibilities

The importance of establishing roles and responsibilities within the risk management framework is pivotal to successful delivery. Considering risks must be embedded into corporate policy approval and operational service delivery.

The agreed roles and responsibilities within the risk management framework are outlined in the table below:

Group /Individual	Role
Corporate Management Team	<ul style="list-style-type: none"><li>• Provide leadership for the process to manage risks effectively.</li><li>• Review and revise the Risk Management Policy and Strategy in accordance with the review period.</li><li>• Monitor and review the Corporate Risk Register on a quarterly basis including the identification of trends, upcoming events and potential new corporate risks.</li></ul>
Audit & Governance Committee	<ul style="list-style-type: none"><li>• Monitor the effectiveness of the Authority’s risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management.</li><li>• To monitor the actions being taken to mitigate the impact of potentially serious risks</li></ul>
Cabinet	<ul style="list-style-type: none"><li>• To provide strategic direction with regard to risk management.</li></ul>
Directors / Assistant Directors	<ul style="list-style-type: none"><li>• To provide leadership for the process of managing risks.</li></ul>

Group /Individual	Role
	<ul style="list-style-type: none"> <li>• To ensure that risk management methodology is applied to all service plans, projects, partnerships and proposals.</li> <li>• To identify and manage business /operational risks.</li> <li>• To ensure that the management of risk is monitored as part of the performance management process.</li> </ul>
Directors / Assistant Directors	<ul style="list-style-type: none"> <li>• To ensure that all risks are identified, recorded and effectively managed in their area or responsibility.</li> <li>• To review and update their risk register on at least an annual basis but appropriate to the risk.</li> <li>• To determine the method of controlling the risk.</li> <li>• To delegate responsibility if appropriate for the control of the risk.</li> <li>• To notify the Director of new risks identified for consideration for inclusion on the corporate risk register.</li> </ul>
All staff	<ul style="list-style-type: none"> <li>• To ensure that risk is effectively managed in their areas.</li> <li>• To ensure that they notify their managers of new and emerging risks.</li> </ul>
Assistant Director – Finance	<ul style="list-style-type: none"> <li>• To ensure that the risk management strategy is regularly reviewed and updated.</li> <li>• Promote and support the risk management process throughout the Authority.</li> <li>• Advise and assist managers in the identification of risks.</li> </ul>

The Audit & Governance Committee will regularly review the Risk Management Policy and Strategy to ensure their continued relevance to the Borough. They will also assess performance against the aims and objectives.

Specific capital risks are contained within a register at **Annex C** to the Capital Strategy, alongside mitigating actions.

## **COMMERCIAL ACTIVITY**

The Council's Commercial Investment Strategy set out a number of alternative investment options to generate improved returns of c. 4 to 5% p.a. (plus asset growth) including:

- Set up of trading company to develop new income streams;
- Local investment options – Lower Gungate development including the potential to drawdown funding from the Local Growth Fund/ Local Enterprise Partnerships (GBS and Staffordshire);
- Investments in Diversified Property Funds – a savings target to return c.4% p.a. from £12m invested has already been included from 2019/20.

Note: these would represent long term investments of between 5 – 10 years (minimum) in order to make the necessary returns (after set up costs).

CIPFA defines commercial investments as those which are taken for mainly financial reasons. These may include investments arising as part of business structures, such as loans in subsidiaries or other outsourcing structures; or investments explicitly taken with the aim of making a financial surplus for the organisation. Commercial investments also include non-financial assets which are held primarily for financial benefit, such as investment properties.

The Code requires that such investments are proportional to the level of resources available, and that the same robust procedures for the consideration of risk and return are applied to investment decisions. All such investments are therefore included within the capital strategy/investment strategy, setting out the risk appetite and including specific policies and arrangements for such investments, and details of existing material investments and risk exposure.

### **Investment in Property Funds**

As part of the Capital Programme, the Council has since 2018/19 begun to invest in Commercial Property Funds to establish a portfolio which is managed to generate a revenue return to the Council to support financial sustainability and to protect the provision of services to residents, along with maintaining and growing the capital value of the investment. A capital scheme of £12m was included within the 2018/19 capital programme to generate a target net additional income of c. £300k per annum, financed from part of the capital receipt from the sale of the former Golf Course.

A Property Fund Manager selection exercise was undertaken following the appointment of Link Asset Services to provide support and advice in the identification and selection of suitable UK-focussed property funds.

At the outset, the Council was looking to engage with funds that had a broad remit of exposures to different property types, rather than being focussed on one particular area, such as shopping centres. Link Asset Services looked to the "Balanced Fund" universe of UK property funds, as outlined in the AREF/IPD UK Quarterly Property Fund Index, for the starting point for selection. This universe is the industry accepted standard for balanced property funds and included 27 funds as at the close of September 2017.

