

Notice of Meeting

Cabinet

Date: Wednesday 11 March 2020

Time: 5.30 pm

Venue: The Annexe, Crosfield Hall, Broadwater Road, Romsey, Hampshire
SO51 8GL

For further information or enquiries please contact:

Emma Horbury - 01264 368001
ehorbury@testvalley.gov.uk

Legal and Democratic Service

Test Valley Borough Council,
Beech Hurst, Weyhill Road,
Andover, Hampshire,
SP10 3AJ

www.testvalley.gov.uk

This is formal notice under The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 that part of this meeting may be held in private because the agenda and reports for the meeting may contain exempt information under Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it.

PUBLIC PARTICIPATION SCHEME

If members of the public wish to address the meeting they should notify the Legal and Democratic Service at the Council's Beech Hurst office by noon on the working day before the meeting.

Membership of Cabinet

MEMBER

WARD

Councillor P North (Chairman)	Bourne Valley
Councillor N Adams-King (Vice-Chairman)	Blackwater
Councillor P Bundy	Chilworth, Nursling & Rownhams
Councillor D Drew	Harewood
Councillor M Flood	Anna
Councillor I Jeffrey	Mid Test
Councillor A Johnston	Mid Test
Councillor T Tasker	Andover Romans

Cabinet

Wednesday 11 March 2020

AGENDA

**The order of these items may change as a result of members
of the public wishing to speak**

- 1 Apologies**
- 2 Public Participation**
- 3 Declarations of Interest**
- 4 Urgent Items**
- 5 Minutes of the meeting held on 12 February 2020**
- 6 Recommendations of the Overview and Scrutiny Committee: None**
- 7 Public Spaces Protection Orders 4 - 25**

Corporate
This report sets out the proposed terms of the new Public Spaces Protection Orders and seeks approval of the process for consultation and the making of those new orders.
- 8 Write off of uncollectable debts 26 - 28**

Finance
To seek approval for the write off of uncollectable debts.
- 9 Capital Strategy 2019/20 - 2024/25 29 - 43**

Finance
To consider the Capital Strategy for 2019/20 to 2024/25.

- 1.5 If the Council wishes to have the continued protection of orders, new orders must therefore be made by that date. A project team consisting of officers from the Community and Leisure, Housing and Environmental Health, Environmental and Legal Services have considered the scope of the existing orders and complaints and evidence of nuisance, culminating in the draft orders annexed to this report.
- 1.6 PSPOs must be evidence-based. They must be made only in response to existing nuisance or where there is real evidence that nuisance is likely to occur. Orders cannot be properly made on a pre-emptive basis. In coming to the recommendations contained in the draft orders, the project team has considered and had regard to evidence obtained from Council Services, the police, members of the public and the business community. A PSPO must identify the area to which it relates and can make positive requirements or prohibitions within that area.
- 1.7 In order to properly issue a PSPO, an Authority must be satisfied that two conditions are met. Firstly, that:
- (a) activities carried on in a public place within the Authority's area have had a detrimental effect on the quality of life of those in the locality; or
 - (b) it is likely that activities will be carried on in a public place within that area and that they will have that effect.
- Secondly, that the effect of the activities:
- (a) is or is likely to be of a persistent or continuing nature;
 - (b) is or is likely to be such as to make the activities unreasonable; and
 - (c) justifies the restrictions imposed.
- 1.8 In deciding whether to make, vary or discharge a PSPO an Authority must carry out certain consultation, notification and publicity. The necessary statutory consultation includes consultation of:
- (a) the Chief of Police or local policing body for the area in question;
 - (b) whatever community groups the Council thinks it appropriate to consult; and
 - (c) the owner or occupier of land within the restricted area, if , or to the extent that it is reasonably practicable to consult with the owner.
- 1.9 The necessary notification includes parish or community Councils within the area of the proposed orders and the County Council.
- 1.10 Existing orders

Test Valley Borough Council has three orders currently in force which transitioned to PSPOs in October 2017. These are:

- (a) Public Spaces Protection Order dated 25th July 2003 which came into effect on 4th August 2003 (formerly a Designated Public Place Order).
- (b) Public Spaces Protection Order dated 1st July 2008 which came into effect on 1st August 2008 (formerly a Designated Public Places Order).
- (c) Public Spaces Protection Order dated 24th October 2006 which came into effect on 14th November 2006 (formerly a Dog Control Order).

Copies of these orders are attached as Annexes 1, 2 and 3 respectively.

1.11 Looking at the current orders in more detail:

- (a) The PSPO dated 25th July 2003 (effective 4th August 2003) relates to various roads, car parks, footpaths and other areas in Andover. It permits an authorised person where they believe that a person has been drinking or intends to drink intoxicating liquor in a public place to:
 - a. require the person not to consume alcohol:
 - b. surrender any alcohol or container for alcohol: and
 - c. gives authority for disposal of anything so surrendered.
- (b) The PSPO dated 1st July 2008 which came into effect on 1st August 2008 effectively brought further locations in the Borough within the scope of the 2003 order to the extent that they weren't already; namely the following (pre-Community Governance Review) Wards Romsey (Abbey), Romsey (Cupernham), Romsey (Tadburn), Romsey Extra, North Baddesley, Valley Park, Chilworth Nursling and Rownhams, Andover (Alamein), Andover (Harroway), Andover (Millway), Andover (Winton) and Andover (St Mary's).
- (c) The PSPO dated 24th October 2006 which came into effect on 14th November 2006 made it a criminal offence for any person in control of a dog to fail without reasonable cause to pick up after the dog had fouled. This order applies to all land (with limited exceptions) within the Test Valley Borough Council area which is open to the air and to which the public has access.

1.12 Proposed terms of new orders

It is proposed that two new PSPOs are made, one dealing with anti-social behaviour (including alcohol related issues) and one dealing with dog control issues. The opportunity has been taken to reconsider the terms of the orders and updated provisions are proposed where supported by evidence.

A copy of the proposed PSPO covering anti-social behaviour (including alcohol issues) is attached at Annex 4 to this report and the proposed order covering dog-related issues at Annex 5.

1.13 Proposed PSPO covering alcohol and anti-social behaviour

It is proposed that the new order deals with the following issues in the following ways:

- (i) Alcohol – that the terms of the existing order are retained. Namely that it will be an offence for a person to consume alcohol where required not to by an authorised person and to surrender alcohol when required. It is proposed that the order remains applicable to the geographical area covered by the ‘old’ named wards but to avoid confusion to make reference to that area by way of a red line on plans rather by reference to Ward names.
- (ii) Harassment – It is proposed that this prohibition applies to the area of central Andover shaded pink on Plan C to the proposed order. The extent of this area includes the Bus Station, the Chantry Centre, the High Street and Pocket Park and an area extending to and including the underpass to the West of the old Magistrates Court building. It is proposed that the following are prohibited within the defined area:
 - a. harassment, intimidation of residents, businesses or members of the public;
 - b. acting or inciting others to act in an anti-social manner i.e. a manner likely to cause harassment, alarm or distress to another person;
 - c. urination or defecation in an open public place.

It is also proposed that an authorised person may request that an individual or group disperse where they reasonably suspect that any person within that group is causing or likely to cause nuisance, alarm, harassment or distress to any other person and that having been required so to leave or disperse such persons shall be prohibited from remaining in the area.

1.14 Proposed PSPO covering dog control issues.

It is proposed that the new order applies to the whole of the Test Valley Borough Council area (as currently) and includes the following provisions:

- (i) A requirement (subject to limited exceptions) on a person in control of a dog to remove that dog’s mess from the land after fouling.
- (ii) That an authorised person may require a person in control of a dog to put that dog on a lead. Such a direction may be given if it is reasonably necessary to prevent a nuisance or behaviour by the dog that is likely to cause annoyance or disturbance to any other person, animal or bird.
- (iii) A prohibition on taking a dog into any enclosed children’s play area or enclosed sports facility.

- 1.15 Breach of a PSPO without reasonable excuse is a criminal offence and can be dealt with by way of a fixed-penalty notice ('FPN') or by prosecution.
- 1.16 Orders can last for a maximum of three years after which they will either need to be re-made or can be extended for a period not exceeding a further three years. Orders may be varied at any time where supported by evidence and subject to following the prescribed process.

2 Corporate Objectives and Priorities

- 2.1 Maximising the Council's ability to deal with anti-social behaviour or behaviour which has a detrimental effect on the quality of life of those in the locality cuts right across the Council's priorities of enabling our town centres to adapt and be attractive, vibrant and prosperous places, our communities to be empowered, connected and to build upon their strengths, enabling our people to be able to live well and fulfill their aspirations and last but not least, looking after our local environment for current and future generations.

3 Consultations

- 3.1 The recommendation includes commencement of consultation which will comply with the requirements of the Antisocial Behaviour, Crime and Policing Act 2014. All representations received through the consultation process will be considered when making the final PSPOs.

