

Committee	Corporate Management Committee
Committee Date	22 January 2026
Report title	CAPITAL & INVESTMENT STRATEGY 2026/27
Report author	Paul French – Corporate Head of Finance
Department	Financial Services
Exempt?	No

Purpose of report:

To recommend to full Council

Synopsis of report:

While Runnymede Borough Council will cease to exist under Local Government Reorganisation (LGR) from 1st April 2027, it is important to frame the decisions the Council is taking now in order to understand their effect on the future Council for West Surrey which will have responsibility for the delivery of services to local residents and to whom the fiduciary responsibility to local taxpayers will transfer.

The Strategy aligns the Council's capital and investment decisions with its strategic objectives. This strategy integrates best practice from CIPFA's financial management code, the prudential code and relevant UK government regulations.

The Strategy has been reduced from a medium-term strategy to one focusing on the remaining lifespan of the Council and has been updated for the latest environmental and sustainability actions and the recently approved Corporate Business Plan and the priorities contained therein. A new section on the flexible use of capital receipts has also been included to ensure that the Council remains as flexible as possible in the run up to the successor authority.

This report should be read in conjunction with the Treasury Management Strategy and the Budget report set out elsewhere on this agenda and is to be recommended to Full Council for approval in February 2026.

Recommend to full Council that:

- i) the Capital and Investment Strategy 2026/27 set out in Appendix A be approved.**

1. Context of report

- 1.1 Local authorities must distinguish between capital expenditure and revenue expenditure in their accounting. Unless expenditure qualifies as capital it will normally be charged to revenue in the year that the expenditure is incurred. The rules as to what can qualify as capital expenditure are complex however, in its simplest form capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- 1.2 The Government places strict controls on the financing capacity of the authority, this is known as the Prudential Framework. This Framework is based on principles rather than being a prescriptive rules-based system and places a degree of reliance on local authorities to comply with the intent and spirit of the Framework and the principles of prudence, affordability, proportionality and sustainability. The Framework comprises underlying legislation (s1 & 12 Local Government Act 2003), which local authorities must **adhere to**, and four statutory codes (Prudential Code, Treasury Management Code, Guidance on Local Authority Investments and Guidance on Minimum Revenue Provision) which they must have **regard to**.
- 1.3 Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions are taken in light of the Council's Corporate Business Plan, Financial Strategy (FS), Capital & Investment Strategy and Treasury Management Strategy (TMS). The control of capital expenditure is therefore carefully planned and prioritised in order to maximise the benefit of resources overall.
- 1.4 This report should be read in conjunction with the Treasury Management Strategy - this will allow readers to understand how stewardship, value for money, prudence, governance, risk management, sustainability and affordability are managed by the Council.

2. The Capital & Investment Strategy

- 2.1 The Prudential Code for Capital Finance in Local Authorities together with the Government's Statutory guidance, CIPFA's Prudential Property Investment Guidance, other statutory guidance and legislation requires the Council to produce a comprehensive capital strategy.
- 2.2 The Capital & Investment Strategy sets out the principles to be followed which demonstrate how new capital investment, together with active management of existing assets, contributes to achieving the Council's approved policies, objectives and targets. It considers future capital investment needs, especially in relation to regeneration and the growth agenda. It also helps the Council to be clear on its priorities for bidding for external funding.
- 2.3 The Assistant Chief Executive (s151 Officer) is responsible for ensuring that a medium-term Capital Strategy and a Capital Programme is prepared / updated on an annual basis for consideration initially by the Corporate Management Committee, before their submission for approval to full Council. As they are so intrinsically linked, to facilitate the holistic consideration of the

budget the Capital Programme is included within the Budget Report.

- 2.4 The Capital & Investment Strategy was last updated by full Council in February 2025. The strategy needs to be updated on an annual basis and an updated Capital and Investment Strategy for 2026/27 is attached at Appendix A. The focus of the strategy has changed in focus from the medium-term to solely a one-year strategy to mirror the remaining life of the Council and to ensure that we have assets in good shape to handover to the new authority. The Strategy has also been updated to include the priorities stemming from the new Corporate Business Plan approved in October 2025 and our updated Environmental and Sustainability actions & aims. The opportunity has also been taken to add a section on the Flexible use of Capital Receipts. All changes to the strategy are highlighted for ease of reference.
- 2.5 The overarching aim of these strategies is to provide a framework within which the capital investment plans will be delivered. While Runnymede Borough Council will cease to exist under Local Government Reorganisation (LGR) from 1st April 2027, it is important to frame the decisions the Council is taking now with their medium-term financial impact in order to understand their effect on the future West Surrey Council that will have responsibility for the delivery of services to local residents.

Local Government Reorganisation

- 2.6 It should be noted that in previous rounds of local government reorganisation, directions have been issued under section 24 of the Local Government and Public Involvement in Health Act 2007 (the 2007 Act) to those councils being reorganised to ensure new agreements will be in the best interests of the new council(s) or the residents of the area, and do not undermine or diminish the benefits or savings anticipated as a result of unitarisation, or which may have an effect on the financial position of the new council/s.
- 2.7 The government intends again to issue directions under section 24 of the 2007 Act, once Structural Changes Orders have been made, to specify a person to give consent for all relevant matters and how that power is to be exercised. We anticipate that these directions will follow the precedents previously set, namely that written consent from the successor council will be required for land disposals worth more than £100,000, entering contracts of more than £1,000,000 for capital and entering contracts of more than £100,000 for non-capital (whole life costs). This will clearly have an impact on the Council's strategy and capital programme for the remainder of its life.

Funding the Strategy

- 2.8 As part of the Council's governance arrangements the Capital & Investment Strategy, Treasury Management Strategy and MTFs consider the long-term context when making investment decisions. Individual business cases progress through various committees and full Council. Performance is monitored through the revenue and capital budget monitoring reports to Corporate Management Committee with Treasury Management, Prudential Indicators and Investment performance being reported to Members quarterly at both Corporate Management Committee and Overview and Scrutiny Select Committee.

- 2.9 Traditionally, the Council has relied on Capital Receipts to fund most of its Capital Programme. Capital spending can be funded through a variety of sources including external contributions, e.g. grants, contributions from Developers, Community Infrastructure Levy (CIL), contributions from its revenue account and capital receipts. Any shortfall is known as the Capital Financing Requirement (CFR) and can be supported by borrowing.
- 2.10 As borrowing is subject to an ever-tightening regulatory regime, and the Council is currently seeking to reduce its overall borrowing level, it is imperative that the Council maximises the opportunities for other sources of funding and this is reflected in the Council's current plans.
- 2.11 Where sources of finance are lacking, it will become necessary to begin prioritising schemes in the Capital Programme in line with the priority evaluation module set out in chapter 10 of the Capital & Investment Strategy:
- “When necessary, schemes are then prioritised and evaluated according to the agreed corporate criteria by the Corporate Leadership Team. Potential schemes are evaluated in terms of the following categories to give an order of priority. Within each priority ranking each “bullet point” ranks higher than the one below it.”
- 2.12 This is not a new process, but one that has not needed to be enacted in recent years due to the level of capital receipts generated from our regeneration schemes.

Flexible use of capital receipts

- 2.13 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003, state that capital receipts can only be used for specific purposes. The main purpose being to fund capital expenditure and the use of capital receipts to support revenue expenditure is not allowed.
- 2.14 In March 2016 the Government issued a Direction allowing local authorities greater freedoms to use capital receipts to finance qualifying revenue expenditure (transformation, invest to save and efficiency expenditure that will provide revenue savings in future), initially up to 2018/19. There have been several extensions to the scheme, the latest up to 31 March 2030.
- 2.15 To make use of these flexibilities a council must approve a Policy and send details of the planned use of the flexibility to the Secretary of State, for each financial year the direction is used, as soon as practicable after approving this strategy and in any event before the flexibility is used. Authorities can amend the initial plan by informing the Secretary of State of the following:
- The amount of planned capitalisation using the flexibility for the relevant financial year
 - The purpose of the expenditure to be capitalised with a description of the associated projects
 - The amount of expenditure that was capitalised using the flexibility for the prior year
 - The efficiency savings that are directly attributable to the use of the flexibility that were achieved for the prior year

- 2.16 With LGR approaching, the Council needs to ensure that it is as agile and flexible as possible in order to meet any future requirements for the transition to the new West Surrey Council. Officers have therefore included a new section into the Capital Strategy for 2026/27 setting out the rules and requirements for the flexible use of capital receipts. Should there be a need to call upon these flexibilities, a full report will be produced for full Council setting out the Council's Policy and highlighting the required details set out above. This would also require the written consent from the successor council as any such request is likely to breach the £1m Capital limit (see paragraph 2.7 above).
- 2.17 The last time the Council used this flexibility was in 2021/22 when the Council embarked on its Restructuring & Transformation programme that included a voluntary redundancy exercise along with a senior management restructure.