From this initial list, a number of funds were removed in instances where the Council would not be able to invest, for example those that are solely for pension funds and others where investor types are limited, excluding Local Authorities. The Council also looked to exclude funds below a minimum size threshold of £750m. This left 10 funds from which to further shortlist, and each was sent a copy of a questionnaire to complete, which had been drawn up in conjunction with Link Asset Services and focussed on a number of key areas. Following consideration of the completed questionnaires, a shortlist of 6 funds was drawn up, and the Fund Managers were invited to attend the Council's offices and give a presentation on their fund and answer questions from the selection panel, which consisted of Council officers and Link Asset Services. Further details of the selection process were included in Link Asset Services' report presented to Members on 21<sup>st</sup> February 2018.

The result of the process was to look to consider splitting investment across the following six funds:-

- BlackRock UK Property Fund
- Hermes Property Unit Trust
- Lothbury Property Trust
- Schroder UK Real Estate Fund
- The Local Authorities Property Fund (CCLA)
- Threadneedle Property Unit Trust

This will provide the Council with a range of approaches to property fund investment, diversification across a number of funds, rather than a concentration in only one or two options, as well as the ability to take advantage of entering a number of funds via the secondary market, whereby the Council would be purchasing units from investors looking to exit the particular fund, and may potentially gain access to a fund at a lower level of cost than via the primary route.

The Council is able to invest in property funds under legislation contained within the Local Government Act 2003.

Members endorsed the above approach and approved investment in the above property funds, making use of both primary and secondary markets as appropriate, at full Council on 27<sup>th</sup> February 2018.

As at 30<sup>th</sup> September 2021, the Council had invested £1.85m with Schrodgers UK Real Estate Fund and £2m with Threadneedle Property Unit Trust, total investment £3.85m. Although the capital values of the funds did initially fall, mainly since 31<sup>st</sup> March 2020, they have since recovered and as at 30<sup>th</sup> September 2021 there is an overall gain of £39k. It should be noted that investments in property are subject to fluctuations in value over the economic cycle and should yield capital growth in the longer term as the economy grows.

Fund Valuations	Investment	Valuation 31/03/2021	Valuation 30/09/2021
Schroders UK Real Estate Fund	1,848,933	1,848,933	1,970,287
Valuation Increase / (reduction)		0	121,354
Threadneedle Property Unit Trust	2,000,249	1,794,439	1,917,790
Valuation Increase / (reduction)		(205,810)	(82,459)
Total	3,849,182	3,643,372	3,888,077
Gain / (loss)		(205,810)	38,895

The following table details the dividend returns achieved from the property fund investments, which support the revenue budget. The Council received £128k in dividends from its property fund investments in 2020/21 (£147k in 2019/20), and has received £67k for the current financial year as at 30<sup>th</sup> September 2021.

Investment Returns	Dividend Returns 31/03/2021	Dividend Returns 30/09/2021	Estimated Return p.a. %	
Schroders UK Real Estate Fund	52,898	28,483	3.1%	Half year only to 30/9/21 for 2021/22
Cumulative Return	157,654	186,137		
Threadneedle Property Unit Trust	75,452	38,292	3.8%	
Cumulative Return	225,781	264,073		
Total	128,350	66,775		
Cumulative Return	383,435	450,210		
Annual % Return	3.3%	3.5%	3.5%	

The funds achieved an estimated return of 3.3% in 2020/21 and 3.8% during 2019/20 compared to internal investments with banks and other Councils of less than 1%.

The MTFs includes budgeted income of £300k for 2021/22 (£420k pa from 2022/23) arising from investment of the full £12m budgeted. Following a review of the further investment in property funds (due to uncertainty around arrangements for Brexit and the associated impact on the economy, and then further uncertainty over the impact of the coronavirus on future property fund returns), Council approved the investment of the remaining £8.131m on 21<sup>st</sup> September 2021.

Further property fund investments totalling £8.113m were therefore made at the end October 2021 – an additional £4.057m with Threadneedle Property Unit Trust and £4.056m with Hermes Federated Property Unit. Both property funds are diverse across the industrial/office/warehouse/other sectors, with relatively low exposure to retail. Threadneedle's forecast revenue return is 4.2% and Hermes is 3.98%



Performance information is received from each fund on a monthly/quarterly basis and a monitoring spreadsheet has been established to track income received and growth in the funds. Income generated is reported to CMT monthly and to Members quarterly as part of regular financial healthcheck reports, as well as in the regular Treasury Management reports presented to Cabinet and Council (three each year). Performance management/monitoring is also undertaken with reference to the financial press and Link Asset Services advice.

The annual revenue return is dependent on the property fund achieving rental income returns on the commercial property portfolio which has been relatively stable in the past due to the quality of the commercial property owned by the fund. With regard to the growth (or contraction) in the overall asset value – over the longer term, growth has been consistent but can be subject to market correction (and losses) in the short term. However, it has been recognised that the funds will be a long term investment for 10-15 years and would not be redeemed to realise a loss. A budget / reserve of £600k will also be available to mitigate any losses.