4 Options

- 4.1 There are two options:
- 4.2 Option 1. Do nothing. In which case, the existing orders would fall away on 20th October 2020 and the Borough would be without the protection of Public Spaces Protection Orders.
- 4.3 Option 2. To put in place measures to introduce new, updated Public Spaces Protection Orders which would come into force prior to the expiry of the old orders providing a seamless transition to the new orders.

5 Option Appraisal

- 5.1 Option 1 is not recommended. To allow the existing orders to fall away and not to take the opportunity to update the Council's Public Space Protection Orders would not be in the Borough's best interests. Option 2 presents an opportunity to consult on and introduce up to date and evidence-based Orders, providing the Borough with the maximum protection afforded by the legislation and is therefore the recommended option.

6 Risk Management

- 6.1 An evaluation of the risks indicate that the existing controls in place mean that no significant risks have been identified at this time.

7 Resource Implications

- 7.1 There are no resource implications other than officer time and where necessary updating signage which can be accommodated within existing budgets where necessary.

8 Legal Implications

- 8.1 There are no legal implications of introducing new PSPOs save that the Council will have the benefit of up to date orders.

9 Equality Issues

- 9.1 An Equality Impact Assessment has been carried out and identifies no potential for discrimination or adverse impact on those with protected characteristics. The Assessment will be updated in the light of consultation responses received.

10 Other Issues

- 10.1 None are identified.

11 Conclusion and reasons for recommendation

- 11.1 It is recommended that the recommendations set out at the start of this report are approved to ensure that the Council can make effective use of the powers under the Anti-Social Behaviour Crime and Policing Act 2014.

Background Papers (Local Government Act 1972 Section 100D)

Public Spaces Protection Order dated 25th July 2003, Public Spaces Protection Order dated 1st July 2008, Public Spaces Protection Order dated 24th October 2006 and the Draft Orders annexed to this report.

Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	5	File Ref:	N/A
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(Portfolio: Corporate) Councillor Tasker

Officer:	Karen Dunn	Ext:	8401
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Report to:	Cabinet	Date:	11 March 2020
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The Test Valley Borough Council, being satisfied that:

- a) nuisance or annoyance to members of the public or a section of the public; or
- b) disorder

has been associated with the consumption of intoxicating liquor within the area of Andover Town Centre more particularly described in the Schedule hereto and shown coloured pink on the Plan annexed hereto, hereby make the following order:-

Pursuant to the provisions of Section 13(2) of the Criminal Justice and Police Act 2001 that part of Andover Town Centre more particularly described in the Schedule hereto and shown coloured pink on the Plan annexed hereto is hereby identified as a designated public place for the purposes of Section 13(1) of the said Act.

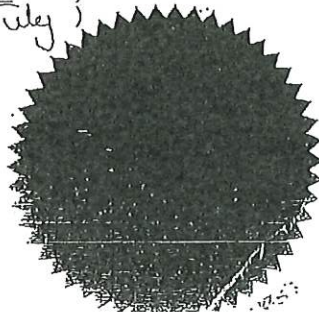
In the event of any discrepancy between the Schedule and the Plan as to the extent of the public place designated by this Order, the Plan shall prevail.

This order shall take effect on the 4th day of August 2003

THE COMMON SEAL OF THE BOROUGH COUNCIL
TEST VALLEY was hereunto affixed this 25th day of July 2003



Borough Councillor



THE SCHEDULE

Roads:

Western Avenue (from its junction with Chantry Street to its junction with Eastern Avenue)
Chantry Street
West Street
Portland Grove
Waterloo Court
Bridge Street
High Street (from its junction with Bridge Street to its junction with Chantry Street)
Newbury Street
Kings Yard
George Yard
Eastern Avenue
Borden Gates
Westbroke Close
Savoy Close
London Street (from its junction with Bridge Street to its junction with Eastern Avenue)
Winchester Street (from its junction with London Street to its junction with Western Avenue)
South Street (from its junction with Eastern Avenue to a point under Western Avenue)

Car Parks

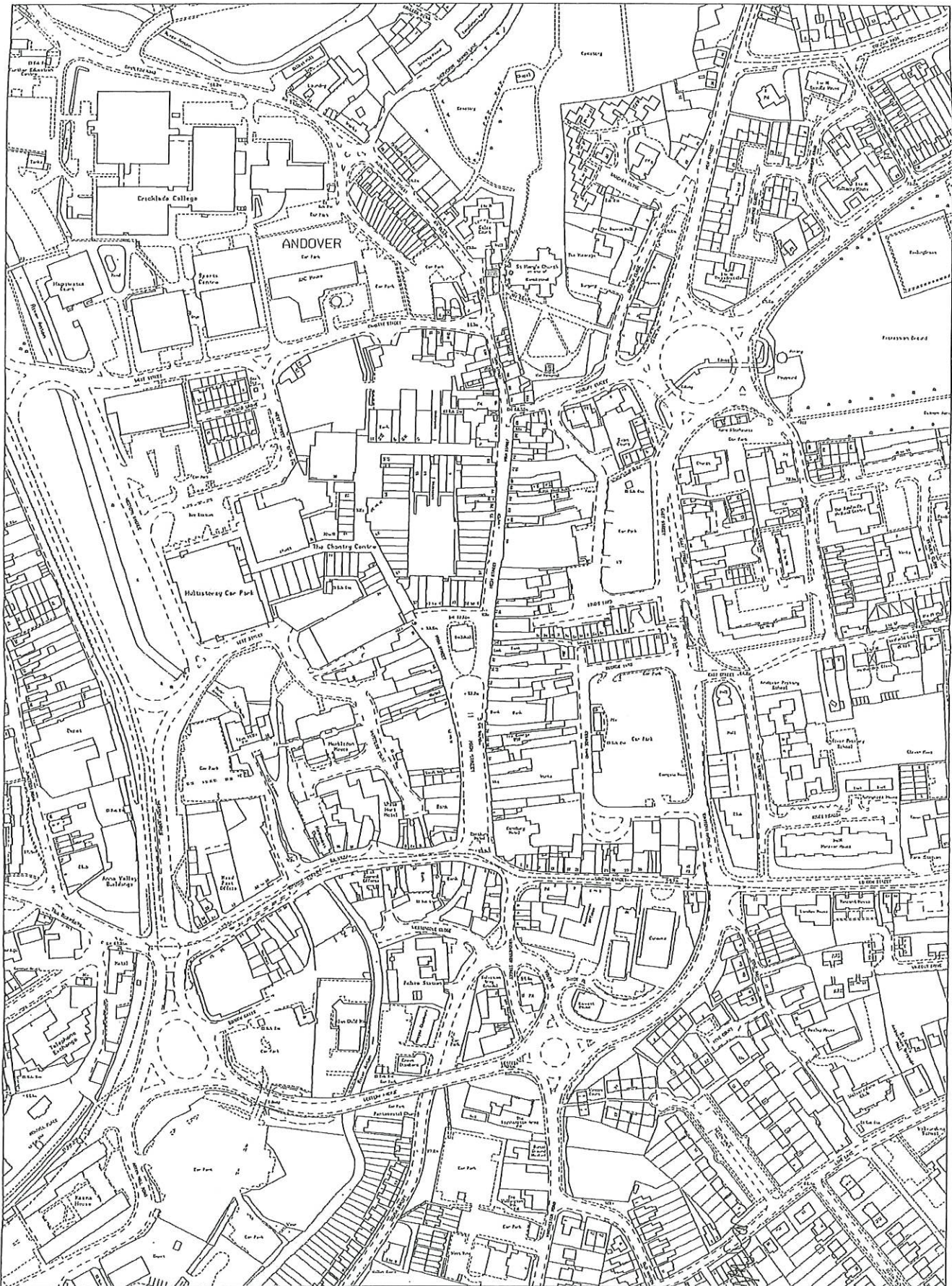
End of Bridge Street
Borden Gates Car Park
South Street Car Parks
George Yard Car Park
East Street Car Park
Multi-storey Car Park
Lidl Car Park
Iceland Car Park

Footpaths

Black Swan Yard
Footpath between Kings Yard and High Street
Upper High Street footpath
Union Street
Footpath between George Yard and High Street
Shaws Walk
Footpath between High Street and Waterloo Court (adjacent Chantry Centre)
Globe Yard
Walkway through H.S.A. building

Chantry Centre

Town Mills Open Space – area bounded by Western Avenue and Waterloo Court



SCALE 1:2500
DATE 12th March 2003

TITLE Plan Showing Area of Proposed Alcohol Ban

DRAWN I.D.M.
FILE No. 03 SHEET 1/20

TEST VALLEY
BOROUGH COUNCIL
TELEPHONE 01263 82300
FACSIMILE 01263 82301
ADDRESS: 100, MARKET PLACE, ANDOVER, HANTS GU10 2JG
TEL: 01263 82300 FAX: 01263 82301

