

Report Title:	Draft Capital Strategy 2022/23 – 2026/27
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Hilton, Cabinet Member for Finance and Ascot
Meeting and Date:	Audit and Governance Committee - 21 October 2021
Responsible Officer(s):	Adele Taylor, Director of Resources & Section 151 Officer
Wards affected:	All

REPORT SUMMARY

This report sets out the Council's proposed capital strategy for 2022/23- 2026/27.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Audit and Governance Committee notes the report and comments on:

- i) **The draft Capital Strategy set out in Appendix A.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 This report sets out the draft Capital Strategy for the Royal Borough of Windsor and Maidenhead
- 2.2 The final Capital Strategy will be approved as part of the Budget in February 2022. It should be noted that this will be updated to reflect the Corporate Plan once that is finalised.
- 2.3 The Committee is invited to comment on the draft strategy.

3. KEY IMPLICATIONS

Table 2: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Capital expenditure is agreed within an approved strategy	Fails to meet Council objectives and service needs	Meets Council objectives and service needs	n/a	n/a	1 April 2022

4. FINANCIAL DETAILS / VALUE FOR MONEY

Capital Strategy

- 4.1 The draft Capital Strategy for 2022/23 to 2026/27 is attached as **Appendix A**.
- 4.2 The Capital Strategy provides 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.
- 4.3 It should align with the Council's corporate strategy, medium-term financial strategy and treasury management strategy.

5. LEGAL IMPLICATIONS

- 5.1 None.

6. RISK MANAGEMENT

- 6.1 Failure to adopt a Capital Strategy linked to the Medium Term Financial Strategy and the Treasury Management Strategy could lead to poor investment decisions, failure to deliver services and Council policies, and unforeseen revenue consequences.

7. POTENTIAL IMPACTS

- 7.1 **Equalities.** A full EQIA will be undertaken on the final budget and capital strategy submitted to Council in February 2022.
- 7.2 **Climate change/sustainability.** The potential impact of capital expenditure recommendations will be considered once details of budget submissions are published.
- 7.3 **Data Protection/GDPR.** Not applicable.

8. CONSULTATION

- 8.1 The draft budget, including capital expenditure plans, approved by Cabinet in November 2021 will be fully consulted on before final proposals are made to Cabinet and Council in February 2022. All Scrutiny committees will consider the areas relevant to their remits.

9 APPENDICES

- 9.1 The table below details the Appendix to this report

Appendix	
A	Draft Capital Strategy 2022/23 – 2026/27

10 BACKGROUND DOCUMENTS

10.1 None

11 CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i>	<i>Statutory Officers (or deputy)</i>		
Adele Taylor	Executive Director of Resources/S151 Officer	12/10/21	13/10/21
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	12/10/21	13/10/21
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	Report Author	
Elaine Browne	Head of Law (Deputy Monitoring Officer)	12/10/21	
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)	12/10/21	
<i>Other consultees:</i>			
Duncan Sharkey	Chief Executive	12/10/21	
Cllr Hilton	Cabinet Member for Finance and Ascot	12/10/21	13/10/21
Andrew Durrant	Executive Director of Place	12/10/21	13/10/21
Kevin McDaniel	Executive Director of Children's Services	12/10/21	13/10/21
Hilary Hall	Executive Director of Adults, Commissioning & Health	12/10/21	13/10/21

12 REPORT HISTORY

Decision type: Audit and Governance Committee for recommendation to Council	Urgency item? No	To Follow item? Not applicable
Report Author: Andrew Vallance, Head of Finance		

CAPITAL STRATEGY 2022/23 – 2026/27

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Royal Borough
of Windsor &
Maidenhead

CONTENTS

1. EXECUTIVE SUMMARY
2. BACKGROUND AND KEY FACTS
3. WHAT IS CAPITAL INVESTMENT?
4. NATIONAL FINANCIAL CONTEXT
5. RBWM FINANCIAL CONTEXT
6. DEVELOPING CAPITAL PLANS
7. RBWM'S PRIORITIES
8. DRAFT CORPORATE PLAN
9. SERVICE PRIORITIES FOR INVESTMENT
10. DELIVERING CAPITAL PROJECTS
11. FINANCIAL RISKS
12. SUMMARY & CONCLUSION