### **Regeneration of Town Centre and Purchase of Gungate site**

Council on 11<sup>th</sup> April 2018 approved the purchase of the Gungate site within Tamworth town centre, incorporating the site of the former Gungate shopping precinct; a private pay and display car park currently leased to NCP for a term of 26 years; and a Council run pay and display car park leased to the Council on a peppercorn lease until 2062. This was funded from a £4million capital budget financed from capital receipts from the sale of the Golf Course. Following the purchase of this site, the Council is now in receipt of an additional income stream in respect of the area leased to NCP.

The Council is entitled to purchase land to hold as an investment and regeneration opportunity under the Local Government Act 1972; and the Local Government Act 2003 gives the Council the power to invest for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.

As part of this report, Members also approved the development of a regeneration opportunity including further site acquisition should this be beneficial; including formal negotiations with Staffordshire County Council and Staffordshire Police to look at the inclusion of land bordering the site; and to commence masterplanning works to bring the site to a commercially viable development opportunity.

The report to Council recognised that any return from future redevelopment is not guaranteed, and that it could take several years to get a major regeneration project up and running. Initial plans are for a mixed housing/leisure development.

The Council has been working with Aspinall Verdi and Altair to develop options for the site, and resources were secured from the Local Government Association (LGA) to pay for 40 days' consultancy; and an £80k grant was received from the Greater Birmingham and Solihull Local Enterprise Partnership.

A red book valuation process is jointly underway between TBC and SCC which seeks to evaluate TBC and SCC landholdings on Spinning School Lane North. The outputs of this should be available in October. The Police Station owners have meet with TBC planning to outline at a high level, their plans for the site.

Discussions held with Homes England to assist the Borough Council in unlocking the potential of regeneration sites across the town has resulted in a Heads of Terms signed off by Cabinet on the 30th September. The next step is to prepare and agree to a Memorandum of Understanding. Work on a car park demand study is underway, financed by HE, the outputs of which will be available in inform the project.

### **Solway (Tamworth) Ltd**

In line with plans set out in the Commercial Investment Strategy, Council on 17<sup>th</sup> July 2018 approved the establishment of Solway (Tamworth) Ltd, a trading company to be wholly owned by the Council, with the Chief Executive, Leader of the Council and Executive Director Finance as Directors of the Company. The disposal of land owned by the Council at Solway Close to be purchased by the Company for the development of private housing for rent was also approved, with a budget of £4million being established from capital receipts from the sale of the Golf Course to provide a loan for the company to purchase the land.

Extensive legal advice was received from Trowers and Hamlins on potential options and governance models, and tax advice and a financial viability model was obtained from KPMG to inform decision making. A full risk assessment as part of the business case was developed and reported to Members.

It has been projected that the Council will earn a return to the General Fund from the Company from the following sources:-

- Debt interest charged to the Company on the planned loan from the Council - market interest rate will be applied to comply with state aid legislation;
- A return on equity invested (through dividends) which reflects profits back to the Council from the Company offering the properties for rent at market value; and
- The repayment of the loan over approx. 30 years.

Including projected land acquisition costs (generating a capital receipt for the Council) the projected start-up and construction cost for 20 dwellings is £3.6m which will be financed via a loan from the Council to the company of £1.7m (48%) and an equity investment as sole shareholder of £1.9m (52%).

Progress on this project has been restricted due to a number of other priorities and issues taking precedence including; purchase and master planning of the Gungate site, uncertain financial markets, the Future High Streets Fund process, Internal Corporate restructure and the ongoing COVID-19 pandemic.

Following a previous Report to Corporate Scrutiny Committee on 25th August 2020, and as recommended by the Committee, Jones Lang Lasalle were appointed during 2020 to review and update the assumptions taking into account local and regional market trends to assess continued viability and the impact of the COVID-19 pandemic as far as that could be judged at the time of writing – which it confirmed.

Corporate Scrutiny Committee on 11th March 2021 considered this report and approved exploring in more detail the viability and financial implications of a private rental scheme will allow the Council to make a fully informed decision on how to develop the site.

An update on the progress made on this work is planned for the Corporate Scrutiny Committee in March 2022. This will include updated options for the site based on latest market demand, costing information, projected returns and assessment of the risks involved.

It should be noted that the successful Future High Streets Fund bid (as well as the consultation and continuing work on the options for the Gungate site) will mean officer time will be restricted further. However, officers will benefit from the experience of procuring and managing a significant regeneration project in the coming months and years – which could benefit the future plans for the Solway site depending on the review findings.

### **Future High Streets Fund**

The Government Future High Streets Fund was launched at the start of 2019 as part of a package of interventions aimed at improving Town Centres. Tamworth submitted its Expression of Interest (EOI) by the short deadline of March 22<sup>nd</sup> 2019. The EOI had to primarily focus on the story of the Town Centre and its need for this funding. The fund will grant between £5million and £25million to projects that will structurally transform Town Centres and meet local challenges. There was no requirement in the EOI to provide detailed projects, instead just provide short summaries of potential opportunities for which the funding could be used.