TEST VALLEY BOROUGH COUNCIL
CRIMINAL JUSTICE AND POLICE ACT 2001
AND VIOLENT CRIME REDUCTION ACT 2006
THE BOROUGH OF TEST VALLEY DESIGNATED PUBLIC PLACES ORDER 2008

THE TEST VALLEY BOROUGH COUNCIL ("the Council"), being satisfied that

- (a) nuisance or annoyance to members of the public or a section of the public; or
- (b) disorder

has been associated with the consumption of alcohol within those parts of its area more particularly detailed in the Schedule hereto, hereby make the following Order:-

PURSUANT TO the provisions of Section 13(2) of the Criminal Justice and Police Act 2001 (as amended) ("the Act") those parts of the Borough of Test Valley more particularly detailed in the Schedule hereto are hereby identified as designated public places for the purposes of Section 13(1) of the Act

This Order shall take effect on the 1st day of August 2008

THE SCHEDULE
Designated Public Places

All public places within the following wards namely

- Romsey (Abbey)
- Romsey (Cupernham)
- Romsey (Tadburn)
- Romsey Extra
- North Baddesley
- Valley Park
- Chilworth, Nursling and Rownhams

Andover (Alamein)

Andover (Harroway)

Andover (Millway)

Andover (Winton) except for those public places designated as such in the Order made by the Council on 25 July 2003 pursuant to Section 13(2) of the Criminal Justice and Police Act 2001 in respect of public places within Andover Town Centre

Andover (St Mary's) except for those public places designated as such in the Order made by the Council on 25 July 2003 pursuant to Section 13(2) of the Criminal Justice and Police Act 2001 in respect of public places within Andover Town Centre

Charlton

THE COMMON SEAL OF THE BOROUGH COUNCIL)
OF TEST VALLEY was hereunto affixed this first day July 2008)

Sandra Hawke

Member

S. Gray
Authorised Officer Signatory



THE FOULING OF LAND BY DOGS (BOROUGH OF TEST VALLEY)
ORDER 2006

THE TEST VALLEY BOROUGH COUNCIL hereby makes the following Order:

1. This Order comes into force on 14th November 2006.
2. This Order applies to the land specified in the Schedule.

OFFENCE

3. (i) If a dog defecates at any time on land to which this Order applies and a person who is in charge of the dog at that time fails to remove the faeces from the land forthwith, that person shall be guilty of an offence unless
 - (a) he has a reasonable excuse for failing to do so; or
 - (b) the owner/occupier or other person or authority having control of the land has consented (generally or specifically) to his failing to do so.
- (ii) Nothing in this Article applies to a person who
 - (a) is registered as a blind person in a Register compiled under Section 29 of the National Assistance Act 1948; or
 - (b) has a disability which affects his mobility, manual dexterity, physical co-ordination or ability to lift, carry or otherwise move everyday objects in respect of a dog trained by a prescribed charity and upon which he relies for assistance.
- (iii) For the purposes of this Article
 - (a) a person who habitually has a dog in his possession shall be taken to be in charge of the dog at any time unless at that time some other person is in charge of the dog;
 - (b) placing the faeces in a receptacle on the land which is provided for the purpose, or for the disposal of waste, shall be a sufficient removal from the land;
 - (c) being unaware of the defecation (whether by reason of not being in the vicinity or otherwise), or not having a device for

- (d) each of the following is a prescribed charity
- (i) Dogs for the Disabled (registered charity number : 700454);
 - (ii) Support Dogs (registered charity number : 1088281);
 - (iii) Canine Partners for Independence (registered charity number : 803680).

4. **PENALTY** A person who is guilty of an offence under Article 3 shall be liable on summary conviction to a fine not exceeding level 3 on the standard scale.

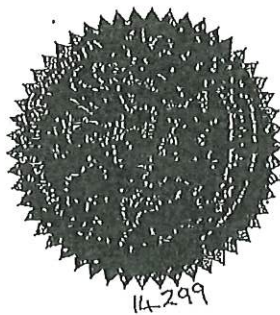
THE SCHEDULE

All land within the administrative area of the Borough of Test Valley which is open to the air and to which the public are entitled or permitted to have access (with or without payment), but excluding

- (a) any land designated under sub-section 3 of Section 57 of the Clean Neighbourhoods and Environment Act 2005; and
- (b) any land in respect of which notice has been given in accordance with sub-section 5 of Section 57 of that Act

and for the purposes of this Order any land which is covered is to be treated as land which is "open to the air" if it is open to the air on at least one side.

THE COMMON SEAL OF TEST VALLEY
BOROUGH COUNCIL was hereunto affixed)
 this 24th day of October 2008 in the)
 presence of:-)



Member *[Signature]*
 Authorised Officer Signatory *[Signature]*

Public Spaces Protection Order Test Valley Borough Council 2020

Test Valley Borough Council, (in this order called “the Authority”), in exercise of the power under Section 59 of the Anti-social Behaviour, Crime and Policing Act 2014 (“the Act”) being satisfied that the conditions set out in section 59 of the Act have been met hereby make the following order:

**This Order comes into force on XXXX
The Order remains in force for a period of 3 years under
Section 60 of the Anti-social Behaviour, Crime and Policing Act 2014**

It is an offence under Section 63 of the Anti-social Behaviour, Crime and Policing Act 2014 for any person to fail to comply with a requirement under PART 1 and 2 of this Order or do anything a requirement prohibits them from doing under PART 2 of this Order

It is an offence under Section 67 of the Anti-social Behaviour, Crime and Policing Act 2014 for any person to fail to comply with a requirement under PART 1 and 3 of this Order or do anything a requirement prohibits them from doing under PART 3 of this Order

PART 1

1. ORDER REQUIREMENTS

Within these Order Requirements:

(a) An “authorised person” means a Police Officer, an authorised Police Community Support Officer, an authorised Police Community Support Volunteer, an authorised employee of Test Valley Borough Council or a person who is authorised by Test Valley Borough Council for the purposes of giving directions under this Order.

(b) The provisions of Part 2 of this Order apply to all public places contained in the areas edged red on Plans A and B attached to and forming part of this Order.

(c) The provisions of Part 3 of this Order apply to all public places in Andover Town Centre contained in the area edged red on Plan C attached to and forming part of this Order.

PART 2

2A. CONSUMPTION OF ALCOHOL

A person shall not consume alcohol or anything reasonably believed to be alcohol when required to cease such consumption by an authorised person.

2B. SURRENDER OF ALCOHOL & ALCOHOL CONTAINERS

A person shall surrender anything in their possession which is, or reasonably believed to be, alcohol or a container for alcohol when requested to do so, to and by, an authorised person.

PART 3

3A. HARRASSMENT

- (a) A person shall not harass or intimidate residents, businesses or members of the public.
- (b) A person shall not act, or incite others to act, in an anti-social manner, that is to say a manner that is likely to cause harassment, alarm or distress to any person.
- (c) An authorised person may request that an individual or a group within the area defined on Plan C shall disperse, where they reasonably suspect any person within that group is causing, or is likely to cause nuisance, alarm, harassment or distress to any other person.
- (d) A person is prohibited from remaining (either individually or in a group of two or more people) within the area defined on Plan C after an authorised person has requested that they leave the area or disperse.

3B. PUBLIC HEALTH

A person shall not urinate or defecate in an open public place within the area defined on Plan C.