3. Non-treasury Investments

- 3.1 The Prudential Code, TM Code and MHCLG regulations include guidance on what are termed "non-treasury" investments. These are essentially investments that sit outside of the Treasury Strategy that are undertaken for service reasons or commercial gain.

Service investments

- 3.2 Service Investments are investments held clearly and explicitly for the provision of operational services, including regeneration. Such investments include loans to external organisations that are delivering the Council's strategic objectives. Details of the Council's Service Investments as at 31 March 2025 are as follows:

Borrower	Year	Duration	Loan	Outstanding
			£	£
Virginia Water Scouts	2017/18	40 years	90,000	73,500
Addlestone Canoe Club	2020/21	15 years	150,000	117,855
			240,000	191,355

- 3.3 Both loans were given interest free (known as a soft loan) and are shown in the Council's accounts as long term debtors.

Commercial investments

- 3.4 Commercial Investments are investments undertaken primarily for financial reasons including commercial loans to companies and other organisations and holding property for a financial return (investment property).
- 3.5 The most significant commercial investments that the Council has undertaken to date are in relation to property acquisitions which are managed through its Asset Management Strategy, and development loans made to its wholly owned company, RBC Investments (Surrey) Ltd, which enabled it to buy some of the properties resulting from the Council's regeneration schemes. As at the 31 March 2025 these were as follows:

Investment	Value	Net income	Yield
	£	£	%
Investment Properties*	350,818,000	26,022,000	7.4%
Development Loans to RBCI	38,163,649	1,645,463	4.3%
Total Investment	388,981,649	27,667,463	7.1%
* Net income excludes interest payments and borrowing costs.			
Including these reduces the yield to 3%			

3.6 Commercial investments are analysed periodically to ensure that the fair value/carrying value of each investment is appropriate as required under the relevant Accounting Standard (Service Investments – IFRS9, Commercial Investments – IAS40). The Investment Properties will be independently revalued as at 31 March 2026 as part of the Council’s 2025/26 financial accounts process.

4. Leasing

4.1 Leasing obligations are similar to borrowing as they have an ongoing revenue budget commitment. Leasing will be considered following due diligence over the life of the asset, comparing the financial and non-financial benefits and risks compared to the Council owning such assets itself.

4.2 On the 1 April 2024 the accounting standard which sets out the guidelines for accounting for leases changed from IAS 17 (International Accounting Standard) to IFRS 16: Leases (International Financial Reporting Standard). The definition of a lease is now ‘a contract, or part of a contract, that conveys the right to use an asset for a period of time.’

4.3 This means that all current leases and any assets contained in contracts both now and in the future, that are deemed “right of use assets” will be shown on the balance sheet except for:

- leases of 12 months or less
- where the asset is of “low value” (set by the Council as £10,000 in February 2023 to match capital expenditure and capital receipts limits)
- where a contract contains use of an asset, but the supplier has the ability to substitute alternative assets throughout the period of the contract.

4.4 When any leased asset is recognised in the balance sheet a corresponding liability is then created, representing the obligation to make lease payments. When the Council makes a lease payment rather than it showing as an expense against the relevant cost centre, it is split between paying off this liability and interest payments. The asset is depreciated in the same way as similar assets of that class, usually over the life of the lease unless the asset’s useful life is lower.

4.5 This change also impacts on our treasury management and prudential indicators.

5. Treasury Management Strategy (TMS)

- 5.1 The Treasury Management Strategy (TMS) sets out the framework each year for the Council's treasury operations and is inextricably linked to the Capital & Investment Strategy and Capital Programme. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed - particularly where capital purchases are concerned. The capital plans set out in this report provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 5.2 Where capital expenditure has been incurred without a resource to pay for it, this will increase the Council's Capital Financing Requirement (CFR) which is the Council's underlying need to borrow. The Council is required to make a prudent provision for the repayment of historic capital expenditure from its revenue budget. This is known as a Minimum Revenue Provision (MRP). In addition to this the Council may make additional Voluntary Revenue Provisions (VRP) where it deems this affordable. CFR is calculated below:

Opening Capital Financing Requirement (CFR)
+
Capital Expenditure in year
-
Grants, contributions, reserves & capital receipts
-
Statutory provision for repayment of debt (MRP)
-
Voluntary provision for repayment of debt (VRP)
=
Closing Capital Financing Requirement (CFR)

- 5.3 The Council's CFR at the end of March 2025 was £685,383,000. Estimated future movements to this figure are set out in the Treasury Management Strategy report as part of the Prudential and Treasury Management Indicators.

Prudential and Treasury Management Indicators

- 5.4 The Prudential Code requires all local authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources and make sure that decisions are being made with sufficient regard to the long run financial implications and potential risks to the authority. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, proportionate, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal

are supported.

- 5.5 To demonstrate that these objectives are being fulfilled the Prudential Code operates through the provision of prudential indicators which highlight aspects of capital expenditure planning. Each indicator is annually updated as part of the budget process and projected forward for the next three years. The Code requires that the Council approves as a minimum, certain mandatory prudential indicators. A complete set of all indicators is included in the Annual Treasury Management Strategy report.

6. Legal Implications

- 6.1 Under the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting (England) Regulations 2003, local authorities must have regard to statutory proper practices in their treasury management and borrowing activities. These are set out in the following:
- CIPFA's Treasury Management in the Public Services: Code of Practice 2021 Edition [The CIPFA Code] which requires the Council to approve a treasury management strategy before the start of each financial year;
 - CLG Guidance on Local Authority Investments, 3rd Edition [CLG Guidance] which requires the Council to approve an investment strategy before the start of each financial year; and
 - CIPFA Prudential Code for Capital Finance in Local Authorities 2021 Edition [The Prudential Code] which requires the Council to have regard to the Prudential Code when determining how much money it can afford to borrow.
 - Numerous other CIPFA codes and statutory guidance
- 6.2 The above codes require all local authorities to produce a detailed Capital Strategy. The Capital Strategy 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. The development of a Capital Strategy allows flexibility to ensure that the overall strategy, governance procedures and risk appetite are fully understood by all elected members.

7. Equality implications

- 7.1 There are no direct equality implications resulting from this report. Any implications arising from new initiatives or those marked as being subject to a further report, will be fully explored within those future reports

8. Environmental/Sustainability/Biodiversity implications

- 8.1 The capital programme is the expression in financial terms of the Council's agreed policies and schemes and as such there are no specific Environmental, Sustainability, or Biodiversity implications arising from this report. Any implications arising from new initiatives or those marked as being subject to a further report, will be fully explored within those future reports.

9. Risk Implications

- 9.1 The Council's updated Risk Management framework was approved by Full Council in October 2023 and sets out the processes and procedures for the identification and evaluation of risks and opportunities and the cost-effective control of risks to ensure that they are reduced to an acceptable level and any impact on delivery of objectives is minimised.
- 9.2 Risks are assessed continually from both an operational and financial perspective. In carrying out due diligence, potential project risks are identified, and relevant mitigation measures documented prior to approval. All risks are then managed in line with the Council's Risk Management framework and must be recorded in the risk management system which is used to produce the Corporate Risk Register.
- 9.3 Without doubt, the biggest capital risks the Council is subject to are in relation to property both in terms of our investment properties as well as our operational properties. These include:
- The cost of maintaining the assets
 - Potential future decarbonisation requirements
 - Fluctuations in valuations
 - Delayed or reduced capital receipt generation
- 9.4 The Asset Management Strategy identifies and plans for these risks in detail and a summary of risks is also set out in Section 15 of the Capital and Investment Strategy.
- 9.5 The Standards and Audit Committee Will be reviewing the Council's risk appetite statements at their January meeting, and any changes will be reflected in the Strategy before publication.

10. Timetable for Implementation

- 10.1 After consideration by the Corporate Management Committee, the Capital & Investment Strategy will be referred to full Council for approval. Once approved it will take effect from the 1 April 2026.

11. Conclusion

- 11.1 The Council recognises that effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions (treasury and non-treasury) are taken considering the Council's Corporate Business Plan, Medium Term Financial Strategy (MTFS), Capital & Investment Strategy, Asset Management Strategy and Treasury Management Strategy.
- 11.2 The Capital & Investment Strategy and Capital Programme balance the resources available to the Council and leave options open as to future funding over the life of the MTFS. The key objectives of the Capital, Asset Management and Treasury Management Strategies are to deliver a Capital Programme that will:

- Ensure assets of the Council are used to support the delivery of the priorities set out in the Corporate Business Plan.
- Support the Council's specific project plans
- Provide context for financial decision-making to ensure that the Council hands over a financially sound position to its successor authority
- Be affordable, financially prudent and sustainable.