The £625 million fund had the following objectives:

- Investment in physical infrastructure
- Acquisition and assembly of land including to support new housing, workspaces and public realm.
- Improvements to transport access, traffic flow and circulation in the area.
- Supporting change of use including (where appropriate) housing delivery and densification.
- Supporting adaptation of the high street in response to changing technology.

The key challenges articulated in the EOI for Tamworth Town Centre were:

- High levels of vacant properties (predominantly retail – 14.2%)
- Unbalanced housing, retail and office accommodation offer, above average number of retail units, below average number of offices and homes.
- Limited night time economy: poor food drink and evening leisure offer.
- General perception that the Town is a dated, unsafe and unattractive environment.

During December 2020, the Government confirmed that the Council has been awarded £21.65m, from the Government's £1bn Future High Streets Fund to renew and reshape town centres, to deliver a number of projects designed to create a town centre that meets the needs of 21st century residents, shoppers and visitors.

It will bring town centre landowners, businesses, councils and other partners together, working on the common goal of reshaping the town centre into a place that Tamworth residents are proud of, that is economically successful and that draws visitors from around the country.

Throughout August 2021 the tender for the appointment of a multi-disciplinary team to move the project forwards in the enabling phase was 'live' on the CCS procurement framework. The tender deadline was 20 August. Given the size and importance of the tender, interviews were held on the 7<sup>th</sup> September and appointment was immediately made. McBains are the successful construction and consultancy team, supplemented by the College and TBC incumbent architect firms ACG and Purcell.

Various surveys have been undertaken to better understand constraints including utilities, measured building surveys and topographical surveys. Work continues on heads of Terms for the various partnerships and acquisitions that are necessary for the project to progress. Discussions are ongoing to achieve vacant possession of Middle Entry and the relocation of Julie Anne Florists.

A communications and engagement strategy has been developed including the new Transforming Tamworth webpages – to show case regeneration across Tamworth town centre and specifically the FHSF programme. This website was available ahead of a 13th October evening meeting with local businesses.

## Commercial and Industrial Property

The following table details the Council's current holding of commercial and industrial property.

Non-Housing Asset Survey											
Element	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yrs 6 to 10	Yrs 11 to 15	Yrs 16 to 20	Yrs 21 to 25	Yrs 26 to 30	Total
Roof Cover	£0	£98,424	£29,600	£21,500	£254,993	£289,032	£429,453	£74,963	£51,964	£49,140	£1,299,069
Wall finish	£1,244	£19,418	£6,886	£0	£15,430	£46,099	£291,382	£331,075	£390,430	£190,765	£1,292,730
Doors	£16,000	£10,900	£28,200	£900	£67,400	£528,000	£124,350	£34,350	£900	£750	£811,750
Windows	£20,430	£15,120	£11,760	£2,100	£82,650	£299,110	£121,140	£80,250	£3,780	£0	£636,340
Flooring	£653	£7,322	£2,650	£0	£41,197	£67,445	£135,606	£44,142	£28,940	£11,700	£339,656
Kitchen	£18,000	£7,500	£2,500	£0	£75,000	£53,500	£56,000	£6,000	£0	£0	£218,500
Ceiling	£54	£18,600	£2,268	£0	£1,716	£55,823	£66,223	£33,265	£384	£0	£178,333
Hardstanding	£0	£17,640	£0	£0	£0	£0	£2,592	£83,050	£44,165	£0	£147,447
Lighting	£1,260	£120	£480	£240	£67,644	£38,290	£16,380	£5,250	£480	£0	£130,144
Shutters	£0	£0	£0	£0	£1,500	£91,500	£1,500	£3,000	£0	£0	£97,500
Gutters	£900	£588	£2,472	£605	£9,386	£42,417	£10,306	£302	£0	£8,928	£75,905
Downpipes	£2,658	£0	£432	£0	£14,795	£39,358	£13,668	£108	£0	£3,528	£74,546
Roller Shutter Doors	£1,500	£0	£0	£0	£0	£25,500	£30,000	£6,000	£0	£0	£63,000
Paving	£0	£2,336	£4,944	£0	£5,690	£21,152	£24,480	£1,916	£0	£480	£60,998
Bathroom	£0	£0	£0	£0	£0	£18,000	£9,500	£0	£0	£0	£27,500
Toilets	£4,950	£4,400	£1,100	£0	£5,500	£7,200	£3,450	£900	£0	£0	£27,500
Fascia Board	£4,254	£8,910	£3,264	£0	£3,132	£6,246	£540	£0	£0	£0	£26,346
Boiler	£0	£0	£0	£0	£0	£5,400	£12,600	£1,800	£0	£0	£19,800
Air Conditioning Unit	£0	£0	£0	£0	£0	£10,800	£3,600	£1,800	£0	£0	£16,200
Heating	£500	£300	£0	£0	£300	£0	£10,620	£0	£600	£0	£12,320
Chimney	£0	£0	£0	£0	£0	£0	£1,800	£9,000	£1,200	£0	£12,000
Items <£10k	£3,500	£0	£350	£0	£8,022	£12,520	£4,600	£13,290	£1,710	£0	£43,992
<b>Grand Total</b>	<b>£75,903</b>	<b>£211,578</b>	<b>£96,906</b>	<b>£25,345</b>	<b>£654,355</b>	<b>£1,657,392</b>	<b>£1,369,790</b>	<b>£730,463</b>	<b>£524,553</b>	<b>£265,291</b>	<b>£5,611,576</b>