PENALTIES FOR BREACH OF THIS PUBLIC SPACES PROTECTION ORDER

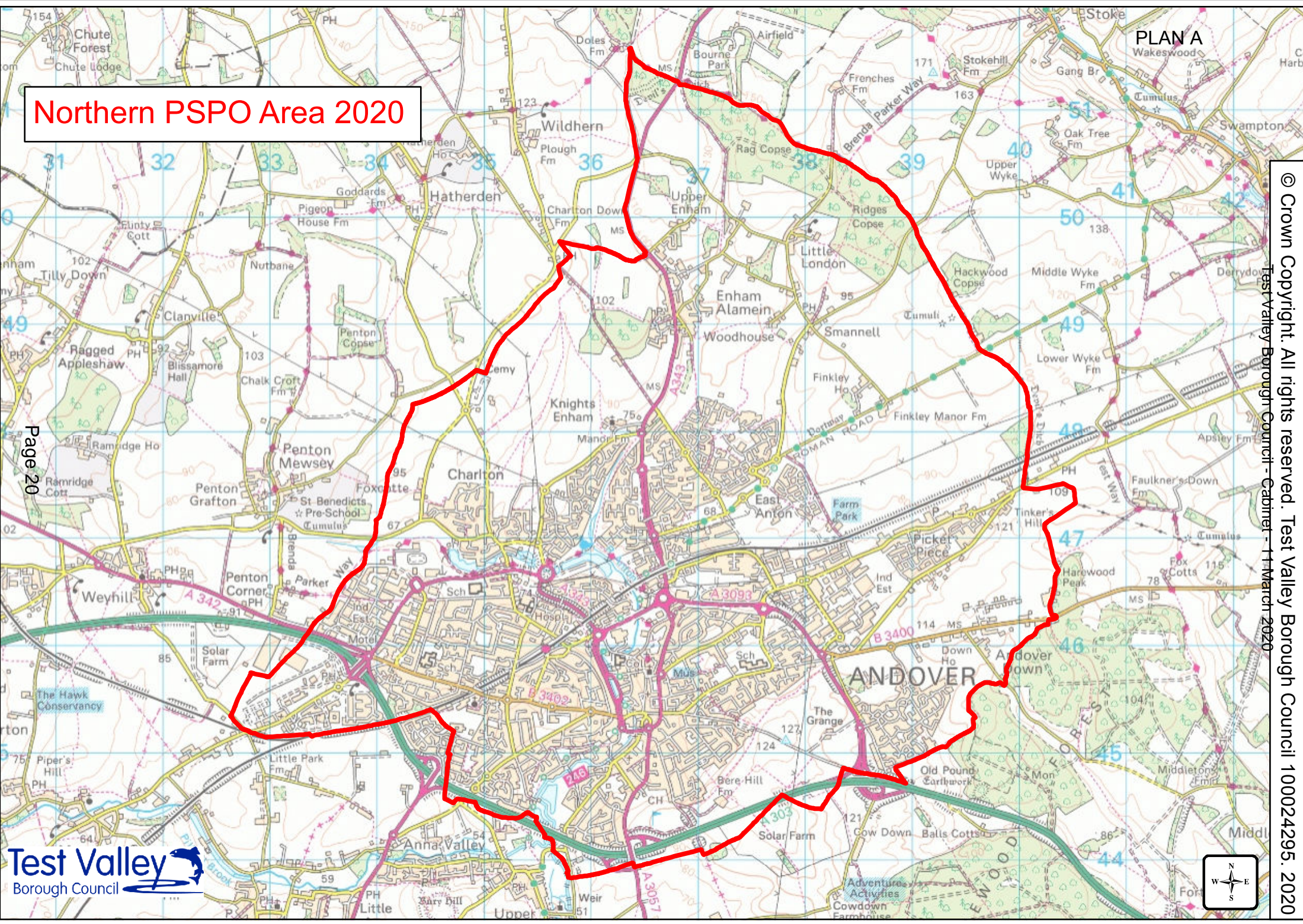
Breach of the order, without reasonable excuse is a criminal offence, subject to a fixed penalty notice (of £100) or prosecution. If a fixed penalty remains unpaid after the time allowed by statute, then the offender will be liable to prosecution.

For Breach of Part 2: On summary conviction, an individual is liable to a fine not exceeding Level 2 on the standard scale

For Breach of Part 3: On summary conviction, an individual is liable to a fine not exceeding Level 3 on the standard scale