12. Background papers

- Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes – 2021 Edition
- The Prudential Code for finance in local authorities - 2021 Edition
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- The Levelling Up and Regeneration Act 2023
- MHCLG Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision

13. Appendices

- Appendix A – Updated Capital & Investment Strategy for 2026/27

Runnymede Borough Council

Capital and Investment Strategy 2026/27



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Introduction

- 1.1 The Capital and Investment Strategy forms a key part of the Council's Corporate Planning framework. The strategy sets out the rationale for investment in capital assets and projects, including prioritisation, planning, outcomes, funding, and project management and monitoring. It is updated annually to react to the changing Council priorities, social and demographic changes and crucially the financial climate. The Capital Strategy focuses on the core principle that underpins the Council's detailed capital programme. The strategy applies to the General Fund only; the strategy for the Council's dwelling stock is contained in the Housing Revenue Account Business Plan.
- 1.2 It aligns the council capital and investment decisions with its strategic objectives while ensuring long-term financial sustainability. This strategy integrates best practises from CIPFA financial management code, the prudential code and relevant UK government regulations
- 1.3 Capital expenditure is spending on assets that will provide a benefit beyond the current financial year and is defined as "expenditure that results in the acquisition or construction of a fixed asset (land, building, vehicle, equipment) or enhancement of an existing fixed asset".
- 1.4 The Council's policy on capitalisation in accordance with its approved accounting policies and procedures, is that expenditure on land, buildings, vehicles, plant, machinery and intangibles over £10,000 will be capitalised unless wholly funded from external sources. Expenditure under these limits is deemed to be a revenue cost
- 1.5 Most items of capital expenditure have associated revenue implications. For that reason, most of the items included in the detailed Capital Programme will sustain an essential service, reduce running costs in the medium term or generate an income to the Council. The detailed annual report to Council in February each year shows the current position and projects where the Council will be in three years' time and how it will get there. This picture reflects the future impact of the Council's current decisions and strategies and not any assumptions about the future decisions or strategies of West Surrey Council, post local government reorganisation in Surrey.
- 1.6 The Capital & Investment strategy maintains a strong and current link to the Council's priorities and to its key strategy documents notably the Treasury Management Strategy, Asset Management Strategy, Financial Strategy (FS) and the Corporate Business Plan. It is also consistent with the Council's housing policies and programmes. The Capital and Investment Strategy describe how the deployment of capital resources will contribute to the achievement of these aims.
- 1.7 The Council has long established links with local community and voluntary groups, many of whom it supports through grant funding. In addition, the Council works with a number of other organisations including:
 - Surrey County Council and neighbouring Borough Councils
 - Surrey Police
 - Registered Social Landlords
 - North Surrey Clinical Commissioning Group, Health Trusts and the Surrey Health and Wellbeing Board.
 - Business Runnymede and the universities
 - Sports clubs
 - Voluntary Support North Surrey

- 1.8 The financial implications of the Capital Strategy are reflected in the Council's Treasury Management Strategy, Prudential Indicators, the overall Medium-Term Financial Strategy (MTFS) and revenue budget and tax setting proposals. The Council's MTFS aims to set a balanced budget over the life of the financial planning cycle. The Council maintains a working balance to fund unforeseen cost increases or to pump prime initiatives or fund some items of capital expenditure from revenue resources.
- 1.9 The objectives of the Prudential Code are to ensure:
- capital expenditure plans are affordable and proportionate
 - all external borrowing and other long-term liabilities are within prudent and sustainable levels
 - treasury management decisions are taken in accordance with good professional practice.
 - the risks associated with investments for service and commercial purposes are proportionate to their financial capacity
- 1.8 The asset portfolio of the Council broadly falls into four distinct categories:
- **Operational** – supporting core business and service delivery e.g. the Civic Centre, waste management depot.
 - **Investment** – to provide a financial return for the Council in order to progress regeneration plans.
 - **Community** – to support specific local communities e.g. through, community and day care centres.
 - **Regeneration** – enabling strategic place shaping and economic growth for example Magna Square.
- 1.9 The Council is ultimately accountable and has a clear and transparent framework for its decision making. These strategies are driven by the Council's Corporate Business Plan - the key strategic planning document which articulates the Council's vision, aims and objectives.

Borough profile

Runnymede Borough lies in north-west Surrey some 20 miles south-west of central London, covering an area of 7,804 hectares. Its northern and eastern edges are formed by the Rivers Thames and Wey. It has a population of over 90,000 living in approximately 35,000 households. The area has an extensive Green Belt which makes it an attractive location to live and work. Development restrictions and demand for housing are reflected in high property prices. Additionally, Runnymede has a strong local economic base with many commercial enterprises in the town centres, industrial estates and business parks located in the area. As a result, more people commute into Runnymede for work than commute out. Equestrian and market gardening activities dominate in the rural areas with some traditional farming.

The below map demonstrates the broad positioning of the main settlements and transport routes within Runnymede.



Objectives

3.1 Like a lot of complex organisations, Runnymede Borough Council normally has a medium-term plan to guide its work, however given the limited lifespan of the Council under Local Government Reorganisation (LGR), in October 2025 Councillors approved a new Corporate Business Plan to take the Council up to March 2027. This strategy supports the council's corporate business and its four strategic themes. The Corporate Business Plan is the Council's top level strategic document. Together with the strategies, it sets out our priority areas of work, our five strategic themes, and how we will use our resources to achieve them. Our themes are:

- Tackling the climate emergency and enhancing nature
- Supporting our communities through change
- Improving health and wellbeing for all
- Growing a fair and sustainable economy

3.2 Our mission is:

To lead with purpose and in partnership, delivering sustainable services that protect our environment, promote health and wellbeing, empower communities through change, and foster a thriving, inclusive economy. In turn this will ensure Runnymede remains a place where everyone can live well, contribute, and succeed..

In order to achieve this, we aim to be:

- customer-focused,
- performance driven
- innovative
- passionate
- promoting equality and diversity, and
- delivering excellent value for money.

3.3 It is recognised that we cannot achieve all the changes/developments we would like to see locally as one organisation, so the Council seeks to achieve these aims in a number of ways. The Council will act as a lead agency for delivering the Corporate Business Plan and will work with our partners in steering the vision and the delivery mechanisms.

3.4 In essence Runnymede councillors determine their programmes for capital investment that are central to the delivery of quality services. The Prudential Code plays a key role in supporting that objective. The code requires a local authority to look at its capital spending and investment plans in the light of its Corporate Plans and how these will be resourced. Decisions made now on capital spending have regard to the long-term financing implications and potential risks.

Capital Strategy Strategic aims

- 4.1 This strategy is a high-level summary of the Council's approach to capital investment. It guides the development of service capital plans and sets out the policies and practices that the authority uses to establish monitor and manage the Council's capital programme, in line with the MTFS.
- 4.2 The key objectives of the Capital Strategy are to deliver a Capital Programme that will:
- Ensure assets of the Council are used to support the delivery of the priorities set out in the Corporate Business Plan.
 - Support the Council's specific project plans – especially economic development and regeneration.
 - Spend to save – transformation projects to reduce costs and enhance the services we provide.
 - Addresses major infrastructure investment.
 - Delivers wider economic outcomes such as employment opportunities.
 - Asset management maintenance and investment.
 - Be affordable, financially prudent and sustainable.
 - Foster economic growth and regeneration while protecting the borough's unique environmental assets
- 4.3 The Capital Strategy should be read in conjunction with the Treasury Management Strategy, Asset Management Strategy, Housing Asset Management Plan and the overarching Medium Term Financial Strategy (MTFS). These strategic plans show where capital and revenue investment can assist the Council in delivering its priorities. The financial impact of these strategies is summarised in the MTFS and the Housing Revenue Account (HRA) Business Plan. This demonstrates the Council's plans to invest in the Borough not only improves the residential and commercial offering to residents but also provides an income stream to continue delivering services the residents need/desire.