INVESTMENT	VALUATION @ 31/03/20 £	ESTIMATED INCOME 2020/21 £	RETURN %	VALUATION @ 31/03/21 £	ESTIMATED INCOME 2021/22 £	RETURN %
Amington Industrial Estate (ground rents)	6,551,000	305,720	4.67	6,592,000	302,720	4.59
Lichfield Industrial Estate (ground rents plus 1 leased plot)	2,947,000	144,830	4.91	2,947,000	117,950	4.00
Local Centre Shops	2,355,800	226,292	9.61	2,421,250	222,660	9.20
Misc Corporate Property	18,752,529	1,187,905	6.33	18,641,896	1,183,425	6.35
Sandy Way Industrial Units	2,642,900	295,871	11.19	2,642,900	293,767	11.12
Tamworth Business Centre	1,130,800	120,073	10.62	1,132,900	125,848	11.11
Town Centre Shops	1,757,752	140,282	7.98	1,794,452	140,677	7.84
<b>Total</b>	<b>36,137,781</b>	<b>2,420,972</b>	<b>6.70</b>	<b>36,172,398</b>	<b>2,387,047</b>	<b>6.60</b>

The corporate asset management strategy report prepared by Ridge in October 2015 indicated estimated costs of maintenance over 10 years of £3.288m for non-operational commercial property and £1.861m for non-operational retail property. An updated survey has been carried out by Michael Dyson Associates during 2021 to determine the current condition and extent of repair and maintenance required. The overall planned maintenance cost for the assets in the next 30-year period amounts to £5,611,576, an average of £37,916 per surveyed asset (over the portfolio of 178 non-HRA properties which include a mix of commercial premises, shops and corporate properties).

The above assets currently deliver a return for the Council and assist in balancing the MTFs. The capital programme includes £75k p.a. to ensure Industrial properties are compliant with the Energy Act and have Energy Performance Certificates as with effect from April 2018 it will not be possible to enter into long term lease agreements for commercial and industrial units with an EPC rating of 'E' or less. Many of our units fall into this category and will require a degree of improvement once they become vacant in order to relet.

The Council also has a Building Repairs Fund of c.£400k p.a. which should be included in the planned approach to asset management.

A disposals policy is in place at the Council, however there is currently no plan or strategy to manage those assets which may be surplus to requirements/do not generate a return. It is recognised that the following actions need to be finalised in 2022/23, informed by the results of the Stock Condition survey and updated Asset Management plan:-

- 1) Corporate asset viability model to be developed, identifying whole life costs and value for money of each group of assets, with reference to demand, costs and income generated**
- 2) The Asset Strategy Steering Group to consider the results of this modelling and identify poorly performing and well performing assets, and as a result develop a plan for future maintenance and investment, and options appraisal/disposals plans as appropriate**
- 3) Risk register around corporate asset management to be developed**
- 4) Process for monitoring performance of commercial property to be established, and reporting on a routine and exception basis to be implemented**
- 5) A planned approach to be established for the use of the Building Repairs Fund for both planned maintenance & responsive repairs & Building Condition Standards.**

## **KNOWLEDGE AND SKILLS**

Treasury Management staff are either AAT or CCAB qualified and the three CCAB qualified staff must complete the annual CPD requirements of their professional accountancy bodies. Link Asset Services are currently contracted to provide treasury management advice and guidance, and have also been engaged to provide other one-off pieces of work, eg. property funds review in early 2018 and guidance/review of the draft Capital Strategy in December 2018.

Training for Members with regard to treasury management is undertaken on a regular basis, most recently in November 2019. In February 2018, there was also a presentation to Members from Link Asset Services with regard to our investments in property funds.

With regard to non-treasury investments, the Council employs qualified and experienced staff such as accountants, solicitors and surveyors. It is fully supportive in providing access to courses both internal and external to enable those staff to complete their Continuing Professional Development (CPD) requirements.

The Council ensures that its Members are qualified to undertake their governance role by providing training opportunities and access to workshops, etc.

The Council also procures expert advice and assistance such as financial and legal advice as and when required.

**CAPITAL PROGRAMME 2021/22 – 2025/26**

Following a review of the Capital Programme approved by Council on 25<sup>th</sup> February 2020, a revised programme has been formulated including additional schemes which have been put forward for inclusion.

A schedule of the capital scheme appraisals for the General Fund (GF) & Housing Revenue Account (HRA) received for consideration is attached at **Appendix H – General Fund (GF) and Appendix I – Housing (HRA)**, together with the likely available sources of funding (capital receipts / grants / supported borrowing etc.).