Northern PSPO Area 2020

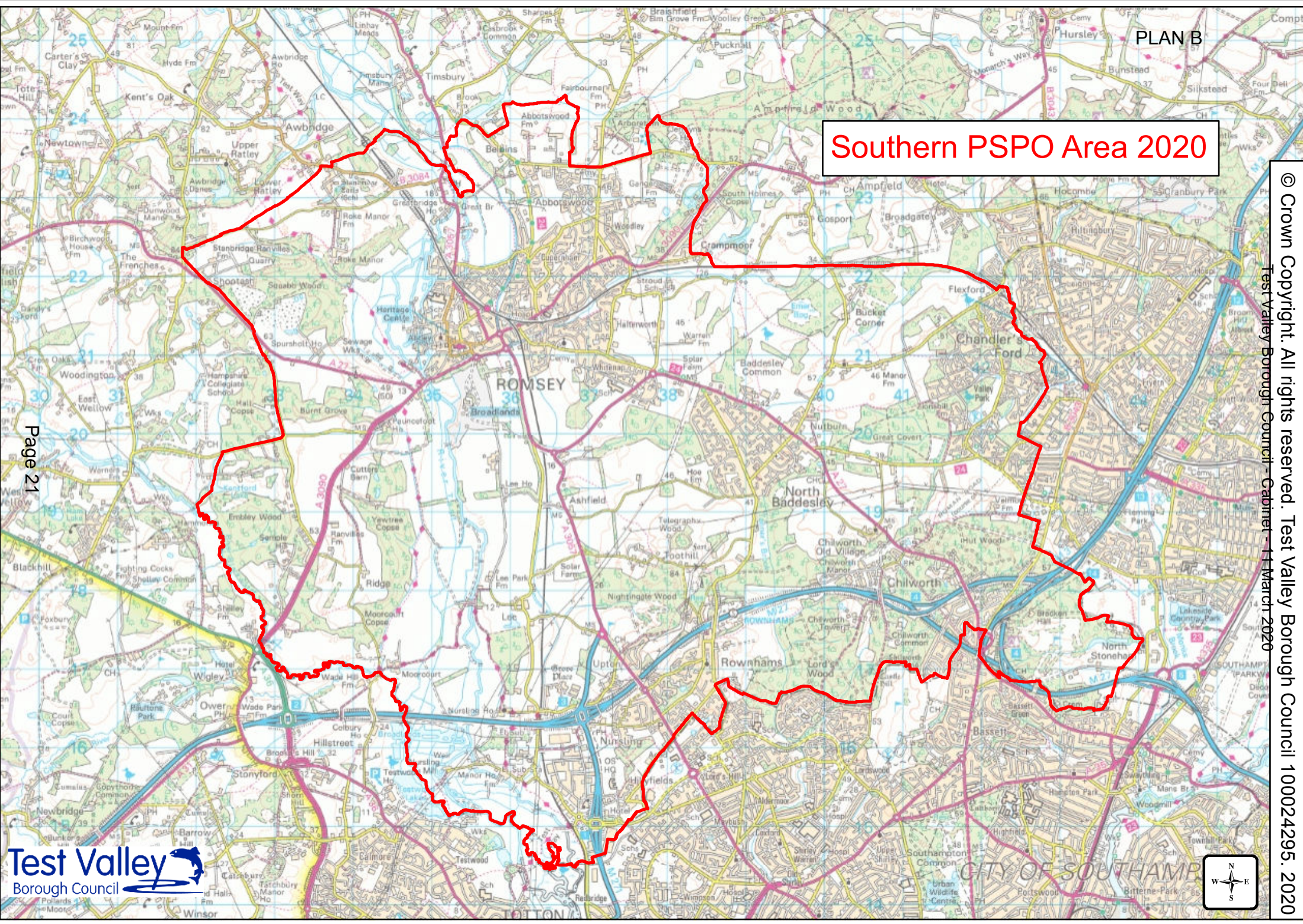
PLAN A
Wakeswood



Page 20

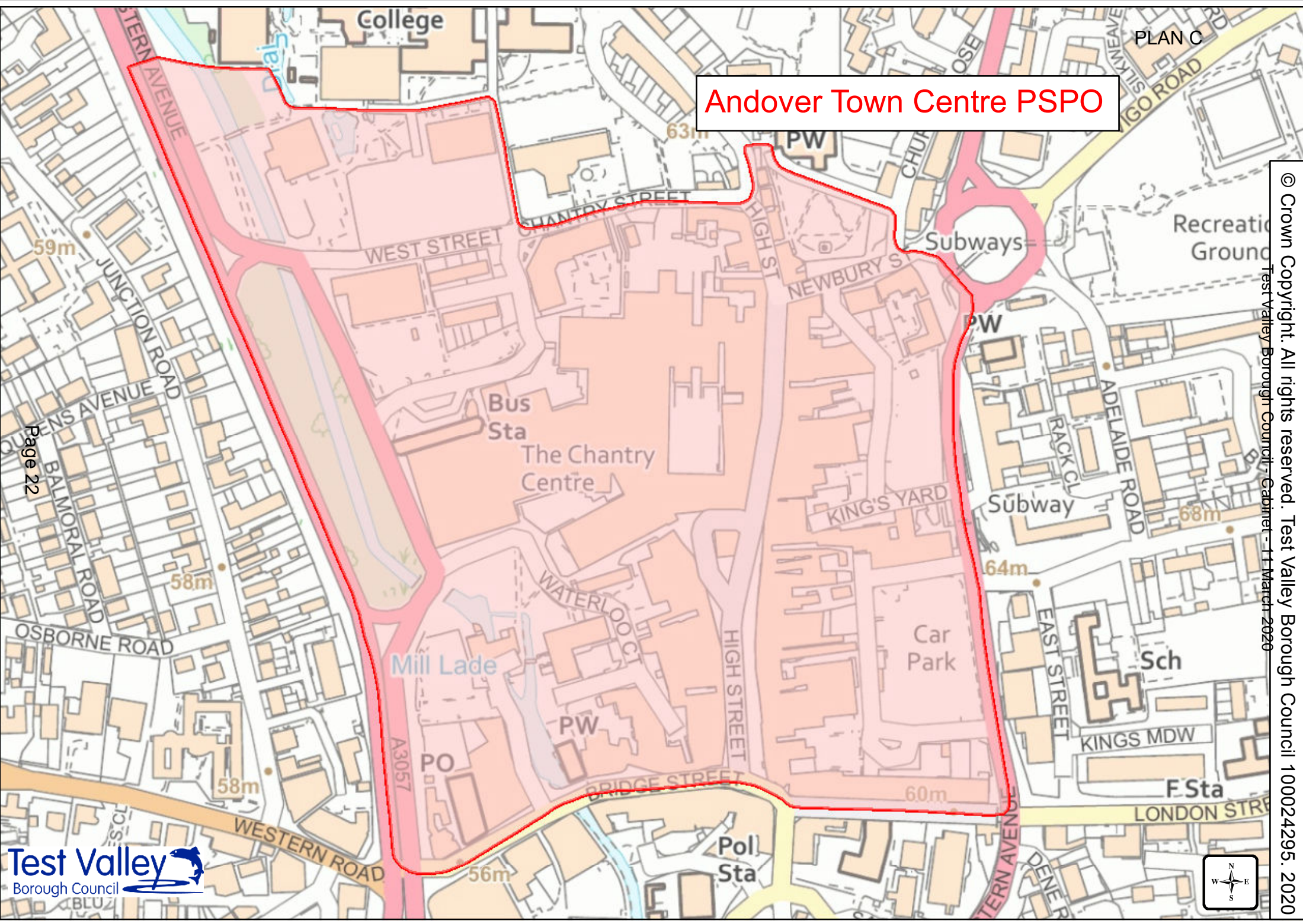


Southern PSPO Area 2020



Andover Town Centre PSPO

PLAN C



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Test Valley Borough Council - Cabinet - 11 March 2020



Public Spaces Protection Order – Dog Control Test Valley Borough Council 2020

Test Valley Borough Council, (in this order called “the Authority”), in exercise of the power under Section 59 of the Anti-social Behaviour, Crime and Policing Act 2014 (“the Act”) being satisfied that the conditions set out in section 59 of the Act have been met hereby make the following order:

**This Order comes into force on
The Order remains in force for a period of 3 years under
Section 60 of the Anti-social Behaviour, Crime and Policing Act 2014**

It is an offence under Section 67 of the Anti-social Behaviour, Crime and Policing Act 2014 for any person to fail to comply with a requirement under this Order or do anything a requirement prohibits them from doing under this Order

1. ORDER REQUIREMENTS

Within these Order Requirements:

- (a) A person who habitually has a dog in his possession shall be taken to be in charge of the dog at any time unless at that time some other person is in charge of the dog;
- (b) An “authorised person” means a Police Officer, an authorised Police Community Support Officer, an authorised Police Community Support Volunteer, an authorised employee of Test Valley Borough Council or person who is authorised by Test Valley Borough Council for the purposes of giving directions under this Order.

1A. FOULING OF LAND BY DOGS

- (a) This part of the Order applies to all public places within the Borough of Test Valley plus those mentioned in 1A(c) (i) and (ii).
- (b) If a dog defecates at any time on land to which the public or any section of the public has access, on payment or otherwise, as of right or by virtue of express or implied permission then the person who is in charge of the dog at the time shall remove the faeces from the land forthwith.
- (c) If a dog defecates at any time on any land belonging to:
 - (i) Test Valley Borough Council, or
 - (ii) on land belonging to any other person where the person who is in charge of the dog does not have permission to allow their dog on said third party’s land

then the person who is in charge of the dog at the time shall remove the faeces from the land forthwith.

(d) Placing the faeces in a receptacle on the land which is provided for the purpose, or for the disposal of waste, shall be sufficient removal from the land.

(e) Being unaware of the defecation (whether by reason of not being in the vicinity or otherwise), or not having a device for or other suitable means of removing the faeces shall not be a reasonable excuse, as per section 2(a)(i) of this Order, for failing to remove the faeces.

1B. LEADS BY ORDER

(a) This part of the Order applies to all public places within the Borough of Test Valley.

(b) A person in charge of a dog shall comply with a direction given to him by an authorised person to put and keep the dog on a lead.

(c) An authorised person may only give a direction under this order if such restraint is reasonably necessary to prevent a nuisance or behaviour by the dog that is likely to cause annoyance or disturbance to any other person, or to a bird or another animal.

1C. EXCLUSION

(a) A person in charge of a dog shall not take the dog into any enclosed childrens' play areas or any enclosed sports facilities in the borough of Test Valley.

2. GENERAL DEFENCES

(a) It shall be a defence to offences arising under sections 1A, 1B and 1C if the person:

- (i) has reasonable excuse for failing to comply with the relevant section; or
- (ii) the owner, occupier or other person or authority having control of the land has consented (generally or specifically) to his failing to do so.

3. EXEMPTIONS

Nothing in this order shall apply to a person who –

(a) is registered as a blind person in a register compiled under section 29 of the National Assistance Act 1948; or

(b) has a disability which affects his mobility, manual dexterity, physical coordination or ability to lift, carry or otherwise move everyday objects, in respect of a dog trained by a prescribed charity and upon which he relies for assistance.

- Each of the following is a "prescribed charity" –
 - Dogs for the Disabled (registered charity number 700454)
 - Support Dogs Limited (registered charity number 1088281)

- Canine Partners for Independence (registered charity number (803680))

4. PENALTY

Breach of the order, without reasonable excuse is a criminal offence, subject to a fixed penalty notice (of £100) or prosecution. If a fixed penalty remains unpaid after the time allowed by statute, then the offender will be liable to prosecution. On summary conviction, an individual would be liable to a fine not exceeding level 3 on the standard scale.

Nothing in this Order authorises the contravention of any Byelaw that is in force in the Borough of Test Valley

- 2.5 The debts recommended to be written off are summarised in the following table.

Business	Debt	Reason for Write-Off	Amount £
HHGL Ltd	Business Rates	Company Voluntary Agreement (CVA)	42,060
An individual (deceased) (account 786035)	Business Rates	No prospect of recovery	74,432
Biomass Optimum Fuels Ltd	Business Rates	Company in Administration	35,998
Action Cases Ltd	Rent	Company in liquidation	42,016
Total			194,506

3 Options

- 3.1 The debts recommended to be written off relate to businesses that are in liquidation / administration or where the Council has no realistic prospect of being able to recover amounts outstanding.
- 3.2 Where appropriate, the Council has registered its position as a creditor of the companies in liquidation / administration, but there is no realistic prospect of any distribution to creditors.
- 3.3 There are no alternative options available to continue recovery action for these debts.

4 Risk Management

- 4.1 An evaluation of the risks indicates that the existing controls in place mean that no significant risks have been identified at this time.

5 Resource Implications

- 5.1 The net cost to the Council of not collecting the amounts due from the above debts is explained in the following paragraphs.

Business Rates debts

- 5.2 Each year, as part of the preparation of the Collection Fund (the statutory account through which Council Tax and Business Rates are administered) the Council makes an allowance for uncollectable debts. The allowance reflects that it is not possible to collect 100% of bills raised due, for example, to company failure.
- 5.3 The bad debt allowance calculation is based on a number of factors, including the age of the debt and the recovery stage to which the debt has been progressed. The bad debt allowance at 31 March 2019 included £78,572 in respect of these debts, of which the Council's share was £31,428.

- 5.4 The impact of writing off business rates debts is shared between the Council, central government, Hampshire County Council and Hampshire Fire and Rescue. The impact on the Council's budgets is shown in the table below.

	£
Total value of business rates debts to be written off	152,490
Other bodies' share of total debt (60%)	(91,494)
Council share of bad debt (40%)	60,996
Less: Amounts already provided in previous years' accounts	(31,428)
Reduced levy on business rates growth in 2019/20	(14,784)
Net cost to the Council in 2019/20	14,784

- 5.5 The net cost of the business rates debts recommended for write-off can be contained within the bad debt allowance for the current year.

Property Rent Debt

- 5.6 The cost to the Council of writing off the debt owed for commercial property rent is the total amount of the debt, net of VAT.
- 5.7 In this case, the net cost to the Council is £35,013.

6 Equality Issues

- 6.1 This report does not identify any issues related to equality.