Priority areas for investment

- 5.1 There is increasing pressure on the availability of housing in the Borough – social housing and private sector rented accommodation. The Council has a housing strategy which accounts for a significant part of the capital programme. The figures in the programme include the Council's expenditure on its own stock. Works to the housing stock are totally financed from tenants' rent. The expenditure on private sector housing includes making grants to private householders to enable them to continue living in their own home, for instance Disabled Facilities Grants. The present Housing Strategy and long-term business plans are currently under review and this will include reviewing our approach to the provision of more affordable housing. The investment needed to fund this will be considered at the same time.
- 5.2 The Council continues to have ongoing responsibilities to maintain its assets and will keep its asset base under review and will continue to invest in its key assets to ensure that they are handed over to the successor authority in good order. This includes ongoing investment in assets that include the Civic Centre, Chertsey depot and car parks.
- 5.3 Another priority is to bring forward options on the Council's Investment assets identified as having upcoming lease breaks. These will be managed in accordance with the Council's Asset Management Strategy and managed through the appropriate committee process.
- 5.4 The Council's other priority areas for investment are summarised as:
- Housing investment: Ensuring our social housing tenants live in warm, energy efficient homes is a priority. We have committed to ensuring all tenant housing is rated EPC grade C by 2030
 - Asset maintenance and enhancement: ensuring that the council owned assets are maintained in good order to hand over to the successor authority and to support long term service delivery
 - Supporting self-management and to support community involvement in the future management of local assets where appropriate

Corporate Asset Management Strategy

- 6.1 In 2023, the Council developed a Corporate Asset Management Strategy to provide a sustainable and long-term strategic approach to the management of the Council's property assets. The Corporate Asset Management Strategy is a high-level summary of the Council's overall approach to the strategic management of its land and building assets. It is linked to the vision and priorities of the Council to provide a policy direction for the effective and efficient use of the Council's assets for the benefit of the residents.
- 6.2 The Asset Management Strategy (AMS) gives a framework of how we strategically manage both our commercial and operational assets that sit within the General Fund (there is a separate HRA Housing Asset Management Plan in place). The key components of the Strategy are to:
- Understand the requirement to maintain our asset portfolio
 - Optimise use of the Council's asset portfolio
 - Meet legal requirements i.e. Health and Safety
 - Optimise service requirements
- 6.3 The AMS sets out the Council's vision, aspirations, opportunities and objectives for both portfolios and outlines an Action Plan for how it aims to achieve these outcomes this will be achieved with the following documents:
- Asset Management Strategy
 - Accommodation Policy
 - Acquisition and Disposal Policy
 - Commercial Lettings Policy
 - Corporate Landlord Policy
 - Investment Update executive view
 - Repairs and Maintenance Policy
- 6.4 For all Investment assets and Operational assets (other than Housing) assessments of the level of maintenance required for each property are being made and this assessment will feature in both capital and revenue budgets, as it is important that the quality of the stock is maintained in order to sustain performance. The income generated by the Council's Investment Properties supports other spending in the borough.
- 6.5 Whilst the Council has not been investing to make a capital gain, historically, property has proved to be one of, if not the best, investment in terms of capital growth over the last 50 years. If the Council owns a property for say 15 years, and the property is well managed and maintained, with strong leasehold tenancies in place, the Council can expect to see an increase in the value of the property as well as an annual income.
- 6.6 It is recognised that even well-maintained properties do not always appreciate in value and strong long-term tenancies are increasingly difficult to find, so reductions can often become apparent in the short to medium term and the AMS highlights any such issues at an early stage to ensure mitigating measures can be taken. It should also be noted that fluctuations in values are only realised at sale and the key for the Council is maintaining a strong income stream.

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- 6.7 Holding on to commercial property carries risks which the Council is fully aware of. Examples include: property prices falling, maintenance liabilities, depreciation of the asset, rent default, void property should a tenant leave etc. To mitigate the risks and manage the portfolio effectively, the Council:
- Has a fully developed Asset Management Strategy in place setting out the risks in detail
 - Has created Investment Management Practices for non-treasury investments which includes our investment properties (appended to this Strategy)
 - Has created two reserves - a repairs and renewals reserve and an income equalisation reserve – to even out future year's income and expenditure on the maintenance of the Council's asset base.
 - Carries out fair value assessments for all investment property assets as part of the year end accounting process in accordance with International Accounting Standard 40: Investment Property
- 6.8 The Council assesses the risk of loss whilst holding property investments by having clear, robust and transparent governance arrangements in place as set out in the AMS. This is critical in meeting the statutory guidance and ensuring an appropriate level of due diligence and scrutiny is applied, together with objective arms-length external advice where appropriate.
- 6.9 The AMS will identify underperforming assets, or those where an opportunity arises, for divestment or re-purposing, following review and decision by the relevant Committee. The future of the Capital Programme is heavily dependent on the production of new capital receipts; which is increasingly important where future borrowing may be restricted and the Council is already committed to exploring measures to reduce its overall level of debt, or where there is limited ability for the general fund to support capital spending either directly or through bearing the cost of carrying debt.
- 6.10 The risk of not achieving the desired income or an unexpected maintenance liability is partially covered by both an income equalisation reserve and a property maintenance reserve. Annual payments are deducted from the rental income each year to add to these reserves.

Approach to investment

- 7.1 The Capital Programme is approved by the Council in February each year and is amended during the year to reflect changing circumstances. Future capital programmes are driven by the budget and business planning process. The size of the programme is determined by:
- any requirement to incur expenditure,
 - affordability and available resources, and
 - revenue implications from capital expenditure.
- 7.2 The de-minimis for schemes to be included in the programme is £10,000 unless wholly funded from external sources. Schemes below this threshold are funded from revenue sources.
- 7.3 The Council identifies programmes and prioritises investment and funding via a robust project management methodology. Capital investment will be planned and delivered through a structured and transparent approach:
- Business case development - all project required comprehensive business cases including financial social and environmental appraisal
 - Prioritisation framework: Project will be prioritised based on strategic alignment community impact and financial viability
 - Governance: decision-making process will adhere to rigorous governance standard with oversight by the corporate management committee and full council.
 - Performance monitoring: project will be subject to regular review against key performance indicators in showing alignment with objectives and budgets
- 7.4 Business cases should be approved by the relevant Service Committee and Corporate Management Committee before being included in the draft strategy for Council to consider in February.
- 7.5 No new capital projects are to be included in the capital programme without the necessary resources to meet the full capital costs, and any associated revenue implications, being in place. Business cases should reflect all financial implications and risks and be reported alongside the request for inclusion in the Programme. If it is too early in the process to provide this level of detail, a provision may be made within the budget but will be subject to reporting of the full business case to the appropriate Committee before proceeding with the project.

Specific funding of schemes

8.1 Funding of capital schemes can originate from a variety of sources. Irrespective of the source of funding all capital schemes are included in the Council's approved programme. The main sources of funding are likely to be the following:

- **Revenue funding** - There may be instances where a revenue contribution in part or wholly is used to fund the capital expenditure. Items would include CCTV cameras, vehicles and ICT equipment. Invest to save schemes or income generation schemes could provide funding to "pay back" the initial investment.
- **External funding** - Funding may in part or wholly come from external bodies. This includes government capital grant, contributions from other public sector bodies or via negotiated agreements such as Section 106 agreements or CIL (Community Infrastructure Levy). CIL is becoming increasingly important in the delivery of essential infrastructure, through robust governance processes agreed by full council.
- **Capital receipts** - The Council on occasion sells a capital asset which is surplus to requirements. The sales proceeds are used to fund future capital schemes unless they are attached to sale of a debt backed asset in which case they are used to repay borrowing. The receipts are treated as a corporate resource to be used to invest in the Council's priorities. This means an individual service is not solely reliant on its ability to generate capital receipts.
- **Borrowing** – In certain circumstances, the Council may take out loans to fund capital expenditure. The Treasury Management Strategy approved by Council in February each year sets out the acceptable counterparties and the Council's borrowing limits which comply with the Prudential Code. However, MHCLG has indicated it would like to see our existing borrowing levels reduced so accessing funds in this way may be difficult.

8.2 The Council's Minimum Revenue Provision (MRP) Statement approved in February 2025 states that "Capital receipts generated from the sale of investment properties funded by borrowing will be used to reduce the Council's overall CFR by the outstanding borrowed amounts against each property sold". This means that any such receipts will not be available to support other capital projects.

8.2 The Council will explore ways of delivering its major capital spending priorities in ways that reduce the burden on the Council's resources. This may be by phasing delivery of large programmes over a period or looking at new funding models and partnerships with both the public and private sector. The Council needs to balance delivery of such schemes for its residents, with the affordability of capital spend and the effect on its revenue income streams. This is now particularly relevant following the introduction of the Levelling Up and Regeneration Act 2023, and the Council's commitment to reviewing its borrowing levels following receipt of a Non-Statutory Best Value Notice in December 2023 and on-going engagement with MHCLG subsequent to the notice not being renewed in December 2024.