With regard to the contingency schemes/allocation, **£135k** remains in current year GF contingency funds and **£100k** remains in current year HRA contingency funds (which will be re-profiled into 2020/21 to provide contingency funding).

To inform discussions, the proposals have been reviewed by the Asset Strategy Steering Group and Corporate Management Team with initial comments & suggestions for each of the schemes outlined below.

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### General Fund

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The minimum approved level of GF capital balances is £0.5million and, should the programme progress without amendment, would mean additional borrowing of £0.2m over the next 5 years (£60k over 3 years). There has been an increase of £3m over 5 years since the provisional programme was approved (including new year 5 costs of c.£0.77m, Balancing Ponds £0.85m, ICT £0.15m and Recovery & Reset costs of £1.27m). The current GF Capital Financing Requirement (CFR) stands at £3.6m with planned borrowing in 2021/22 of £1.5m.

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#### 1) **Balancing ponds and sustainable drainage systems**

##### ***Project Score: 63***

A new appraisal form has been prepared – together with a 30 year rolling programme of works identified for inclusion in the capital programme, with an annual spend required from 2023/24, for the 8 ponds at Stonydelph, Belgrave, Lakeside, Peelers Way.

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When the A5 bypass was constructed, a network of balancing ponds and reedbeds were also constructed alongside it to take excess water from the surface of the road and prevent this water being discharged as either groundwater or surface water, hence creating a risk of flooding and also to reduce the effects of certain pollutants on the environment from the carriageway. Over time these balancing ponds which flow from Kettlebrook through to Tamworth centre become 'silted' up and have to be cleansed. A survey of the ponds has highlighted the fact that the original commuted sum set aside to maintain these ponds was insufficient and further funding is required in order to support the proposed ongoing year maintenance plan. In addition the Council is required to maintain both Stonydelph dam that connect to this watercourse and the new sustainable drainage system to support the golf course development, currently under construction in Amington. At handover the management plan will indicate the maintenance regime and indicative costs which will be added at a later date - it is not envisaged that this will be in the short term but will need to be accommodated within the 30 year life proposal].

The total cost of the programme over 30 years is £4.68m partially financed by existing reserves of £604k.

The capital appraisal details the proposed part financing from existing reserves/retained fund (£200k) and Section 106 commuted sums (£404k).

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## **2) With regard to the provisional programme:**

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### **a) Technology Replacement – Infrastructure upgrade/Network Security/Refresh of Thin Clients**

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#### ***Project Score: 72***

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An updated capital submission **has now** been prepared for £60k for 3 years followed by £40k for 2 years (previously £60k in 2022/23 followed by £30k p.a.)

Significantly increased reliance on ICT has resulted in a commitment to *ongoing, large scale upgrade and maintenance to the TBC infrastructure, in line with technology lifecycles. The Council is also on a journey towards digital transformation and self service for customers, demand for flexible resilient and available ICT services to support this requires continued investment into the authorities hardware and associated software.* The organisation is also establishing new, more flexible and agile ways of working which requires investment into technology to support ongoing effectiveness. *External factors including legislative requirements from central government in the guise of the Public Sector Network (PSN) Code of Connection, and the increase in required investment into cyber security to keep the councils network secure and available means continued investment is essential. It should be noted that corporate applications are excluded from this schedule of planned work.*

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***A £60k budget was approved for 2021/22 with an expectation that budgets from 2022/23 onwards would be informed by the conclusions of the priority review and ICT Strategy (including a detailed breakdown of the proposed spend). No savings / payback from the investment have been identified.***

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**b) Endpoint Protection and Web-Email Filter**

***Project Score: 60***

An updated appraisal has now been prepared for spend of £40k in 2022/23 (previously 2023/24) & every 3 years thereafter, following the 3 year contracts for Endpoint Protection (covering Anti Virus, Anti Malware and Encryption and the contract for Web and Email filtering).

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**c) Street Lighting**

An updated appraisal has been prepared – following inclusion of a rolling programme with an annual spend required from 2016/17. The Council has its own stock of street lighting across the borough, mainly in housing areas and other communal parts such as play areas and car parks. The street lighting assets are inspected and maintained by Eon on behalf of the Council under the terms of Staffordshire County Council PFI contract with Eon. Eon have produced a replacement street lighting programme which spans 40 years and include the replacement of all the lighting columns based on 'their life expectancy' and a lighting head replacement programmed based on providing more efficient low energy lighting heads. This appraisal is based on years 5-10 years of the replacement programme. The 40 year programme costed programme has been submitted as a whole life cost document.

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***The profile has been adjusted to reflect the HRA related element of the costs.***

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**d) Disabled Facilities Grants (DFG)**

The provisional programme included £650k p.a. part funded by redistributed Better Care Fund (BCF) grant of £400k.

