

Report To:	CABINET	Date:	18 FEBRUARY 2019
Heading:	CAPITAL STRATEGY		
Portfolio Holder:	CABINET MEMBER (INWARD), COUNCILLOR ROBERT SEARS-PICCAVEY		
Ward/s:	ALL		
Key Decision:	YES		
Subject to Call-In:	YES		

Purpose of Report

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) updated the Prudential Code for Capital Finance in Local Authorities in December 2017. The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal.
2. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.
3. The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long term financing implications and potential risks to the authority.
4. The Prudential Code sets out that in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a Capital Strategy.
5. The Capital Strategy should set out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

Recommendation(s)

Cabinet recommends to Council:

- 1) Approval of this proposed Capital Strategy;**
- 2) Approval of the proposed non treasury Investment Strategy contained within Appendix 1 to this report, and the annex which documents the process and responsibilities in respect of Commercial Property Investment; and**
- 3) That it notes that subject to the receipt and evaluation of expected CIPFA guidance in respect of Commercial Investment Property acquisitions it may be necessary to submit a revised Capital Strategy for Council approval (see Capital Strategy paragraph 6.2).**

Reasons for Recommendation(s)

The Capital Strategy provides an overarching framework on how capital investment decisions should be undertaken by the Authority. It is a statutory requirement to produce a Capital Strategy from 2019/20.

Alternative Options Considered

To not have a Capital Strategy is not an option as this is a requirement of the CIPFA Prudential Code which all Local Authorities need to observe.

Detailed Information

The proposed Capital Strategy is contained in Appendix 1 and the Investment Property Acquisition Process 2019-2023 is included as Annex 1 to Appendix 1.

It should be noted that currently Local Authorities are awaiting further Guidance from CIPFA in respect of the acquisition of Commercial Investment Properties. Subject to the receipt and evaluation of this guidance it may be necessary to subsequently revise this proposed Strategy and resubmit for Council approval.

A key concern around Local Authorities acquiring Commercial Investment Properties is 'proportionality' – the degree of reliance on rental income to support the provision of local service delivery. Taking into account the net income from these types of investment (after allowing for Minimum Revenue Provision (MRP) and Interest costs), it is considered that the Council's current and proposed investment into Commercial Properties is 'proportionate'. The guidance, once received may provide further clarification around this.

There is always a degree of risk associated with investments, however the Council is risk aware and has robust procedures in place to manage these risks (See Appendix 1 and Annex 1).

Implications

Corporate Plan:

This Capital Strategy will allow delivery of the priorities in the Capital Plan.

Legal:

It is a statutory requirement to produce a Capital Strategy from 2019/20. Relevant statutory powers and requirements are described in the Appendix to this report.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	No direct Financial Implications as result of adopting this Capital Strategy.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
The detailed Capital Strategy is not fit for purpose.	May need refinement over time to reflect potential changes in direction not currently captured by the existing proposed Capital Strategy.

Human Resources:

Not Applicable

Equalities:

Not Applicable

Other Implications:

Not Applicable

Reason(s) for Urgency

Not Applicable

Reason(s) for Exemption

Not Applicable

Background Papers

- CIPFA Prudential Code 2017 Edition
- CIPFA Treasury Management Code 2017 Edition
- Statutory Guidance on Local Government Investments (3rd Edition) Issued under Section 15(1)(a) of the Local Government Act 2003.

Report Author and Contact Officer

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