Capital finance

- 9.1 The main source of the Council's capital resources has traditionally been capital receipts derived from land sales.
- 9.2 The Council's overall financial position is formally reviewed at least two times per year. Every quarter the Corporate Management Committee receives an update on projected spending for the remainder of the financial year and the likely level of available capital receipts for the following year.
- 9.3 The Local Government Act 2003 introduced the Prudential Regime. The Prudential regime requires all local authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources and make sure that decisions are being made with sufficient regard to the long-term financial implications and potential risks to the authority. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent, sustainable and proportionate; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported.
- 9.4 The Council recognises that effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudent approach to capital expenditure, investment and debt. Therefore, all investment decisions (treasury and non-treasury) are taken in light of the Council's Corporate Business Plan, Medium Term Financial Strategy, this Capital Strategy and the Treasury Management Strategy.
- 9.5 One important Council policy is in relation to prudential borrowing. MHCLG has indicated it would like to see our existing borrowing levels reduced so accessing funds in this way may be difficult. However, the Council will only borrow to fund capital projects where a robust business case has been developed and the Prudential Indicators prove that the project is affordable, prudent and proportionate. This will include consideration of past borrowing, maintenance requirements and planned disposals, not just in the medium term but over the life of the asset base or underlying debt. Where maturity loans have been taken out then each year the Council will set aside income to fully repay the loan when it matures via a Minimum Revenue Provision (MRP).
- 9.6 Government legislation now precludes buying commercial assets purely for profit and the Treasury have amended their lending terms for the PWLB (Public Works Loans Board) to help facilitate this. HM Treasury has developed guidance in consultation with CIPFA and the local government sector to help local authorities ensure that their capital plans are compliant with ongoing access to the PWLB. The PWLB will continue to support service spending, housing, economic regeneration, preventative action, and treasury management. The guidance also includes a definition of investment assets bought primarily for yield, which the PWLB will not support.
- 9.7 The Council's current AMS, approved by Full Council in March 2023, includes its Acquisition and Disposal Policy (Appendix 5 of the Strategy) which sets out how acquisitions will be limited in nature and are likely to be linked to schemes identified in the Corporate Business Plan, for purposes other than for direct commercial investment. It further includes the statement that Borrowing for purely income generation reasons has now ceased and the investment property portfolio has moved into the 'asset management' phase.

9.8 In light of the on-going tightening of the prudential framework, coupled with the spirit and context of the Levelling Up and Regeneration Act 2023, the Council has formalised its intent not to purchase additional investment property by placing a moratorium on new debt-funded asset investments i.e. assets purchased primarily for yield.

Flexible Use of Capital Receipts

- 10.1 Capital receipts can only be used for specific purposes, and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not allowed by the regulations
- 10.2 To support local authorities to deliver more efficient and sustainable services, the government introduced flexibility to use capital receipts from the disposal of property, plant and equipment assets to fund the revenue cost of service reform.
- 10.3 Under normal rules, capital receipts can only be used to fund capital expenditure such as the purchase of capital assets or improvements to existing assets. However, the Government have issued a Direction and published guidance that enables Councils to use income from the sale of certain assets to fund qualifying expenditure. In November 2024, the Ministry of Housing, Communities & Local Government (MHCLG) announced as part of the Local government finance policy statement 2025 to 2026 the continuation of the capital receipts flexibility programme for a further five years, 2025/26 through to 2029/30.
- 10.4 The Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:
- “Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”
- Ongoing savings or income must be forecast as a direct result of the project funded by the strategy.
- 10.5 The Direction requires that a strategy is presented to full Council outlining how the council intends to use these flexibilities, and to submit the strategy to government once approved. This includes a breakdown of each element of the scheme and how it meets the relevant criteria. The initial strategy may be replaced by another strategy at any time during the year.
- 10.6 Should the Council wish to make use of these flexibilities for transformative projects, a full report will be submitted to full Council in line with the draft policy set out in Appendix B for approval
- 10.7 The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. The impact will be assessed and reported in the report that is presented to Full Council for approval.

Prioritisation, governance and agreement of capital project proposals

- 11.1 In common with other local authorities Runnymede is facing a difficult financial climate along with the challenge of preparing for Local Government Reorganisation, and it is therefore essential that systems are in place to ensure that scarce resources are allocated in the most effective possible way to ensure its assets are well managed and maintained and therefore expenditure needs to be prioritised.
- 11.2 All new schemes are subject to a business case being prepared to be submitted to Members for approval via Service Committees. This gives Service Committees the opportunity to introduce new schemes, vary the specifications and defer others as operational needs develop over time. Following a review of the business case the Corporate Management Committee releases the capital budget. Every quarter the Corporate Management Committee receives an update of the projected outturn via the Financial Monitoring report or updated strategies.
- 11.3 The business case for each proposed scheme includes a financial appraisal using a whole life costing approach for the capital and revenue implications, pay back periods etc. If a business case has been drafted with a specific detailed budget, then it can have a capital ESTIMATE approved. A business case lacking in sufficient detail will be put in the Capital Programme as a PROVISION which will need a further, more detailed, report to turn this into an ESTIMATE (usually as part of a procurement process). Provisions and estimates are equally important in financial forecasting terms as they are all built into the budget to ensure that when all added together (on the assumption that they will eventually be approved) they are affordable.
- 11.4 The Corporate Management Committee consider the impact on the overall capital programme and make the final recommendation to Council in February each year on the size and schemes to be included in the Capital Programme. The housing capital programme (HRA) is evaluated separately in accordance with the Council's Housing Strategy by the Housing Committee who makes recommendations to full Council as part of HRA rent and budget setting.
- 11.5 The financial strategy includes projections of capital resources likely to be available within the period of the plan and provides the framework within which the forward Capital Programme has been developed based on existing and expected resources. The Capital Programme is reviewed throughout the year with only those schemes which have undergone detailed scrutiny being included in the programme.
- 11.6 In order to make their way into the Capital Programme during the year any new capital projects are brought forward in the first instance to the appropriate Committee, having been appraised in consultation with the Corporate Head of Finance and the Corporate Leadership Team using a full business case, prepared using the Council's project management and procurement methodology.
- 11.7 Once agreed, the Service Committee will make an appropriate recommendation to the Corporate Management Committee and subsequently full Council if appropriate, to include the scheme in the Capital Programme. It will be for the Corporate Management Committee to approve the method of financing the scheme.

11.8 When necessary, schemes are then prioritised and evaluated according to the agreed corporate criteria by the Corporate Leadership Team. Potential schemes are evaluated in terms of the following categories to give an order of priority. Within each priority ranking each “bullet point” ranks higher than the one below it.

Priority 1

- Schemes essential and to the extent necessary to comply with statutory obligations, including Health and Safety.
- Schemes for which there is a contractual commitment to another party.
- Schemes necessary to avoid a service breakdown.
- Schemes which a business plan demonstrates to be self-financing.
- Schemes which will permit future savings or increased efficiency.

Priority 2

- Schemes necessary to maintain an existing asset.
- Schemes necessary to maintain required standards of service.
- Schemes to meet urgent established need.

Priority 3

- Schemes to permit the development of services in accordance with approved policies.

Priority 4

- Schemes representing other desirable developments within services
- Schemes to meet emerging needs and/or demands emanating from consultation, benchmarking or Best Value exercises.

Expenditure on non-treasury investments

- 12.1 In recent years, local authorities have used increased powers to engage in commercial activities. Due to the perceived excessive risks that some authorities have entered into in this area, the revised Treasury Management Code (2021) requires all investments and investment income to be attributed to one of the following three purposes:
- treasury management,
 - service delivery, or
 - commercial return.
- 12.2 As well as the normal day to day treasury management investments (covered by the Treasury Management Strategy), the Council holds service and commercial investments as follows:
- **Service Investments** – investments held clearly and explicitly for the provision of operational services, including regeneration. Such investments include:
 - loans to external organisations that are delivering the Council's strategic objectives
 - **Commercial Investment** – investments undertaken primarily for financial reasons including:
 - commercial loans to companies and other organisations, and
 - holding property for a financial return (investment property).
- 12.3 Commercial activities that involve capital expenditure, and the incurring of other long-term debt and liabilities are no longer permissible without risking the Council's future ability to access PWLB funds. Existing debt-funded commercial activities will be reviewed as guidance/regulation develops. This excludes investment of short-term cash surpluses as part of day-to-day treasury management activity and investments whose primary purpose is to achieve a service objective.
- 12.3 Loan Facilities Agreements have been entered into between the Council and RBC Investments (Surrey) Limited for the purchase of property (from the Council) and separately for working capital purposes to be drawn down as and when required. Under accounting regulations, the development loan is classed as capital expenditure whilst the working capital loan is a revenue cost to the General Fund.
- 12.4 The Council owns a significant investment property portfolio, a majority of which were purchased as part of a Property Investment Strategy which ended in 2019/20. The Council takes a proactive stance in managing this portfolio to achieve several aims including diversification of assets, facilitate regeneration schemes, and to compensate for lost income during developments. The management of these properties falls under the Asset Management Strategy.
- 12.5 The CIPFA Treasury Management Code requires authorities to establish Investment Management Practices (IMP) for their non-treasury management investments, similar to their treasury management practices. The IMP recommends a schedule for each such investment portfolio, setting out the investment objectives, investment criteria, risk management arrangements, decision-making and reporting arrangements, performance measurement and management, and arrangements for training and qualifications. The IMPs for the Council are set out in Appendix A to this Strategy.