7 Conclusion and reasons for recommendation

- 7.1 The report identifies four debts for which there is no reasonable prospect of recovery. It is recommended that they are written-off in the Council's accounts.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	0	File Ref:	N/A
(Portfolio: Finance) Councillor M Flood			
Officer:	Carl Whatley	Ext:	8540
Report to:	Cabinet	Date:	11 March 2020

ITEM 9

Capital Strategy 2019/20 – 2024/25

Report of the Finance Portfolio Holder

Recommended:

That the updated Capital Strategy 2019/20 to 2024/25 be approved.

Recommendation to Council

SUMMARY:

- This report provides an update of the existing Capital Strategy and includes forecast changes to its timescale and total cost.

1 Introduction

1.1 The approval of a Capital Strategy is an annual requirement under the revised CIPFA Prudential Code 2018. The Code requires that councils should have in place a strategy that sets out the long term context in which capital expenditure and investment decisions are made, giving due consideration to both risk and reward and the impact resulting from those decisions.

1.2 As local authorities become increasingly complex and diverse it is important that those charged with governance understand the long term context in which investment decisions are made and the financial risks to which the council is exposed.

1.3 The objectives of the Capital Strategy are to:

- Provide an overview of the governance process for approval and monitoring of the capital expenditure;
- Provide a longer term view of planned capital expenditure
- Provide expectations around debt and use of internal borrowing to support capital expenditure
- Define the authority's approach to commercial activities including due diligence and risk appetite
- Define the available knowledge and skills of the authority in relation to capital investment activities

2 Background to the Capital Strategy

2.1 The Council's Capital Strategy was last updated for the period 2018/19 to 2020/21.

- 2.2 The Capital Strategy aims to demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.
- 2.3 The Capital Strategy addresses in detail the following key areas:
- Linking together capital requirements related to corporate priorities for new projects and the ongoing capital need to maintain / repair existing assets through the Asset Management Plan.
 - Managing the approved Capital Programme in an affordable, financially prudent and sustainable way
 - The process showing how new bids are introduced to the Capital Programme
 - Monitoring progress against approved budgets
 - Financing capital expenditure including borrowing requirements and Minimum Revenue Provision (MRP)
 - Purchase of commercial properties and the resources required to ensure due diligence
 - Knowledge and skills
- 2.4 The Capital Strategy does not allocate resources as this is included in the decision-making process in setting the three-year rolling capital programme as part of the annual budget-setting process.
- 2.5 The Capital Strategy report is written to give a broad view of spending in the longer term and how it will be financed. There are several large projects being currently considered, but as these projects are in the early planning stage and have not yet been costed, it will be prudent to give a further update when these figures are available.
- 2.6 All capital receipts and expenditure identified in this document are subject to the Council's Financial Regulations and the authority limits contained therein.

3 Definition of Capital Expenditure

- 3.1 In order to qualify as capital expenditure an item must meet the following three criteria:
- Have a total cost greater than £10,000
 - Have a useful economic life greater than one year
 - Expenditure must be for the purchase of new land / equipment that can be separately identified on the asset register OR

Materially lengthen the expected useful economic life of an asset OR
Add value to the asset being modified.

- 3.2 All other expenditure on the routine maintenance and repair of assets will be treated as revenue expenditure.

4 Corporate Objectives and Priorities / Asset Management

- 4.1 The objective of the Capital Strategy is to ensure that the overall strategy, governance procedures and risk appetite are clear to members. The strategy outlines how stewardship, value for money, prudence, sustainability and affordability will be secured.

- 4.2 The Council's Corporate Plan, sets out the Council's aims over the period 2019 – 2023. In particular this highlights the four priority areas that the Council is focussed on. The Capital Strategy will help to enable delivery of projects to reinforce these priority areas. Some examples of projects in the current Capital Programme that contribute to meeting these priorities are given below.

Growing the Potential of our Town Centres

- 4.3 Pocket Park, Town Mill Access and Environmental Enhancement – this project has grown as part of a larger plan to regenerate the town centre into a more enjoyable experience for visitors.
- 4.4 Chantry Centre purchase – the purchase of retail units which will enable the Council to develop a larger area of the town centre.

Growing the Potential of our Communities

- 4.5 The Community Asset Fund will continue to issue grants to provide communities with the funds to improve local amenities. Working with agencies to ensure opportunities are transparent to the people living in Test Valley.

Growing the Potential of People

- 4.6 The Council has been working in partnership for the management and development of Walworth Business Park. Substantial investment in developing several sites within the park has been made in the last few years, ensuring that more opportunities for work are available.

Growing the Potential of the Local Environment

- 4.7 The Council's use of S106 monies and Community Infrastructure Levy has enabled projects such as fitness trails, fitness equipment, upgrade of paths and new links which will all contribute to the enjoyment of open spaces in the north and south of the Borough.

5 Capital Expenditure required to maintain Council Assets

- 5.1 In addition to the above, the Council also has the responsibility of maintaining its existing asset base. As at 31 March 2019, this included operational land and buildings worth in excess of £60M and vehicles & plant worth nearly £4M.

- 5.2 The Asset Management Plan (AMP) for 2020/21 was approved by Council in November 2019. The plan identifies a combination of both revenue repairs and capital replacements for all assets owned by the Council.
- 5.3 Whilst the AMP is a key document in planning future capital expenditure requirements, funding for the identified projects is only approved for 2020/21 projects.
- 5.4 The Council has an earmarked reserve for Asset Management expenditure, which covers both revenue and capital expenditure. The balance on this reserve was £2.954M at 31 March 2019. However, there is inadequate financing in place to enable this to be relied on as a source of finance for expenditure beyond 2021/22.

The Council's strategy is to fund the AMP in three ways:

- Firstly, there is a contribution from the revenue budget. This is currently £1.217M per annum with an additional £1,000,000 in 2020/21.
- Secondly, where the Council has a revenue surplus at the end of the year an element of this can be used to top-up the reserve.
- Finally, there may be earmarked reserves or sources of income to finance specific projects. For example, new car park machines installed in 2019 were funded by New Homes' Bonus receipts in the year.

6 The Council's Capital Expenditure and Financing 2019/20 to 2024/25

Current Asset Portfolio as at 31/3/19

- 6.1 The Council holds an investment portfolio that supports both its operational activities and non-operational activities from which it receives an element of rental income. For 2018/19 the value was £8.88M which represents a gross yield of 9%

Asset Category	Valuation 31/03/19	Rental Income
	£'000	£'000
Investment Properties - Existing	68,682	6,956
Investment Properties – Project Enterprise	27,449	1,924
Total Investment Properties	96,131	8,880
Land & Buildings	82,895	
Vehicles, Plant & Equipment	2,716	
Community Assets	9,311	
Infrastructure Assets	735	
Surplus Assets	433	
Assets under Construction	0	
Total Assets	192,221	8,880

The rental income the Council receives is used to support General Fund services and represents 9.8% of the total income it receives.

Investment Property (Non-Operational)

- 6.2 These assets include Business Parks, Project Enterprise investments and land held solely for capital appreciation and rental income.

Land and Buildings

- 6.3 These are operational properties, land, infrastructure and community assets that are used to deliver council services and include Council offices.

Vehicles, Plant & Equipment

- 6.4 These assets are used in the delivery of Council services and include all council owned vehicles, IT equipment, play equipment and green spaces equipment.

Community Assets

- 6.5 These assets include parks and open spaces.

Infrastructure Assets

- 6.6 These assets include footpaths and cycle ways.

Surplus Assets

- 6.7 These are assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets for sale.

Capital Expenditure Forecast

- 6.8 Details of capital expenditure form one of the prudential indicators. The table below shows the approved capital expenditure for 2019/20 to 2021/22, as presented in the Updated Capital report to Council in February 2020, and how it will be financed. For the years 2022-2025 a forecast has been made based on previous years' average expenditure excluding large one-off projects.