1 EXECUTIVE SUMMARY

- 1.1 RBWM's capital strategy forms the basis for long-term planning of capital investment. It builds upon processes implemented for the delivery of the Council's varied and aspiring capital programme. Thorough asset and resource planning has further facilitated the making of informed decisions.
- 1.2 Local authorities continue to face financial pressures and the impact of Covid-19 has exacerbated the situation. With this in mind, a balanced approach must be taken when assessing affordability and service needs.
- 1.3 Looking ahead, together with our partners, we will continue to improve our Borough's infrastructure with ambitious regeneration planned in the forthcoming years.
- 1.4 We will ensure that the Council employs sufficiently qualified and experienced staff to be able to deliver our Capital Strategy, including asset managers, development managers, legal and accountancy support staff.
- 1.5 Through our draft Corporate Plan, we have identified a number of priorities for the Borough, These will be built into the capital programme as the years proceed and funding streams become available.
- 1.6 In conjunction with the Medium Term Financial Plan, Treasury Management Policy and the Borough's Strategic plans, the Capital Strategy paves the way for making infrastructure improvements across the Borough.

2 BACKGROUND AND KEY FACTS

- 2.1 The Royal Borough of Windsor and Maidenhead covers an area of 76.6 square miles. Situated in Berkshire at the heart of the Thames Valley, it is less than 30 miles west of central London and is one of the most affluent areas in the country. It comprises three main settlements: Ascot, Maidenhead and Windsor; and enjoys a predominantly rural setting, including Green Belt, Crown Estate and National Trust land, with 60 parks and open spaces.
- 2.2 The estimated population of the Borough is 151,422 in 2019. Based on the Index of Multiple Deprivation 2019, the borough is ranked 304 out of 317 local authorities. Although no wards within the borough fall within the 10% most deprived wards nationally, there are areas of relative deprivation, such as Clewer East. **Table 1** provides further data.
- 2.3 Table 1

At a glance:	
Population:	151,422, expected to rise to 159,700 by 2041. (ONS Population Estimates)
Size:	76.6 square miles
Qualifications and training:	53.1% of population qualified to and above degree-level or equivalent (compared to South East 37.6% and England 35.8%) 2.9% with no qualifications (GCSE) (compared to South East 4.9% and England 6.3%) (ONS APS Dec-2020)
Employment:	Unemployment rate 2.8% compared to South East 4.0%, and England 4.8% (ONS APS, Dec-2020)
Ethnicity:	13.9% non-white British (ONS Census 2011)
Median house price:	£499,475 compared to South East £327,500 and England £249,000. (year ending Sep-2020, ONS House Price Statistics for Small Areas)

- 2.4 The Royal Borough delivers essential services to the community: the residents, businesses and partners of Windsor and Maidenhead every day. Services range from those that the Royal Borough is required to carry out by law (statutory duties) such as street cleaning, waste collection, planning and building control, education and social care, through to discretionary services, such as sport and leisure, tailored to local priorities and needs.
- 2.5 Adults and Children's services are managed on behalf of the Borough by Optalis Ltd and Achieving for Children (AFC) respectively. The Council shares ownership of these organisations with other partner authorities and group accounts are prepared annually including the Council's equity share of these associates.
- 2.6 As a council we measure how well we are performing through a range of indicators as well as our residents' survey. Everything we do has to be provided within the challenge of reduced central grant to local government and increasing demand on service areas as the population grows and ages.
- 2.7 The Royal Borough is committed to providing high quality services that offer value for money. Our corporate priorities guide our spending, alongside our statutory roles looking after the most vulnerable people in society and protecting the environment. Our capital strategy must balance the growing demands for services such as adult social care and children's services with our commitment to protect the environment and promote a buoyant and diverse economy.
- 2.8 An increasing proportion of our expenditure is being spent on services that support individual and vulnerable people. In all the services we either commission or deliver we will strive to achieve the best outcomes for our residents achieving the best value for money.

2.9 Our low council tax means our expenditure spent on all services, but in particular non-statutory services provided to our community, is under particular pressure. The Royal Borough has committed to a significant savings programme and is continually working to ensure that the services it delivers are subjected to rigorous value for money testing. We will continue to seek out opportunities to deliver efficiencies, savings and ways to increase our income.

2.10 The Royal Borough has an on-going transformation plan, which will aid delivery of the increased efficiencies and savings requirement.

2.11 Our commitment to delivering high quality services is rooted in our commitment to providing value for money. Outside of London the Royal Borough has the lowest level of Council Tax in England.