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***The £250k p.a. net funding is be funded via capital receipts (with an associated revenue loss of investment interest), borrowing (with revenue interest/debt repayment costs) or a revenue contribution.***

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**e) Energy Efficiency Upgrades to Commercial & Industrial Units**

An updated appraisal has not been prepared following inclusion of a rolling programme with an annual spend of £75k required from 2017/18 for 5 years. To fund a degree of improvement to industrial units when they become vacant in order to be able to re-let them – as, with effect from April 2018, it will not be possible to enter into long term lease agreements for commercial and industrial units with and EPC rating of 'E' or less.

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Depending on void levels, we could expect to lose around £20k p.a. increasing by £20k p.a. for the next 5 years (c.£300k over 5 years).

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If we are able to let on License or Tenancy at Will arrangements we may be able to maintain a level of income but there will be an increase in other costs such as NNDR payments, repair costs, security costs and the like.

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Investment in enveloping works to improve energy efficiency will prolong the life of the estate at the current rent levels but ultimately Sandy Way phase 2 will require a more significant investment project to give a long life expectancy.

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**f) CCTV Upgrades**

Following approval of the Shared Service, Capital budgets of £45,714 p.a. have been included – part funded by OPCC grant of £24k p.a.

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**3) General Fund Capital Contingency Budget**

A new budget of £100k has been included for 2022/23.

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**4) Recovery and Reset**

As approved by Council in August 2021, budgets totaling £1.273m have been included – for ICT and office related costs.

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## Housing

There has been some significant changes in the Housing capital programme from that provisionally approved – with a number of new schemes proposed. It has also been updated to include the new year 5 costs for 2026/27.

Given the significant changes in spend over the 4 years of c.£12.3m then there will be a significant funding gap for the HRA capital programme of c.£5m.

It should be noted that there are no debt repayment costs for the HRA and the Government has now lifted the previous debt cap (of £79.407m). The current HRA Capital Financing Requirement (CFR) stands at £69.893m with planned borrowing in 2021/22 of £703k.

### **Housing Revenue Account**

The provisional capital programme has been reviewed and updated:

**a) Structural Works, Bathroom Renewals, Major Roofing Renewals and Disabled Facilities Adaptations**

Structural works budgets have been increases by £75k p.a. to £275k p.a.

Bathroom renewals budgets have been increased by £7k p.a. to £575k p.a.

Major Roofing Renewals budgets have been increased by £589k p.a. to £1.5m p.a.

Disabled Facilities Adaptations budgets have been increased by £37.5k p.a. to £250k p.a.

**b) Kitchen Renewals**

The budget has been reduced by £337.5k p.a. to £700k p.a.

Detailed Programme Changes:

<b><u>Housing Revenue Account</u></b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
<b><u>Capital Programme</u></b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Structural Works	75,000	75,000	75,000	75,000	275,000
Bathroom Renewals	7,200	7,200	7,200	7,200	575,000
Gas Central Heating Upgrades and Renewals	-	-	-	-	685,500
Kitchen Renewals	(337,500)	(337,500)	(337,500)	(337,500)	700,000
Major Roofing Overhaul and Renewals	588,600	588,600	588,600	588,600	1,500,000
Window and Door Renewals	-	-	-	-	400,000
Neighbourhood Regeneration	-	-	-	-	500,000
Disabled Facilities Adaptations	37,500	37,500	37,500	37,500	250,000
Rewire	-	-	-	-	150,000
CO2 / Smoke Detectors	-	-	-	-	64,000
Sheltered Schemes	-	-	-	-	100,000
Energy Efficiency Improvements	-	-	-	-	70,000
Fire Risk Mitigation Works	300,000	300,000	300,000	-	-
Damp and Mould Works	100,000	100,000	100,000	100,000	100,000
Decarbonisation	3,200,000	-	-	-	-
High Rise Refuse Chute Renewals	150,000	150,000	150,000	-	-
Works to Achieve Zero Carbon	-	-	2,500,000	2,500,000	2,500,000
Sheltered Lifts and Stairlift Renewals	360,000	250,000	50,000	50,000	50,000
Fire Alarm Panel Renewals	50,000	-	-	-	-
Scooter Storage at High Rise	30,000	30,000	-	-	-
Upgrade Pump Rooms at High Rise	25,000	25,000	-	-	-
Retention of Garage Sites	-	-	-	-	-
Capital Salaries	-	-	-	-	200,000
Street Lighting	-	70	90	20	-
Telecare System Upgrades	-	-	-	-	-
Regeneration & Affordable Housing	-	-	-	-	1,750,000
<b>Total HRA Capital</b>	<b>4,585,800</b>	<b>1,225,870</b>	<b>3,470,890</b>	<b>3,020,820</b>	<b>9,869,500</b>