	2018/19 Actuals £'000	2019/20 Revised Estimate Approved £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Capital Expenditure							
Asset Management Plan	1,783.7	1,962.8	2,788.0	1,800.0	1,800.0	1,800.0	1,800.0
Community & Leisure							

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Land & Buildings	11,911.4	2,866.9	607.7				
Vehicles, Plant & Equipment	509.2	310.9	148.1				
Community Assets	348.1	981.7	2,005.8	1,000.0	1,000.0	1,000.0	1,000.0
Infrastructure Assets		2.0	100.4				
Property & Asset Management							
Land & Buildings	8,433.4	1,793.5		1,200.0	1,200.0	1,200.0	1,200.0
Vehicles, Plant & Equipment		355.5					
Community Assets		1,625.0	125.0				
Infrastructure Assets		487.2	454.0				
Project Enterprise							
Investment Properties	989.7	2,150.3	3196.5	3,000.0	3,000.0	3,000.0	3,000.0
Land & Buildings	3,958.3	2,412.4					
Vehicles, Plant & Equipment		60.0					
Housing & Env'tl Health							
Community Assets *(DFG)	557.4	800.0	950.0	950.0	950.0	950.0	950.0
Information Technology							
Vehicles, Plant & Equipment	49.6	9.3					
Affordable Housing							
Community Assets		810.0	1,110.0	300.0	300.0	300.0	300.0
Total Capital Expenditure	28,540.8	16,627.5	11,485.5	8,250.0	8,250.0	8,250.0	8,250.0
Resourced by:							
Capital Receipts	5,052.3	6,453.2	50.0	50.0	50.0	50.0	50.0
Government Grants	566.3	750.0	850.0	850.0	850.0	850.0	850.0
Internal Contributions	1,500.8	1,710.7	1,502.9	601.9			
External Cont'ns (S106 etc.)	621.1	2,427.4	1,948.1	300.0			
Reserves (NHB & specific)	9,948.3	3,863.6	3,908.4	250.0			
Capital Receipts Reserve	4,952.0	(127.4)	3,226.1	2,348.1	575.1		
Borrowing	5,900.0	1,550.0					
Total Financing	28,540.8	16,627.5	11,485.5	4,400.0	1,475.1	900.0	900.0
Funding Gap				3,850.0	6,774.9	7,350.0	7,350.0

*(DFG) Disabled Facilities Grants

- 6.9 The table above shows a funding gap for the years following the approved programme. For funding options – see para 10.3

7 Managing the Capital Programme

- 7.1 A Capital Working Group (CWG) meets every year. The group includes a Corporate Director together with representatives from Finance and other Services. The CWG is responsible for assessing new capital bids against a range of criteria, and considering the available capital financing options.
- 7.2 The Capital Programme is updated and reported to Cabinet each year in February, May and November. Bids for new expenditure are generally included in the November report (see para 8.1). Each update contains details of approved projects together with the budget profile of each project.
- 7.3 The process for adding new projects to the Capital Programme is detailed below.

8 Adding new projects to the Capital Programme

- 8.1 There is a timetable for new bids to be prepared and assessed before being presented for approval.

July/August – CWG reviews bids together with draft business cases and options appraisals. All bids are subject to an objective scoring exercise. Bids are prioritised according to the score attained.

October – Officers' Management Team reviews the scored bids and proposes a Capital Programme for approval.

November – The proposed Capital Programme is considered by Cabinet.

January – The Capital Programme is recommended to Council for approval.

- 8.2 In order to ensure the most efficient use of capital resources an objective scoring methodology is used. The scoring system aims to give priority to bids that meet the Council's key priority areas or improve efficiency in service delivery whilst considering other key factors.

9 Monitoring Progress against the Capital Programme

- 9.1 The Capital Programme contains details of approved projects together with the budget profile of each project. Where budget variances or potential slippage are identified they are reported to Cabinet as part of the Capital Programme reporting process.
- 9.2 Cabinet receives three updates per year on the progress of the Capital Programme. On each occasion, the progress of each project is assessed and if any change is required to the budget or timing of the project the reasons are explained and the necessary approvals sought.

10 Financing the Capital Programme

- 10.1 Consideration of the financing of capital projects is integral to the governance procedures outlined above.
- 10.2 In general the Council finances capital expenditure from existing resources including reserves and capital receipts or from specific grant funding sources. This ensures that capital expenditure is both affordable and prudent.
- 10.3 As at February 2020 the surplus in the financing of the Capital Programme to 2021/22 was £575K. The options for dealing with any expenditure above the surplus are:
- Honour existing capital projects, but consider new capital spending (with the exception of projects that are legislative, externally funded or generate revenue savings) to ensure suitable capital receipts have been identified for expenditure above the remaining balance in the Capital Receipts Reserve.
 - Use borrowing (either external loans or using existing reserve balances) until an ongoing sustainable funding solution for the Capital Programme can be identified.
 - Use contributions from revenue budgets or transfers from existing earmarked reserves.

Resource Streams to fund the Capital Programme

- 10.4 The Council has five main sources of income generation to fund future capital expenditure:
- Proceeds from the sale of assets
 - Grants and contributions for specific projects including New Homes Bonus and developers' contributions
 - Contributions from the Revenue Budget
 - Use of existing balances
 - Borrowing
- 10.5 This strategy recommends a sustainable approach to capital investment by placing maximum emphasis on utilising the first two options. Use of existing balances will only be used for the reasons discussed in paragraph 10.19-23. Borrowing will be used for funding where there is a good business case for doing so.

Sale of redundant / obsolete assets

- 10.6 The Property and Asset Management Service monitors the useful economic life of the Council's land and buildings assets. Where it is determined that an asset is surplus to Council requirements or is not economically advantageous to retain it will be considered for disposal.

- 10.7 In the case of land this will be at market value unless there are exceptional circumstances (e.g. discounted disposal for affordable housing). Given the current situation in the market value of land and buildings it is expected that few sites will be suitable for disposal in the near future.
- 10.8 In considering whether an asset is surplus to requirements the following will all be considered; the Council's ability to control future uses of the property, the net income foregone by disposal and the costs of making good or creating a suitable replacement of the asset sold.
- 10.9 The Head of Property and Asset Management will periodically produce a list of properties considered appropriate for potential disposal and report to Cabinet accordingly.

Grants and Contributions

- 10.10 Certain projects will attract grants from the Government or other bodies. Where these grants are available, the Council will seek to fully utilise them having due consideration to ongoing revenue costs that will have to be borne following the removal of the grant. The level of external funding available is considered when approving bids to be added to the Capital Programme.
- 10.11 The Council also uses income received under the New Homes' Bonus scheme to contribute to new capital expenditure. Receipts from this source are used to fund capital community projects.
- 10.12 Part funding is available on some projects from partners (e.g. Hampshire County Council). Where such contributions are available they will be applied against approved capital expenditure.
- 10.13 As part of the terms of certain planning consents, developers are required to make contributions to local infrastructure in areas such as affordable housing, open space, green travel, highways improvements etc. (often referred to as section 106 agreements). Where these contributions are available they will be applied against the total cost of relevant projects.
- 10.14 The S106 regime is supplemented by the Community Infrastructure Levy (CIL).

Revenue Contributions

- 10.15 The annual revenue budget includes contributions to capital reserves for specific projects and does currently include a general contribution towards future capital spending. There is considerable strain on the revenue budget in the medium term and this source of financing will only be used where savings in the revenue budget are achieved.
- 10.16 Revenue contributions may be made in the event of underspends on the revenue budget each year. However, the allocation of any underspend will be decided by Cabinet and cannot be relied upon as a sustainable source of financing for the capital programme.

- 10.17 Where the Council has existing reserves, these balances could be considered for transfer to the Capital Programme. However, reserve balances are one-off in nature and do not provide an ongoing funding option.
- 10.18 It may be possible to provide a degree of financing to the Capital Programme from investment income receipts. The revenue budget currently forecasts very low receipts due to the prevailing Bank of England base-rate. If the level of investment income increases it may be possible to transfer some of this income to capital resources.

Use of Existing Balances

- 10.19 At 1st April 2019 the Council had £6.022M of useable capital receipts.
- 10.20 The Capital Strategy promotes a sustainable approach to capital investment by restricting the level of capital expenditure to the amount of receipts generated.
- 10.21 The main reason that it is not appropriate to spend available reserves is due to the link between the Revenue and Capital budgets. Capital expenditure financed from reserves will have a direct impact on the revenue budget through lost interest.
- 10.22 The use of balances will be considered appropriate for projects that will produce ongoing revenue savings. Where this method is applied, the savings generated in the revenue budget will be used to replenish capital reserves until such time as the project is 'capital-neutral' after which time ongoing savings will form part of the Council's annual revenue budget.
- 10.23 Use of balances will also be considered appropriate as a short term measure where expenditure is made before expected capital receipts are generated. There is some risk with this approach as expenditure will be incurred before assets are sold and income is realised.

Borrowing

- 10.24 The Council is permitted to borrow under the Prudential Framework introduced with effect from 1 April 2004.
- 10.25 The Council borrowed £5.9M in 2018/19 to fund the redevelopment of Andover Leisure Centre. In April 2019 a further £1.55M was borrowed to fund the purchase of premises in Andover High Street. The Council, as an eligible local authority, has accessed funds at the PWLB Certainty Rate.

Minimum Revenue Provision (MRP) Policy Statement

- 10.26 Minimum Revenue Provision (MRP) is the revenue charge that the Council is required to make for the repayment of debt, as measured by the underlying need to borrow, rather than actual debt. The underlying debt is needed to finance capital expenditure which has not been fully financed by revenue or capital resources. As capital expenditure is generally expenditure on assets which have a life expectancy of over one year it is prudent to charge an amount for the repayment of debt over the life of the asset or some similar proxy figure.