3 WHAT IS CAPITAL INVESTMENT?

3.1 Capital investment can be categorised into the following:

- **Major Projects** – After option appraisal; this can include the provision of a new school, library or leisure centre, or major highways investment.
- **Invest to Save Schemes** – where the Council invests in a project on the understanding that it will pay for itself over a reasonable period of time.

- **Equipment Replacement** – where the Council is required to replace certain equipment e.g. IT assets when they become obsolete.

3.2 In some cases, projects may be fully funded by Government Grants or partner contributions.

3.3 The main sources of capital funding are:

- **Capital Grants** – either general grants or specific grants towards specific projects e.g. highways and schools.
- **Developer Contributions** – towards the costs of local infrastructure stemming from new development. This includes S106 & Community Infrastructure Levy (CIL).
- **Partner Contributions** – Council partners may make a contribution towards the cost of capital projects.
- **Revenue Contributions** – where the revenue budget meets the cost of ongoing capital spending e.g. maintenance of buildings etc.
- **Capital Receipts** – from the disposal of council assets.
- **Prudential Borrowing** – this enables councils to borrow to fund capital investment provided that it is affordable. This is largely undertaken through the Public Works Loan Board (PWLB). The debt financing costs are also met by the Revenue Budget.

3.4 There is a fine dividing line when deciding whether spending should be charged as day-to-day revenue spending or included within the Capital Programme:

- **Spending less than £20,000** is considered as revenue spending. This is the de minimis level that the Council sets.
- **Annual maintenance** is considered to be revenue spending

3.5 Ideally, RBWM aims to cover recurring spending from its Revenue Budget and fund short life assets from external income sources. Borrowing is used to fund spending on longer life assets e.g. buildings and infrastructure.

4 NATIONAL FINANCIAL CONTEXT

4.1 Over recent years all unitary authorities have faced significant cuts as a result of austerity. This has had a significant impact on major investment decisions. The impact of Covid-19 has further impacted councils at unprecedented levels and continues to be experienced in a number of areas of the Council's operations

4.2 Government capital grants for funding capital projects have been cut significantly.

4.3 Material pressures on revenue budgets mean that councils are finding it harder to meet significant borrowing costs stemming from capital investment.

4.4 Council budgets have come under significant pressure resulting in some councils capitalising certain spending. This has allowed them to borrow to spread the cost of this spending over a number of years and ease the immediate pressure on the revenue budget e.g. capitalising debt interest.

- 4.5 Some councils have taken a more commercial approach to their assets. For example, building or expanding car parking to generate additional ongoing income to support the council budget or purchased property for a purely financial return.
- 4.6 Unprecedented low interest rates have enabled councils to borrow cheaply to fund new capital investment. To address the issue of councils borrowing purely for commercial investment, PWLB lending terms have been modified in relation to that.
- 4.7 Many councils have also benefited from capital receipts from asset sales to offset the cost of new capital investment and this is an option open to RBWM.

5 RBWM FINANCIAL CONTEXT

- 5.1 RBWM has the advantage of substantial and valuable land and buildings holdings. In compliance with its asset management plan, the Borough continues to be pro-active and innovative in using these holdings to generate capital receipts for new investment.
- 5.2 As a general principle, land no longer required for its existing use is declared surplus so that options for its future use or sale can be considered by the Property Services team and members of the Capital Review Board prior to proceeding for a formal decision.

- 5.3 Capital receipts are used to finance capital expenditure. In future, capital receipts will also be utilised for debt redemption in accordance with the Council's Minimum Revenue Provision (MRP) Policy.
- 5.4 Where appropriate, the Council has used the capital receipts generated from the closure of a facility to largely fund its replacement. Disposals can only take place once the new facility is built, which means that
- The Council needs to borrow to fund the new facility initially
 - The Council carries the risk of holding and disposing of the previous asset.
- 5.5 In other cases, RBWM has been able to use s106 & CIL contributions to offset the cost of certain capital investment, where this is consistent with the terms of the development agreement.
- 5.6 RBWM has also invested in its assets to generate income to support its Revenue Budget. This has included:
- Converting and investing in council land to generate additional income from car parking provision.
 - Modest investment in commercial property to maintain a revenue income stream.
- 5.7 This has resulted in significant capital investment in recent years. Council borrowing is projected at £213,000,000 for 2022/23.