Capital loans

- 13.1 The Council may make loans to third parties to meet a strategic priority. In doing so it may choose to make loans to local enterprises as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.
- 13.2 The Council may also from time to time make Soft Loans (Loans charged at interest rates at less than market value) to community organisations in the Borough whose objectives meet our own aspirations and add social value. Before such loans are undertaken, the implied subsidy will be clearly identified and quantified as part of the decision-making process.
- 13.3 Any loans to a third party will only be undertaken if there is an acceptable level of risk. This will be assessed against the overall sustainability of the Council and will include considerations such as:
- The level to which the budget is dependent upon income from the loan and the certainty of the income moving forward.
 - The amount of the capital invested and the potential volatility of the fair value of the loan compared to the initial investment.
 - How the investment is to be financed and its affordability.
 - The liquidity of the investment compared to the longer-term cash flow requirements of the Council.
 - The cumulative impact of all the loans made by the Council.
- 13.4 Any loan to an outside body brings with it a risk of non-repayment. A loan to a community group predominantly reliant on income from its users increases this risk. Therefore, where possible the Council agree a loan guarantee facility that is secured on the assets of the groups.
- 13.5 For any new loans, the Council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks. All loans are agreed by the Section 151 Officer. All loans will be subject to regular monitoring.
- 13.6 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts is shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Value for money

- 14.1 Value for money is delivered through two separate mechanisms. The first is efficient procurement of goods and services through competitive processes and partnerships. These are established mechanisms and are set out in the Procurement Strategy. The other means is through careful scrutiny of possible projects at the assessment stage and prioritising them according to the extent to which the outcomes they promise to deliver match the priorities of the Council.
- 14.2 Value for money will also be assessed via the regular reporting of property investments and capital loan portfolios so that any material increase in risk or threat to ongoing yield can be assessed. Going forward we will be working with MSCI (a leading provider of critical decision support tools and services for the global investment community) who will provide analytic information to enable us to measure the performance of our commercial property portfolio to inform decisions on how we retain, review, and where appropriate regear our property asset base ensuring we achieve value for money.

Environmental and Sustainability Issues

- 15.1 The Council's Climate Change Strategy (adopted in October 2022) and supporting Climate Change and Nature Action Plan (originally adopted in Feb 2024 and reviewed and updated in April 2025) set out the Council's climate vision, mission, strategic aims and actions required to meet both the Council's operational net zero target and the parts of the national net zero target over which the Council has influence.
- 15.2 The Council's Corporate Business Plan 2026-27 reaffirms the Council's strategic objectives in this area and builds on the high-level narrative in the Climate Change Strategy, setting out how the Council is tackling the climate emergency and enhancing nature. It describes how the Council is taking practical local action to reduce emissions, increase adaptive resilience and improve biodiversity — investing in greener spaces and more sustainable services.
- 15.3 These corporate strategies will inevitably permeate all of our activities and functions including those relating to Capital expenditure and investment. As an example, some of the following aims/actions will have a direct impact on this strategy going forward:
- To deliver carbon net zero for all Council operations by 2030.
 - To align climate change actions and environmental improvements with economic gain.
 - To drive biodiversity net gain and protect our natural assets.
 - To work in partnership with Surrey County Council to improve cycling, walking and sustainable transport infrastructure.
 - To positively influence our environment by embedding climate change avoidance and mitigation, sustainability and promotion of biodiversity and conservation in all Council decisions and actions.
 - To engage with partners to deliver flood risk initiatives wherever possible..
 - To retrofit and improve energy efficiency and heating systems of existing Council housing stock.
 - Providing digital access to all of our services to prevent the need for journeys.
 - Deliver actions contained in the adopted Electric Vehicle (EV) Strategy for Runnymede to support the transition to electric vehicles
 - Providing and/or enabling sufficient numbers of EV charging points across the Borough.
 - Retaining sufficient flexibility to embrace hydrogen and other new technologies as they develop.
- 15.4 The Capital Programme and the Capital and Investment Strategy that surrounds it, is the expression in financial terms of the Council's agreed policies and schemes and as such there are no specific Environmental, Sustainability, or Biodiversity implications attributable to the Capital and Investment Strategy itself. Instead, any implications arising from new initiatives or those marked as being subject to a further report, will be fully explored within those future reports and through any resulting procurement processes.

15.5 Most Capital expenditure is incurred through a procurement process of one form or another. As such the Council's current Procurement Strategy and Sustainable Procurement Policy both have a significant role to play in ensuring that Environmental, Sustainability and Biodiversity principles are adhered to. In this regard, our Procurement Strategy espouses the following:

- We will ensure that procurement decisions take account of sustainability, the impact on the environment and climate change, and the Council's duty to promote equality
- We will aim to reduce our carbon footprint by engaging with local businesses in our supply chain when possible
- We will work with our supply chain to reduce and where possible eliminate the use of avoidable single use plastic.

15.6 The Sustainable Procurement Policy sets out how environmental considerations will be built into the procurement and delivery of goods, works and services through its specifications, tender questions, evaluation criteria, key performance indicators and clauses of contracts.

Risk management

- 16.1 Effective risk management is integral to the strategy ensuring resilience and adaptability. The Council’s overarching risk appetite statement is as follows:

“Risk Management is a continuously evolving process, whereby the Council constantly seeks to refine and improve process, in order to support the delivery of its objectives and take a proportionate approach to risk. Identifying its risk appetite enables the Council to take a balanced approach in respect of risk by understanding the risk levels it may tolerate, and therefore target its scarce resources at the management of risks that cannot be tolerated. Effective risk management supports informed decision-making through the determination of the nature and extent of the principal risk exposure of the Council and how much risk it is capable of absorbing to achieve its objectives. It is often not possible to manage all risk to the most desirable level, but the setting of risk appetites means that risks can be managed to a tolerable level”.

- 16.2 The Council is very aware that risk always exists in some measure and can never be totally removed. In order to regenerate the Borough in the way the Council plans, some risk has to be accepted. It is worth noting the Public Accounts Select Committee supports risk taking across government, recognising that innovation and opportunity to improve public services requires risk taking - provided that the ability, skills, knowledge and training to manage those risks will exist within the organisation or can be brought to bear. In general, the Council’s risk appetite is expressed through its tolerance to risk in terms of capital preservation (level of capital receipts etc.), meaningful liquidity (General Fund working balance) and income volatility (e.g. business rates equalisation fund, provision for bad debts etc.). These risks are reported to Members annually in February.
- 16.3 The Council has in the past purchased investment properties to help aid regeneration schemes within the borough. The Council recognises that the investment in such assets primarily for financial return, taken for non-treasury purposes, requires careful investment management, both at the outset and ongoing. Such capital expenditure includes loans supporting service outcomes, investments in subsidiaries and investment property portfolios. The Council fully recognises that the risk appetite for these activities is different from others and plans for these separately in the Asset Management Strategy.
- 16.4 The Council approved the Risk Management Framework 2023 – 2026 in October 2023 which formalises risk management across the organisation. Risks appetite statements are reviewed by Standards and Audit Committee annually as part of budget setting. In addition to having an overarching risk appetite statement, the Council has developed statements to describe its attitude to accepting risk in each of its principal risk categories; recognising that risk appetite is not a single, fixed concept but that there will be a range of appetites for different risks and that these appetites may well vary over time.
- 16.5 Risk appetite set for 2026/27 for relevant Risk Categories applicable to the Capital Strategy, is Cautious. Specific examples relevant to this Strategy are provided below:

Strategy Risk:	<p>CAUTIOUS: Guiding principles or rules in place that allow considered risk taking in organisational actions and the pursuit of priorities.</p> <p>To illustrate: The Capital & Investment Strategy is refreshed every year and any amendments are taken in light of the Council’s Corporate Business Plan, Medium Term Financial Strategy (MTFS), Asset Management Strategy (AMS) and Treasury Management Strategy</p>
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	<p>(TMS), thereby ensuring a joined-up approach to strategic risk across the Council.</p> <p>The AMS is a high-level summary of the Council's overall approach to the strategic management of its land and building assets. It is linked to the vision and priorities of the Council to provide a policy direction for the effective and efficient use of the Council's assets for the benefit of the residents.</p>
Governance Risk:	<p>CAUTIOUS: Willing to consider actions where benefits outweigh risks. Processes, and oversight / monitoring arrangements enable cautious risk taking.</p> <p>To illustrate: RBC has strong governance arrangements, reporting and controls supporting decision making through CLT, SLT, Taskforces and Member Working Groups and Service Committees, Full Council, and Overview and Scrutiny, ensuring that prudence and careful consideration are prominent in Council decision-making, augmented by quality independent advice and appropriate checks to ensure that we have the correct level of oversight, scrutiny and efficiency.</p>
Financial Risks:	<p>CAUTIOUS: Seek safe delivery options with little residual financial loss only if it could yield upside opportunities.</p> <p>To illustrate: our Capital Programme is regularly reviewed and reported to Members and officers on a regular basis, highlighting any perceived shortfall in funding or potential financial risks. Any scheme likely to exceed its budget by 10% or £25,000 (whichever is lower) must be reported to Committee. Any potential reduction in capital receipts will cause a review of the schemes contained within the programme to ensure they are still deliverable within the available resources and if not, they will be deferred.</p>
Investment Holding Risks:	<p>CAUTIOUS: Requirement to adopt a range of agreed solutions for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.</p> <p>To illustrate: the AMS provides the arrangements and requirements to support delivery. The impact if risks were to materialise is significant and therefore cautious is appropriate. As well as in the AMS, property risk mitigation is also set out in sections 6, 9 and Appendix 1 of the Capital & Investment Strategy. The Council also has two reserves specifically set aside for property repairs and income equalisation to mitigate fluctuations in income and capital expenditure requirements.</p>
Property Compliance Risks:	<p>CAUTIOUS: Seek safe working practices and operational working environments to ensure safety of employees, residents, service users, contractors and the public.</p> <p>To illustrate: risk of harm and/or suffering to employees, contractors, service users or the public arising from property deficiencies or poorly designed or ineffective/inefficient safety management resulting in non-compliance need to be minimised</p>
Project/ Programme Risks:	<p>CAUTIOUS: The Council has an established project management methodology to support project delivery, deviation from the methodology is generally avoided unless necessary. Decision making authority generally held by senior management. Plans aligned with strategic priorities, functional standards.</p> <p>To illustrate: our project management methodology requires establishment of a Project Board and defined roles and responsibilities. The Project Sponsor is typically a Senior Officer. We have established</p>

	<p>project reporting and monitoring to measure progress and provide early warning when issues need to be addressed to reduce the likelihood of a project going off course. Business cases are aligned to the Corporate Business Plan and Corporate Strategies to demonstrate how the project will deliver on priorities.</p>
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- 16.6 Risk implications of capital schemes are regularly reported to and approved by members of the following Committees - Standards and Audit, Overview and Scrutiny, Corporate Management Committee with Full Council taking on responsibility following reports from those committees. The risk management arrangements detailed below, especially release of funds are contained in the standing orders and financial regulations of the Council.
- 16.7 Each project on the capital programme is subjected to a rigorous business appraisal process. The Council operates a whole life costing methodology, “the systematic consideration of all relevant costs and revenues associated with the acquisition and ownership of an asset.” In practical terms this means that any appraisal will need to consider not just the initial outlay, but all costs/income associated with the project that are likely to occur in future years, including possible replacement. This is vital to ensure that the Council is not committing itself to future liabilities that are unsustainable.
- 16.8 The Council’s project management methodology sets out the requirement to identify project risks that could impact on delivery of the project. In carrying out due diligence, potential project risks are identified, and relevant mitigation measures documented prior to approval. All risks are then managed in line with the Council’s Risk Management framework. These risks are not just financial but any risk that could impact on the time for delivery, staffing resources required, quality parameters and project scope. Significant project risks are escalated to the relevant Corporate Head of Service and added to the risk management system for monitoring and reporting.
- 16.9 Every report to members from officers which includes references to any of the above strategies must include resource, legal, Environmental/Sustainability/Biodiversity and risk management implications as a minimum.

Asset management planning and disposals

- 17.1 Asset disposals should meet specified criteria to ensure proper consideration and terms, and also compliance with Section 123 Local Government Act 1972 as amended by The Local Government Act 1972: General Disposal Consent 2003.
- 17.2 Part of the Asset Management Strategy (See section 6 above) contains a policy of Acquisitions and Disposals. The purpose of this policy is to provide guidance and demonstrate transparency and fairness for the acquisition and disposal of property assets and to provide a consistent process to be followed. This policy:
- Acts as reference point for procedural matters.
 - Ensures that the Council is consistent in its dealings.
 - Ensures that best practice is considered.
 - Ensures that the Council meets legislative requirements.
 - Enables efficient and effective responses to purchase requests; and
 - Enables the Council to reduce overall property holding costs.
- 17.3 Regular reviews are undertaken to identify assets that could be used as part of one of the Council's regeneration projects; or be redeveloped, or their use changed to generate additional income. In the absence of adding value or to contain the cost of asset ownership, to declare the asset surplus and maximise the selling price. Furthermore, as part of reviewing the property portfolio the Council may determine to dispose of a commercial asset to reduce its exposure in a particular market sector, geographic location or simply to release capital.
- 17.4 The Council's reviews also involve challenging all property assets and an options appraisal judged against the value and contribution that assets can make to service delivery and corporate objectives. For example, building utilisation can be improved by a combination of agile working and improved work scheduling techniques. Assuming the released space is marketable, the same services can be delivered using less space and therefore securing additional revenue income from the released space.
- 17.5 The asset challenge process will therefore determine which of the following five categories the asset will fall into:
- **Fit for Purpose** - these should be retained and maintained through a programme of planned and reactive maintenance; or
 - **Enhanced Utilisation** – These should be retained; however, utilisation should be re-considered to improve the financial and/or service delivery performance (for example through shared services); or
 - **Major Investment** – The future direction of the building needs to be determined as major works are required; or
 - **Vision Property** – These assets should be retained, undertaking minimum maintenance pending investigation of the development potential of the site. The asset should be developed or disposed when its potential can be maximised; or
 - **Surplus** - Develop or dispose of the asset immediately, in accordance with the Investment Strategy.
- 17.6 Where a disposal is considered the following criteria must be satisfied:

- **Market Testing** - Any sale of an asset should be subject to an open market test where reasonable steps have been taken to identify all interests in acquiring the asset and so to have sought to optimise the value of the sale;
- **Valuation** – Where there is a substantial value to the asset an independent valuation should be sought. For property sales, an independent Royal Institute of Chartered Surveyors’ Red Book” valuation should be undertaken which confirms the value of the sale is at or above the independent valuation;
- **Optimising Value** - The Council should seek to optimise the price paid through considering current and future value and, for property sales for example, applying overage clauses in the sale agreement, where there is a potential for increasing the number of residential units to be built / increased value of the units / land assembly with increased marriage value / etc.

17.7 Any proceeds from the disposal of assets such as land or buildings in excess of £10,000 are determined as a ‘capital receipt’. The sale of assets under this value (small pockets of land, vehicles etc) often brings in income of less than £10,000. This income is classed as ‘revenue income’ and is posted to the revenue income and expenditure account

Consultation

- 18.1 The Council consults on its strategies and provides feedback to the community and a wide variety of interested groups. This is undertaken through, special interest groups (such as Disability Liaison Group, tenants' associations and allotment users), Business Runnymede, other local authorities, other strategic partners, and via the media, social media and our website. This two-way process is informed using relevant performance indicators, benchmarks and detailed outcome reports.
- 18.2 The views obtained inform the development of service strategies and the Corporate Business Plan, which in turn inform the Capital Strategy.
- 18.3 Major capital investment will be in response to evidence-based work, covering need, demographic trends and the appropriate local or user group consultation. Effective ward networks provide an important source of policy and service aspirations.

Appendix A

Investment Management Practices

The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) requires the setting out of the responsibilities and duties of Councilors and officers, allowing a framework for reporting and decision making on all aspects of Investment management. The Investment Management Practices (IIMPs) below set out the way in which the Council will seek to achieve those policies and objectives and prescribe how it will manage and control those activities.

