

<b>Report To:</b>	<b>AUDIT COMMITTEE</b>	<b>Date:</b>	<b>1st FEBRUARY 2021</b>
<b>Heading:</b>	<b>CAPITAL STRATEGY</b>		
<b>Portfolio Holder:</b>	<b>COUNCILLOR RACHEL MADDEN – CABINET MEMBER FOR FINANCE</b>		
<b>Ward/s:</b>	<b>ALL</b>		
<b>Key Decision:</b>	<b>YES</b>		
<b>Subject to Call-In:</b>	<b>YES</b>		

### **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 MHCLG revised 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 MHCLG 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 2021/22 including the Annexes 1-3;
- 2) For Audit Committee to recommend that Cabinet and Council approves the:
  - Capital Strategy
  - Commercial Property Investment Strategy;
  - 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.

MHCLG 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 MHCLG 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 MHCLG guidance and CIPFA .
3. Annex 3 shows the process for acquiring Commercial Investment Properties.

The strategy has been refreshed and updated for 2021/22. The main changes are to reflect that the current capital programme (to be approved February 2021) does not include any plans for further Commercial Property Investment, the last acquisition was made on 2<sup>nd</sup> April 2020. This is to ensure the Council maintains access to PWLB as a borrowing source for its capital plans. Annex 3 - the acquisition process for Commercial Investment Properties remains included to demonstrate the process the Council used for acquiring its current Investment Property portfolio.

### **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	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

**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:**

Not applicable.

**Environmental/Sustainability**

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

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