- 5.8 When building the Capital Programme for 2022/23 the cost of borrowing has been kept as low as possible by investing in essential schemes only. This is in addition to the schemes approved in previous years by Council. For 2022/23 debt financing costs, including MRP, are estimated at £6.2m. This will reduce in future years as disposals of council assets are used to repay short term debt. At the same time the investment will also have generated considerable income that will help the Council repay this debt.
- 5.9 Overall, RBWM has sought to keep Council tax levels to a minimum. This has meant that it has tightly controlled spending within its Revenue Budget, which in turn has had consequences for its capital budget, such as needing to:
- Fund significant spending on maintaining assets from borrowing rather than funding this from within its Revenue Budget
 - Use capital to fund a number of short-term asset replacements.
 - Prioritise spending that generates future income to contribute to its Revenue Budget.
- 5.10 In the short term this has helped to spread the cost of this investment over a number of years and reduce the impact on the Revenue Budget.
- 5.11 However, in the longer term as borrowing increases, this places more and more pressure on the Revenue Budget, through increasing the level of debt financing costs. For 2022/23 it is estimated that for every £1,000,000 borrowed MRP & debt costs are in the region of £30,000.

6 DEVELOPING CAPITAL PLANS

6.1 Decisions around future capital investment should not be taken lightly as it often involves significant sums of money, which has a significant future impact on council finances.

6.2 The Council faces some tough choices against competing priorities and therefore always needs to balance the immediate benefit of investing in a new capital asset against the future financial sustainability of council finances. One of these tough choices will be whether to borrow to develop council assets to create long term revenue streams or whether to dispose of assets to help to reduce borrowing costs.

6.3 To strike this tough balance the Council will:

- **Have clear capital investment priorities for all of its key services** – this will allow it to balance the needs of individual services against one another.
- **Develop clear business cases for major projects** – so that there is a clear understanding about the benefits that the project will deliver and whether these are worth the level of investment required.
- **Set clear objectives** – for example it needs to be clear about the payback period it expects from commercial invest to save schemes.
- **Develop a pipeline of projects** that fit in with the longer term plan for capital investment.

6.4 This prioritisation will be assisted by having:

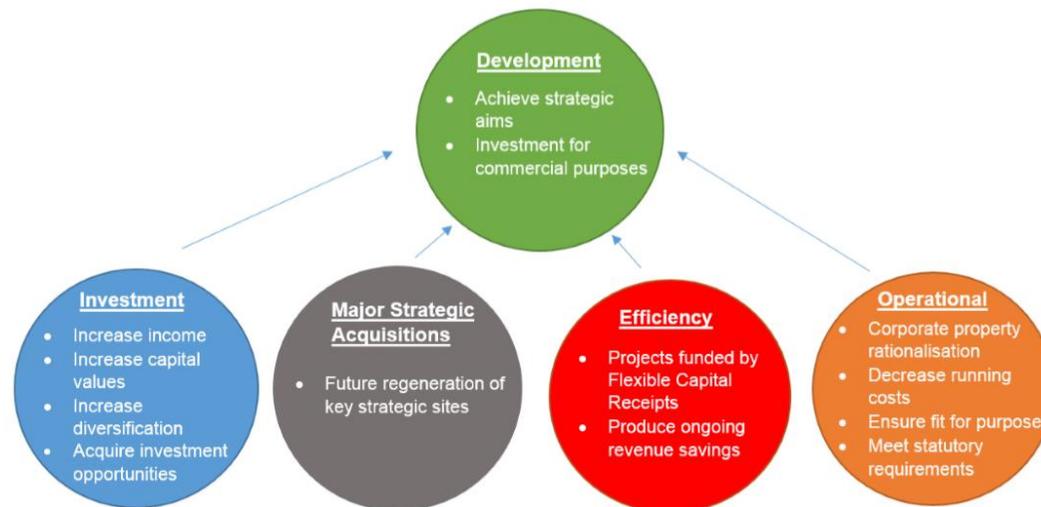
- **Surveys of all council assets** that set out maintenance requirements over time
- **Clear replacement strategies** – that show when assets need to be replaced and updated e.g. IT equipment and systems.

6.5 Given the long-term nature of capital investment, the Council should be able to plan ahead effectively and avoid the need for capital schemes to emerge at the last minute.

6.6 Above all, there is a need for an effective process to assess competing capital priorities and develop more long-term capital plans.