Practice	Title
IMP1	Risk Management
IMP2	Performance measurement
IMP3	Decision making and analysis
IMP4	Reporting requirements and management information arrangements
IMP5	Training and qualifications
IMP6	Use of external service providers

Introduction

As well as the normal day to day treasury management investments (covered by the Treasury Management Strategy), the Council holds service and commercial investments as follows:

- **Service Investments** – investments held clearly and explicitly for the provision of operational services, including regeneration i.e. loans to external organisations that are delivering the Council’s strategic objectives
- **Commercial Investment** – investments undertaken primarily for financial reasons including commercial loans to companies and other organisations, and holding property for a financial return (investment property).

These Investment Management Practices cover the arrangements for these investments.

IMP1 Risk Management

An objective of the Prudential Code is that the risks associated with service and commercial investments are “proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services” In particular, could the authority’s budget survive a major reduction in its income from service and commercial investments if some perform badly or fail?

The Capital & Investment Strategy sets out some of the risks and mitigations in these types of investments in the following paragraphs which cover some the inherent risks in each area:

- Section 6 - Corporate Asset Management Strategy (and the Actual AMS itself)
- Section 9 - Capital finance
- Section 11 - Expenditure on non-treasury investment
- Section 12 - Capital loans
- Section 15 - Risks (many of the risks being equally applicable to Non-treasury related investments)

More detailed analysis of the risks associated with Commercial Investments can be found within the Asset Management Strategy where it acknowledges that a balanced portfolio will include a spread of differing risk profiles in relation to asset classification and differing investment sectors. Section 7 of the Investment Report document contained within the Asset Management Strategy sets out the following range of risks that need to be addressed:

- Financial risks related to the investment of our assets, cash flow and market volatility
- Macroeconomic risks related to the growth or decline of the local economy, interest rates, inflation and the wider national and global economy
- Credit and counterparty risks related to investments, loans to public and private institutions
- Operational risks related to operational exposures within the organisation, its counterparties, partners and commercial interests
- Strategic risks related to key initiatives undertaken by us such as areas of organisational change necessary to enable the Council to meet its goals and objectives, significant capital schemes and major purchases and new ventures
- Reputational risks related to our dealings and interests, and the impact of adverse outcomes on our reputation and public perception
- Environmental and social risks related to the environmental and social impact of our Strategy and interests
- Governance risks related to ensuring that prudence and careful consideration are prominent in Council decision-making, augmented by quality independent advice and appropriate checks to ensure that we have the correct level of oversight, scrutiny and efficiency

Investment property risks, control measures, and mitigations are reported to the Assets and Regeneration Officer Group on a monthly basis

IMP2 Performance measurement

The Council needs to be able to describe to a wide audience the role the investment property portfolio plays in the Council's capital and revenue strategies. The following table sets out the key performance indicators to be reported upon:

Reference	Description	Metric
KPI 001	Net Investment Property Income	Variance from target income showing income and expenditure variations as well as net total
KPI 002	Investment Property Rent Arrears	As a percentage of the total portfolio income – to be taken prior to Quarterly Payment Dates
KPI 003	Vacancy Rates	As a percentage of the total portfolio area in SQ FT
KPI 004	Tenant Retention	Number of renewals completed and tenant breaks not exercised
KPI 005	Income Return (Proportionality)	Investment income as a percentage of all general fund income

Annual Indicators - Capital & Treasury Performance

Reference	Description	Metric
KPI 006	Capital Values	Difference in Capital Values, annually.
KPI 007	Capital Appreciation/Reduction	Difference in Capital Valuations since purchase/construction
KPI 008	Loan to Value ratio	Amount of debt compared to the total asset value
KPI 009	Interest cover ratio	The total net income from property investments compared to the total interest on associated borrowings
KPI 010	Debt cover ratio	The total net income from property investments compared to the total annual MRP and interest on associated borrowings
KPI 011	Average return on investments (Gross)	Rental income divided by Capital Value
	Average return on investments (Net of direct costs)	Rental income net of direct costs (excluding MRP & Interest) divided by Capital Value
	Average return on investments (Net of all direct and financing costs)	Rental income net of costs (including MRP & Interest) divided by Capital Value

These measures will be further developed over time using benchmarking analysis relative to the broader market, based on frequent data via a subscription to MSCI Analytics

IMP3 Decision making and analysis

The Council will maintain full records of its investment management decisions, and of processes and practices applied in reaching those decisions, both for the purpose of learning from the past and for demonstrating that all reasonable steps were taken to ensure that all

issues relevant to those decisions were taken into account at that time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the Asset Management Schedule

IMP4 Reporting requirements and management information arrangements

Reporting of performance is undertaken as part of a Quarterly Investment Property Monitoring report to the Corporate Management and Overview & Scrutiny Committees.

IMP5 Training and qualifications

The Council recognises the importance of ensuring that all staff involved in the management of property are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The present arrangements are set out in the Asset Management Strategy.

IMP6 Use of external service providers

The Council recognises that responsibility for investment decisions remains with the Council at all times. It recognises that there may be potential value of employing external independent and expert advice in order to acquire access to specialist skills and resources to ensure due diligence is suitably robust before any new transactions are entered into.

Where feasible and necessary, the Council ensure that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed.

RUNNYMEDE BOROUGH COUNCIL DRAFT STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS

1. INTRODUCTION

1.1 To support local authorities to deliver more efficient and sustainable services, a time limited flexibility is currently available to use capital receipts from the disposal of property, plant and equipment assets to fund the revenue cost of service reform.

1.2 Under normal rules, capital receipts can only be used to fund capital expenditure such as the purchase of capital assets or improvements to existing assets.

1.3 The Ministry of Housing, Communities and Local Government (MHCLG) have issued an extension to a Direction and published guidance that enables Councils to use income from the sale of certain assets to fund the short-term revenue costs that support Transformation, Invest-to-save and efficiency projects in order to provide revenue savings in the future.

1.4 The strategy has regard to the Guidance on the Flexible Use of Capital Receipts issued by the Secretary of State under Section 15 (1)(a) of the Local Government Act 2003 during March 2016, including only those projects which are designed to generate ongoing revenue savings in the delivery of services and/or transform service delivery in a way that reduces costs or demand for services.

1.5 This strategy sets out the intended use of this flexibility and applies to the financial year 2026/27 and for each subsequent financial year to which the flexible use of capital receipts direction applies (currently 2029/30 is the last year). The Strategy will be updated as part of the annual budget process in subsequent years.

2. BACKGROUND

2.1 Capital receipts can only be used for specific purposes, and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003.

2.2 The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not allowed by the regulations. The Secretary of State is empowered to issue Directions allowing revenue expenditure incurred by local authorities to be treated as capital expenditure and therefore funded by capital receipts.

2.3 The Secretary of State for Communities and Local Government issued a Direction in March 2016, giving local authorities greater freedoms to use capital receipts to finance expenditure, initially up until 2018/19. This allowed local authorities to treat qualifying expenditure on transformation projects as capital expenditure and to fund it from capital receipts received after April 2016.

2.4 Qualifying expenditure was defined as: "Expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners."

2.5 There have been number of extensions to the scheme since 2018/19 and on 18 December 2023 it was confirmed as part of the Provisional Local Government Settlement that the current scheme, which currently applies to expenditure and receipts incurred between 1 April 2022 and 31 March 2025, had been extended to 31 March 2030.

3. FLEXIBLE CAPITAL RECEIPTS STRATEGY

3.1 The Guidance on the Flexible Use of Capital Receipts allows set-up and implementation costs to be counted as qualifying costs, however the on-going revenue costs of new processes or arrangements cannot.

3.2 Only receipts from the disposal of capital assets received between 01 April 2024 and 31 March 2030 are eligible for use to fund the qualifying costs of service reform.

3.3 Enter reasons for request – LGR etc & budget gap.

3.4 Enter the proposed costs, savings & potential use of receipts.

Workstream #001					
Project	Summary	Lead Officer	Anticipated cost of delivery (£'000)	Anticipated annual revenue saving (£'000)	Use of Capital Receipt (Fin Year)
			0	0	

3.5 Service reform projects can still be financed in whole or in part from other resources e.g., the Council Priorities Fund. The Council is not obliged to fund these projects from capital receipts, however, on the approval of this strategy, it will have the option to do so.

3.6 The Council has due regard to the requirements of the Prudential Code and the impact on its prudential indicators from the application of this Flexible Use of Capital Receipts Strategy.

4. MONITORING OF THE STRATEGY

4.1 Projects included in the strategy support the Council's Corporate Business Plan and progress will be monitored regularly as part of the quarterly Financial Monitoring Statements and budgets presented to the Corporate Management Committee.

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