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| Report To: | AUDIT COMMITTEE |
| Date: | 31ST JANUARY 2022 |
| Heading: | CAPITAL STRATEGY 2022/23 |
| Portfolio Holder: | PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS – CLLR DAVID MARTIN |
| Ward/s: | ALL |
| Key Decision: | Yes |
| Subject to Call-In: | Yes |

Purpose of Report

The Council's Proposed Capital Strategy has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities. The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code in respect to the Capital Strategy are:

1. 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.
2. A requirement 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.
3. To ensure 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.
4. 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.

In accordance with the DLUHC (formerly MHCLG) Statutory Guidance on Local Government Investments (2018), each financial year, a local authority should prepare an Investment Strategy, which should be approved by full Council. The investment strategy must include non-treasury management investments.

The Commercial Property Investment Strategy, included at Annex 1 to the Capital Strategy is this Council's non-treasury management investment strategy.

The DLUHC Guidance and CIPFA's Prudential Property Investment guidance requires the Commercial Property Investment Strategy to include quantitative indicators to allow risk exposure

as a result of its non-treasury management investments to be assessed. The indicators are included as Annex 2.

Recommendation(s)

- 1) for Audit Committee to review and note the contents of the Capital Strategy (CS) for 2022/23 including the Annexes 1-3;
- 2) for Audit Committee to recommend that Cabinet approves the:
 - Capital Strategy
 - Commercial Property Investment Strategy; and
 - Commercial Property Indicators.

Reasons for Recommendation(s)

It is a requirement of the CIPFA Prudential Code for all Local Authorities to have a Capital Strategy approved by Full Council.

DLUHC Statutory Guidance on Local Government Investments require that the Council has an Investment Strategy that covers non-treasury management investments and includes quantitative indicators approved by Full Council.

Alternative Options Considered

None. It is a requirement of the CIPFA Prudential Code for all Local Authorities to have a Capital Strategy and a requirement of DLUHC Statutory Guidance on Local Government Investments to have an Investment Strategy covering non-treasury management investments.

Detailed Information

The proposed Capital Strategy is contained in Appendix 1. There are three Annexes to Appendix 1 of the report which are:

1. Annex 1 describes the Commercial Property Investment Strategy.
2. Annex 2 details the Commercial Investment Property indicators which are required by DLUHC guidance and CIPFA .
3. Annex 3 shows the process previously used when we acquired Commercial Investment Properties.

The strategy has been refreshed and updated for 2022/23. Changes made to Annex 1 are highlighted yellow. Annex 2 the Commercial Investment Property indicators have been recalculated for the actual 2020/21 performance, latest forecast for 2021/22 and latest estimates for 2022/23 onwards.

CIPFA issued a revised Prudential Code in December 2021 this states that authorities “must not borrow to invest primarily for financial return”. It also says that it is not prudent for them to make any investment or spending decision that could increase the need for borrowing, unless related to the functions of the authority and where financial returns are “either related to the financial viability of

the project in question or otherwise incidental to the primary purpose". Therefore, the changes in the code are aligned to the decision to remove any further investment property purchases from our Capital Programme and Capital Strategy from 2021/22.

Full compliance with the revised Prudential Code is required from 2023/24. The other changes are being reviewed but are not expected to have a material impact, they will be implemented in the Capital Strategy 2023/24.

Implications

Corporate Plan:

This Capital Strategy will allow delivery of the priorities in the Capital Programme, which is aligned to the Corporate Plan.

Legal:

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

Finance:

| Budget Area | Implication |
|---|--------------------|
| General Fund – Revenue Budget | No implications |
| General Fund – Capital Programme | No implications |
| Housing Revenue Account – Revenue Budget | No implications |
| Housing Revenue Account – Capital Programme | No implications |

Risk:

| Risk | Mitigation |
|--|---|
| The detailed Capital Strategy is not fit for purpose | The Capital Strategy is reviewed and updated annually for changes in direction and changes to guidance and legislation. |

Human Resources:

None

Environmental/Sustainability

None

Equalities:

None

Background Papers

- CIPFA Prudential Code 2017 Edition
- CIPFA Treasury Management Code 2017 Edition
- CIPFA Prudent Property Investment
- Statutory Guidance on Local Government Investments (3rd Edition) Issued under Section 15(1)(a) of the Local Government Act 2003.
- Statutory Guidance on Minimum Revenue Provision Issued under Section 21(1A) of the Local Government Act 2003.

Report Author and Contact Officer

Bev Bull

Chief Accountant

B.Bull@Ashfield.gov.uk

01623 457424