7 RBWM'S PRIORITIES

- 7.1 The Council's priorities are paramount to the capital strategy. A new Corporate Plan is currently under development, but this strategy reflects the draft objectives of the plan. This strategy will be updated to reflect any changes to the plan.
- 7.2 Finance is both the enabler that allows the Council to deliver these key priorities and the constraint that the Council needs to work within as it makes tough decisions between those priorities.
- 7.3 The Council's capital programme is prioritised into five key areas: Development, Investment, Major Strategic Acquisitions, Efficiency and Operational.



8 DRAFT CORPORATE PLAN

8.1 The Draft Corporate Plan articulates the Council's priorities for the period 2021-2026 and sets the strategic direction in order to ensure efforts and resources are directed to the right areas. This is particularly important given the scale of financial challenge and resource constraint, and in the face of challenges facing the borough, including: climate change; the recovery from the COVID-19 pandemic and wider changes in the shape of the economy; a growing and ageing population; persistent pockets of deprivation and inequalities; and the high costs of housing in the borough. In addition, to setting out what we aim to achieve, the Plan also sets out the Council's approach to achieving change – how it will work as well as what it will focus on.

8.2 Corporate plan objectives that impact the Capital Strategy and will be taken into consideration when prioritising future year capital projects are:

8.3 Thriving Communities

- Improvement in outcomes for children leaving our care – increased proportions supported to live locally (at least 95%) and in education, training or employment (at least 75%), supported by a Corporate Parenting service, judged good or better.
- An increase in the number of adults undertaking activity in line with the UK Chief Medical Officer's physical activity guidelines, particularly in those groups where current activity is likely to be lower; linking in to Leisure Centre provision.

- A minimum of three pilots of new Technology Enabled Care (TEC) delivered within 12 months.

8.4 A ladder of **housing opportunity**, to support better life chances for all.

- Enable over 3,000 new homes by 2026, of which at least 1,000 will be affordable housing (of mixed tenures and affordable housing types).
- 2,000 households helped into new and existing affordable homes, prioritising social and affordable rent.
- More people with learning disabilities to live in their own homes or with their families, increasing the proportion by 10 percent points by 2025.
- A decrease in the number of households living in temporary accommodation to less than 100 by April 2025 with 80% or more living in the borough.
- Ensure that no one sleeps rough in the borough through necessity.

8.5 Inspiring Places

- Supporting the borough's future prosperity and sustainability
- An increase in the number of new and surviving businesses within the borough, including the expansion of Creative industries.
- An increase in footfall in Windsor between 2021-2026, and in Maidenhead, following its regeneration.
- An increase in the proportion of women and girls who feel safe in the Borough, including through a safe, thriving night time economy.
- Undertake a master planning exercise for central Windsor by 2023 and submit a business case for Government funding for identified improvements along Ascot High Street.
- Quality infrastructure that connects neighbourhoods and businesses and allows them to prosper
- Deliver new transport infrastructure to support growth, including completing Phase 1 of Maidenhead Housing Enabling works and the remaining junction improvements.

- Investment along the A308 corridor to deliver on the recommendations of the corridor study.
- An increase in full fibre to 95% of properties by 2025; eliminate 4G “not-spots” in rural areas; and establish a test-bed and small cell roll out for 5G.
- Deliver new and enhanced community and youth facilities, including at Blackamoor Lane, Larchfield and Windsor.
- Increase cycling by 50% by 2025, including investing in new cycle infrastructure through the North-South Green Spine in Maidenhead, and improved cycle ways in Ascot, Sunningdale, Sunninghill and Windsor.
- Deliver the Windsor Public Realm project, transforming Castle Hill into a pedestrian first zone, and growing the local economy and increasing numbers of local jobs.
- Increase the passenger satisfaction and the number of bus journeys per head of population to close the gap with neighbouring Berkshire authorities as well as establishing trials to deliver better rural bus service connectivity.
- Enable delivery of the key social, physical and green infrastructure to support new development at the Desborough / South West Maidenhead site (AL13 in the BLP), including strategic highway improvements, public transport, cycling and walking infrastructure, new primary and secondary schools, community facilities and open space.

- Review the collection of Community Infrastructure Levy and Section 106 funding, in order to increase developer investment in sustainable, community infrastructure.