- 10.27 The Local Authorities (Capital Financing and Accounting) regulations require local authorities to calculate for the financial year an amount of MRP which is considered to be 'prudent'. There are two methods available for calculating debt incurred after April 2018.
- 10.28 Asset Life method - where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the useful life of the asset.
- 10.29 Depreciation method – MRP is deemed to be equal to the provision required in accordance with depreciation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment charged to the income and expenditure accounts.
- 10.30 For this purpose standard depreciation accounting procedures should be followed, except in the following respects:
- MRP should continue to be made annually until the cumulative amount of provision made is equal to the expenditure originally financed by borrowing or credit arrangements. Thereafter the Council will cease to make MRP.
 - On disposal of the asset, the charge should continue in accordance with the depreciation schedule as if the disposal had not taken place. This does not affect the ability to apply capital receipts or other funding sources at any time to repay all or part of the outstanding debt.
- 10.31 Where the percentage of the expenditure on the asset financed by borrowing or credit arrangements is less than 100%, MRP should be equal to the same percentage of the provision required under depreciation accounting.
- 10.32 There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding year.
- 10.33 There is no requirement to make a MRP charge on an asset until the financial year after that asset becomes operational.
- 10.34 The Council's MRP Policy is approved in February each year as part of the Treasury Management Strategy Statement and Annual Investment Strategy. (*Council 26 February 2020*)

11 Commercial Property Investment and Resource Strategy

- 11.1 On the 16 December 2015 Cabinet approved the Medium Term Financial Strategy (MTFS) for 2016-19. This strategy sets out that the Council will work toward a position where it is not dependant on Government Revenue Support Grant.

It will do this by taking a more entrepreneurial approach and looking at the feasibility of creating arm's-length companies to facilitate property investment and acquisition, development of housing, and green energy.

Extract from para 4.6.12 of Medium Term Financial Strategy 2016-19.

- 11.2 Following this decision the Council established a work stream known as Project Enterprise (PE) to progress this. In recognition of the fast pace of the local property market, Council approved a delegated authority to the Head of Property and Asset Management, in consultation with a cross-party Member panel, to purchase property investments from a pre-approved capital budget where the timing of the Council's usual approval process may impede the ability to complete an acquisition. A sum of £3M was approved for this purpose and all purchases under this delegation are reported to Council for noting.
- 11.3 The sourcing and acquisition of new investment property is managed by the Project Enterprise Board, which consists of six senior officers of the Council including the Chief Executive, Head of Property and Asset Management, Head of Finance and a senior legal representative. These officers are supported by three additional officers including the Head of Housing and the Head of Planning.
- 11.4 The Board is responsible for considering all proposals that contribute to the delivery of the investment strategy and meet the investment criteria. The Board reports to Cabinet any feasible projects which fall outside the Head of Property and Asset Management's delegation, as mentioned in paragraph 11.2 above. Cabinet will then consider the investment opportunities put forward and make recommendations to Council. Cabinet, in effect, is the Investment Advisory body that ensures that each proposal coming forward has a robust business case detailing how each proposal can be taken forward, including a consideration of the risks, how it is structured in terms of appropriate delivery mechanisms and how it is to be financed. Exceptionally, a report may be presented directly to Council. This could be, for example, to meet a deadline for approval to secure an investment opportunity.
- 11.5 External agents may be appointed to advise on and negotiate the terms of acquisition, recognising that others are closer to the investment market on a day to day basis than the Council's in house team, in some cases. As well as advising prior to acquisition, the agents undertake due diligence in order to ensure that those charged with governance can make informed decisions.

Assessment Process

- 11.6 Each investment opportunity will be assessed through a two stage (or gateway) process. Gateway One comprises a number of criteria to determine whether there is an opportunity to consider and take forward. It establishes whether the opportunity can be recommended to Cabinet for in-principle agreement, or that the opportunity does not meet the decision criteria and therefore proceeds no further. Gateway Two involves the development of a much more detailed business case to be considered by Cabinet, and for approval by Council as appropriate.

Investment Threshold

- 11.7 The Council's Investment Strategy gateway process stipulates a minimum of £250,000 for commercial property investments and £100,000 for housing investments.

Return on Investment

- 11.8 The Investment Strategy gateway process requires a minimum level of return of 4% for a low-risk project or 10% for a high-risk project. This reflects the level of risk in the commercial property market, which for a number of reasons is more volatile than the housing market.
- 11.9 On 21 December 2016 Cabinet approved that a minimum level of return of 3% be added to the Strategy for residential property purchases.
- 11.10 This reflects the greater influence of expected long-term capital appreciation in house values that is not so prevalent in the commercial property market.

Risk Management

- 11.11 The adoption of the Investment Strategy and its implementation has had an impact on the council's finances and improved its financial standing. Decisions made under this strategy and by Cabinet have taken into account the unique fiduciary duty that the council holds towards residents. Due consideration has been given to the risks involved to ensure that the faith placed by the public in the council's ability to manage and protect their financial interests is secured, and that investments made are judged to be reasonable.
- 11.12 The implementation of the Investment Strategy means the council is managing different financial risks. Investments are subject to inherent economic and market risks, and therefore a balanced portfolio of investment is maintained.
- 11.13 The governance process is designed to mitigate these risks. All investment opportunities are built upon a robust business case, developed using appropriate technical advisors and take into account due and proper consideration of the balance between risk and reward and an assessment of the underlying security of the investment to ensure compliance with the fiduciary duty the council holds.
- 11.14 The Council engaged external consultants in March 2018, to review the investment property portfolio. The report considered the strengths and weaknesses of the major investment properties held and made recommendations as to where the future investment should be targeted to provide the best balance to the portfolio.

Resource Implications

- 11.15 The objective of this strategy is to invest in income generating assets and trading opportunity proposals to partially offset the impact in the reduction of government grants over the long term.

- 11.16 The Council may fund investments through using its reserves, capital receipts and prudential borrowing, where the council has the powers to do so. The Council can use its internal cash reserves for investment. Any external borrowing required needs to be made in accordance with the Prudential Code, which includes the council approving any changes required to the prudential indicators. The code requires borrowing to be affordable, sustainable and provide value for money. The return on investment would therefore need to be in excess of the capital financing costs of the borrowing, which consist of the interest payable and the statutory minimum revenue provision (MRP) that sets aside funds for the repayment of the borrowing.
- 11.17 Some investments will generate a return in the medium to long term but make a loss in the earlier years. It will be important to set aside a proportion of any returns made on investments to repay capital, which in turn will enable further future investments to be made.
- 11.18 Assets created through these investments, and the associated liabilities will be consolidated in the Council's balance sheet and treated in accordance with the code of Practice on Local Authority Accounting in the United Kingdom, which is supported by the International Financial Reporting Standards.

12 Knowledge and Skills

Financial Assets

- 12.1 Treasury Management Activity is undertaken by the Principal Accountant and the Technical Accountant. They are managed by the Head of Finance who is CIPFA qualified.
- 12.2 The team has many years of treasury management experience and has demonstrated that it has the skills to opt-up to Professional status under the MiFID II (EU law - Markets in Financial Instruments Directive) reforms.
- 12.3 The CIPFA Code requires the Chief Financial Officer to ensure that Members and Officers are adequately trained in treasury management. Training is arranged as required and is regularly reviewed.

Non-Financial Assets

- 12.4 The Council's investment property portfolio is managed by the Property and Asset Management Service, an experienced team of four property professionals. The team includes qualified chartered surveyors and a building surveyor all of whom have extensive experience of property dealings within both the public and private sectors. This experience includes dealing with a mix of property types and professional work including professional services, landlord and tenant statutory valuations, acquisitions and disposals, commercial and residential property management.

- 12.5 The team also work with external agents where specialist expertise is required to deal with particular properties or if resource is not available to deal with matters in a timely way. Examples of where external advice is used include agency, valuation, building surveying and planning work. The Council also has internal building surveying resource in Property and Asset Management to advise on construction, repair and maintenance and statutory compliance matters across its investment properties.
- 12.6 The Council's asset valuations for its financial statement are prepared by internal and external valuers with an agreed rolling programme of valuations for the whole Council property portfolio. All investment properties are valued on an annual basis.
- 12.7 The Capital programme update for the period 2019/20 to 2021/22 was presented to Cabinet for approval on the 12 February 2020. This included details both of expenditure and financing requirements.

13 Summary of the Capital Strategy

- 13.1 The Capital Strategy highlights in para. 6.8, the need to consider funding options for future expenditure as currently the forecasted expenditure creates a funding gap.
- 13.2 The main drive of the strategy is to ensure that future capital expenditure is prudent, sustainable and affordable.
- 13.3 Regular reviews will be carried out to identify potential assets for disposal in order to generate capital receipts.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	0	File Ref:	N/A
(Portfolio: Finance) Councillor M Flood			
Officer:	Laura Berntsen	Ext:	8204
Report to:	Cabinet	Date:	11 March 2020