	New Scheme Bids
	Existing Schemes

<b>Housing Revenue Account</b>	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Capital Programme</b>	£	£	£	£	£
<b>Proposed Financing:</b>					
Major Repairs Reserve	1,311,830	128,700	129,200	127,700	2,933,500
HRA Capital Receipts	(180,000)	(174,930)	1,075,000	-	-
Regeneration Revenue Reserves	461,070	1,481,100	841,600	215,680	3,886,000
Capital Receipts from Additional Council House Sales (1-4-1)	25,000	25,000	25,000	101,000	550,000
Regeneration Reserve	1,967,900	(234,000)	90	76,440	-
Affordable Housing Reserve	-	-	1,400,000	-	-
Other	1,000,000	-	-	-	-
Unsupported Borrowing	-	-	-	2,500,000	2,500,000
	-	-	-	-	-
<b>Total</b>	<b>4,585,800</b>	<b>1,225,870</b>	<b>3,470,890</b>	<b>3,020,820</b>	<b>9,869,500</b>

Existing Capital schemes have continued in line with the provisional programme (including capital salaries recharge of £200k p.a. for management of the programme):

### 1) Improvements to Retained Garage Sites

A new capital submission had been prepared in 2020 for spend of £750k in 2021/22 and 2022/23 for Improvements to garage sites identified for retention following completion of survey work during 2020.

### 2) Street Lighting

HRA share has been included in line with the approved 30 year programme.

### 3) Telecare system upgrades

A new capital submission had been prepared for potential spend of £65.5k over 2 years for the upgrade of telecare systems to sheltered schemes and high-rise to make them digitally compatible in time for the BT digital switchover in 2025.

### 3) Regeneration & Affordable Housing

Funding of £1.75m p.a. from 2021/22 had been provisionally approved. This was reduced to £250k for 2021/22 to 2024/25 (due to the re-profiling of £6,000,000 from years 2,3,4 & 5 into 2020/21 to allow for the acquisition of housing property [£1,500,000 from each year] with £1.75m added for 2025/26.

**CAPITAL STRATEGY ACTION PLAN**

**ANNEX B**

<b>REF</b>	<b>ACTION</b>	<b>RESPONSIBILITY</b>	<b>TIMESCALE</b>
1	The capital appraisal process and associated documentation to be reviewed and updated where appropriate to ensure proper consideration is given to whole life costs of schemes; alternative options; risk management, etc, and to address the concerns outlined on completion of the CIPFA Property Capital Strategy Self-Assessment Checklist.	L Pugh	Summer 2022
2	Following receipt of the updated Asset Management Strategy development of an Asset Management Plan for each property. This should set out the detailed capital resources/expenditure required to maintain assets, together with the associated timeframe, to inform options appraisal and feed into the capital strategy for ASSG/CMT review of potential schemes.	P Weston	Autumn 2022
3	Corporate asset viability models to be developed, identifying whole life costs and value for money of each group of assets, with reference to demand, costs and income generated	L Pugh/P Weston/J Goodfellow/Asset Strategy Steering Group	Commenced October 2019 – ongoing Autumn 2022
4	The Asset Strategy Steering Group to consider the results of this modelling and identify poorly performing and well performing assets, and as a result develop a plan for future maintenance and investment, and options appraisal/disposals plans as appropriate	Asset Strategy Steering Group	Commence October 2019 – ongoing Autumn 2022
5	Risk register around corporate asset management to be developed	P Weston	Spring 2022
6	Process for monitoring performance of commercial property to be established, and reporting on a routine and exception basis to be implemented	P Weston/L Pugh/J Goodfellow	Commence October 2019 – ongoing Summer 2022
7	A planned approach to be established for the use of the Building Repairs Fund for both planned maintenance & responsive repairs & Building Condition Standards	P Weston/L Pugh/J Goodfellow	Commence October 2019 – ongoing Summer 2022

# CAPITAL STRATEGY RISK REGISTER

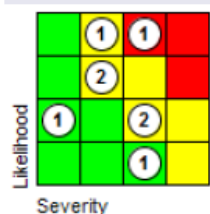
# ANNEX C

## Corporate Capital Strategy Risk Register



Generated on: 06 December 2021

### Current Risk Matrix



Code	Title	Assessment Code and Title	Trend	Status	Date Reviewed
CSRR1920_001	Risk of not identifying capital requirements	6 serious-unlikely	▬	⚠	06-Dec-2021
CSRR1920_002	Risk of insufficient funds to meet capital needs	12 serious - very likely	⬆	🔴	06-Dec-2021
CSRR1920_003	Risk of inadequate resources to deliver capital programme	6 serious-unlikely	▬	⚠	06-Dec-2021
CSRR1920_004	Risk of significant budget re-profiling/timescales slipping	6 significant-likely	▬	⚠	06-Dec-2021
CSRR1920_005	Risk of significant overspends	3 serious-very unlikely	▬	✅	06-Dec-2021
CSRR1920_006	Risk of investment under-performing and income falling	8 significant - very likely	▬	⚠	06-Dec-2021
CSRR1920_007	Risk of inadequate PIR/required outcomes of a capital scheme not achieved	2 minor-unlikely	⬇	✅	06-Dec-2021
CSRR1920_008	Risk of legislative changes/changes in Government policy having an impact on funds available or accounting treatment	6 significant-likely	⬆	⚠	06-Dec-2021