8.6 Taking action to tackle climate change and its consequences, and improving our natural environment.

- A decrease in the borough and council's own emissions by 50% by 2025 – and net zero by 2050, at the latest.
- The Council commits to spend £1 million on reducing emissions through energy efficiency improvements over the period, and will seek external funding to accelerate the plans.
- Drive energy efficiency improvements through our social housing providers, increasing the proportion of homes at EPC rating C to 100% by 2030.
- Adopt a new, best practice Supplementary Planning Document (SPD) to drive forward our climate and environmental goals in all new developments.
- Enable an increase in renewable energy generation in the Borough, by 10 fold by 2026 (from a baseline of 13,067 MWh in 2018).

- Enable the delivery of electric vehicle charging infrastructure to meet growing demand through a new EV implementation plan.
- Increase biodiversity across the borough, supporting the Berks, Bucks and Oxfordshire Wildlife Trust vision for 30% of land for nature by 2030. We will ensure a minimum of 10% biodiversity net gain through the planning system and new Suitable Alternative Natural Greenspaces (SANGs) to mitigate the impact of new developments on the Thames Basin Heath Special Protected Area (SPA).
- Increase recycling to 50% of waste by 2025, and to 65% by 2035, with an overall reduction in waste generated.
- Invest £10m on flooding prevention within Datchet, Horton and Wraysbury, and Old Windsor wards, working in partnership with the Environment Agency. Alongside further investment, borough-wide, in protection against surface water flooding as part of delivering our climate adaptation plan.

9 SERVICE PRIORITIES FOR INVESTMENT

9.1 The Council’s service priorities for investment over the lifetime of this strategy are set out by directorate for ease of reference, see **Table 2**.

Table 2

Directorate	Service priorities	Link to statutory or other plan	Link to Council priority/Corporate Plan
Chief Executive	Maintenance and improvement of existing accommodation provision for the Council and its tenants to ensure statutory requirements met and rental income is maintained and enhanced. Improvement in energy efficiency to reduce environmental impact.	Asset Management Plan	Climate Strategy Values Safe Places
Resources	Continued investment in use of mobile technologies to enabling the workforce to deliver in efficient and effective ways	IT strategy	Make most effective use of resources
	Investment in telephony solutions that realise benefits of mobile devices.		
	Investment in network redesign and replacement.		
	Investment for improvements in library buildings and facilities to support a sustainable and resilient Library Service	Library transformation strategy	Inspiring Places

Place	Investment in essential highways infrastructure, including bridges and footpaths	Local Transport Plan	Safe and vibrant communities Attractive, well connected borough
	Investment in “Active Travel” and alternative transport linked to climate change	Bus Service Improvement Plan	
	Investment in road safety, where clear evidence identifies intervention required		
	One off pump priming investment in digital and communications infrastructure.		
	Maintain & improve accessibility to our community assets that have a measurable and direct positive impact on residents Health & Wellbeing	Local cycling and walking plan Climate Strategy	
Town Centre enhancements as part of local master planning exercises that supports vision charters across Maidenhead & Windsor, with a business case developed for identified improvements along Ascot High Street, which leverage external investment			
Adults, Health & Housing	New accommodation provision for vulnerable people.	Adult Social Care Transformation Programme	
Children’s Services	Education: Mainstream and SEND capacity to keep up with growth in population in partnership with all state schools.	Inclusion Strategy	Healthy, skilled and independent residents

Education: maintenance of community and voluntary controlled school buildings, including investment in carbon reductions.	Council Transformation Strategy	Well managed resources, delivering value for money
Social Care: 18-25 supported accommodation for care leavers and those with additional needs.		
Social Care: 5-10 residential children's home places to challenge the marketplace.	Sufficiency Strategy	
Office accommodation for services.		
Modern technology platform for mobile and partnership working.		

9.2 The Council also needs to be flexible enough to respond to opportunities to lever in additional external funding or grant that could partially fund an additional project alongside some capital investment from the Council.

10 DELIVERING CAPITAL PROJECTS

10.1 All capital projects over £100,000 are subject to a gateway process that requires them to set out:

- A procurement Strategy for the project
- A project timetable and delivery plan
- An updated financial assessment including the revenue implications
- A clear assessment of project benefits and how these will be delivered and assessed.

10.2 The Council has established a Capital Review Board (CRB) which oversees the delivery of the capital programme. CRB is an officer working group. It is an advisory / monitoring body and takes any decision-making power from the delegated authority of officers attending as set out in the scheme of delegation and the financial procedure rules within the Council's Constitution. It makes decisions where priorities and budgets are already agreed within the Council's Policy and Budget Framework. Any proposal that is outside the approved Policy and Budget framework will be referred to Cabinet and/or Council in accordance with the Constitution. The following summarises the terms of reference of the board:

Membership

- Executive Director of Place
- Head of Finance (chair)
- Head of HR, Corporate Projects and IT
- Head of Infrastructure, Sustainability and Economic Growth
- Head of Neighbourhood Services
- Head of Capital Projects and Asset Management, RBWM Property Company Limited
- School Places and Capital Team Leader
- Corporate Accountant (Capital)

10.3 Support to the Board

- Project Manager – Corporate Projects
- Executive Assistant to Executive Director of Place

10.4 Frequency

CRB normally meets every 2 months but more frequently as required e.g. in the lead up to budget setting.

10.5 Overall Responsibilities

- Advise on the Council's Capital Strategy in line with the Council's priorities.
- Ensure the effective development and delivery of the Capital Programme in line with the Council's Capital Strategy and Council priorities.
- Identify and monitor the resources available to fund the Capital Programme in the most efficient way.
- Oversee the gateway process for the Capital Programme.
- Monitor the progress of the Capital programme and key variances between plans and performance.
- Encourage and enable the development of learning, skills and capacity in the management of capital projects across the organisation.

10.6 Priority Outcomes

- An effective Capital Strategy and Capital Programme that optimises the resources available to deliver the Council's priorities.

- Continuous improvement in the development and delivery of the capital programme and that strategic capital investment is planned and delivered in the most efficient and effective way.
- Review completed of the previously approved Capital Programme in light of the 'new normal' environment the Council will operate in.
- Better management of capital projects, in line with best practice, ensuring benefits are realised.
- Effective bidding for external capital funding.
- Enhanced cross-service strategic working and partnerships with other organisations on the development and management of capital projects.
- That the Capital Strategy and Programme is funded in the most efficient way and fully integrated into the Medium-Term Financial Strategy of the Council.
- That lessons are learnt from capital projects undertaken by the Council.

10.7 The Working Group is able to approve the delivery of all projects up to £250,000, while projects above this level will be approved by Cabinet.

10.8 Cabinet receives a report on the delivery of capital schemes which is included within the regular Financial Update.

11 FINANCIAL RISKS

11.1 Planning for the future can never be an exact science. There are many factors that the Council cannot control completely, Covid-19 being a prime example, which can have a significant impact on the viability of future capital plans.

- **Revenue Budget** – ultimately the cost of borrowing to fund capital investment has to be met by the revenue budget. This means that the sustainability of the revenue budget as set out within the Budget Strategy is a key risk factor that impacts on the affordability of capital spending.
- **Government Grants**– although Government Grants have reduced over time this still makes a significant contribution towards the cost and viability of major schools and highways schemes. This may improve further should the government award additional capital grant for infrastructure in future years.
- **Interest Rates** – although currently at a very low level, any rise in interest rates will impact on the affordability and viability of key future capital projects.

- **Project Creep** - projects delivered over a period of time are inherently risky. Tight cost control is needed to ensure that the project keeps within the spending envelope.
- **Contractual Risk** – the cost of major projects can be heavily dependent on the level of competition that influences bids to deliver the scheme.

11.2 Capital Projects are inherently risky. There are significant risks that the costs of capital schemes can exceed the original capital programme allocation. There is also a delivery risk that projects can be late. Effective project planning and due diligence, project management and budget control is essential in mitigating delivery risks along with the selection of skilled delivery partners.

11.3 Funding capital investment represents a significant pressure on the Revenue Budget. It is essential that the Council understands fully the revenue impact of capital investment and the extent to which the project:

- Meets the Council's objectives
- Is self-funding
- Delivers a realistic pay back in the case of invest to save schemes

12 SUMMARY AND CONCLUSION

12.1 Capital investment decisions involve substantial sums of money and represent a long-term plan, which can extend well beyond the term of the existing Council.

12.2 Decisions on future capital investment therefore need to balance a range of different long-term priorities, often within tight financial constraints.

12.3 The strategy sets out some clear criteria for determining capital spending and deciding on the competing priorities.

12.4 The strategy also sets out a key delivery mechanism designed to deliver effective implementation of capital plans.