

# Capital Strategy 2020/21 – 2025/26

Report of the Finance Portfolio Holder

## **Recommended:**

**That the updated Capital Strategy 2020/21 to 2025/26 to the report be approved.**

## **Recommendation to Council**

### SUMMARY:

- The Capital Strategy sets out the framework within which all Council capital expenditure is approved, monitored and financed. The CIPFA Prudential Code requires that it be updated annually.
- 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 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 2019/20 to 2024/25.
- 2.2 The Capital Strategy demonstrates how 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 of 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. 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 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 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.

##### Growing the Potential of our Communities

- 4.4 The Community Asset Fund will continue to issue grants to provide communities with the funds to improve local amenities. Council staff work with external agencies ensuring opportunities are transparent to the people living in Test Valley.

##### Growing the Potential of People

- 4.5 The Council has been working in partnership with Kier Property Ltd for the management and development of Walworth Business Park since 2011. 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.
- 4.6 The Capital Programme includes a project to regenerate a further plot on the Business Park.

##### 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.

- 5.2 The Asset Management Plan (AMP) for 2021/22 was approved by Council on 27 January 2021. The plan identifies a combination of both revenue repairs and capital replacements for 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 current year and 2021/22 projects.
- 5.3.1 The Council has an earmarked reserve for Asset Management expenditure, which covers both revenue and capital expenditure. The balance on this reserve was £3.375M at 31 March 2020. However, there is inadequate financing in place to enable this to be relied on as a source of finance for expenditure beyond 2021/22 and currently is forecast to be fully utilised with no balance remaining in the reserve by the end of 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 recommended to be £1.5M in 2021/22.
- 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 other sources of income to finance specific projects. For example, some community based projects can be funded by New Homes Bonus receipts in the year.

## 6 The Council's Capital Expenditure and Financing 2020/21 to 2025/26

### Current Asset Portfolio as at 31/3/20

- 6.1 The Council holds an investment property portfolio that supports both its operational activities and non-operational activities from which it receives an element of rental income. For 2019/20 the value was £7.71M which represents a gross yield of 5.5%

Asset Category	Valuation 31/03/20	Rental Income
	£'000	£'000
Investment Properties - Existing	110,038	5,700
Investment Properties – Project Enterprise	29,777	2,006
<b>Total Investment Properties</b>	<b>139,815</b>	<b>7,706</b>
Land & Buildings	82,431	
Vehicles, Plant & Equipment	3,310	
Community Assets	9,573	
Infrastructure Assets	692	
Surplus Assets	427	
<b>Total Assets</b>	<b>236,248</b>	

The rental income the Council receives is used to support General Fund services.

#### 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 and car parks.

#### 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.

#### 6.8 Capital Expenditure Forecast

Details of capital expenditure form one of the prudential indicators. The table below shows the capital expenditure for 2020/21 to 2022/23 as presented in the Capital Programme update elsewhere on this agenda, together with estimated expenditure on future unapproved projects from 2021 to 2026, and how these approved and unapproved projects will be financed.

	2019/20 Actuals	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Capital Expenditure</b>							
Asset Management Plan	1,199.3	3,221.0	1,766.0				
<b>Community &amp; Leisure</b>							
Land & Buildings	854.1	2,586.9	1,688.2	702.5	300.0	750.0	750.0
Vehicles, Plant & Equipment	298.3	11.9	171.3				
Community Assets	630.1	715.3	2,110.9	572.0	277.0	250.0	250.0
Infrastructure Assets	1.3	99.1		100.0		1,250.0	1,250.0
<b>Property &amp; Asset Management</b>							
Land & Buildings	1,620.9	446.8	175.0				
Vehicles, Plant & Equipment	598.6	509.3					
Community Assets	125.0	125.0					
Infrastructure Assets	129.8	643.0	999.6	400.0			
<b>Project Enterprise</b>							
Investment Properties	559.8	4,405.5	8,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Land & Buildings	973.1	60.0					
<b>Planning Policy</b>							
Land & Buildings			200.0				
<b>Housing &amp; Env'tl Health</b>							
Community Assets *(DFG)	807.7	870.0	950.0	950.0	950.0	950.0	950.0
<b>Affordable Housing</b>							
Community Assets		810.0	810.0	300.0	300.0		
<b>Total Capital Expenditure</b>	<b>7,798.0</b>	<b>14,503.8</b>	<b>16,871.0</b>	<b>6,024.5</b>	<b>4,827.0</b>	<b>6,200.0</b>	<b>6,200.0</b>
<b>Resourced by:</b>							
Capital Receipts	6,445.1	103.4	6,042.0	50.0	50.0	50.0	50.0
Government Grants	807.7	850.0	850.0	850.0	850.0	850.0	850.0
Internal Contributions	1,875.6	1,499.2	1,158.6	1,218.6	760.6	820.6	880.6
External Cont'ns (S106 etc.)	484.8	1,314.5	3,433.7	422.0	627.0	750.0	750.0
Reserves (NHB & specific)	2,417.4	4,775.0	2,640.1	1,052.5	250.0	250.0	250.0
Capital Receipts Reserve	(5,782.6)	5,961.7	2,746.6	2,431.4	664.8		
Borrowing	1,550.0						
<b>Total Financing</b>	<b>7,798.0</b>	<b>14,503.8</b>	<b>16,871.0</b>	<b>6,024.5</b>	<b>3,202.4</b>	<b>2,720.6</b>	<b>2,780.6</b>
<b>Funding Gap</b>					<b>1,624.6</b>	<b>3,479.4</b>	<b>3,419.4</b>

\*(DFG) Disabled Facilities Grants

6.9 The table above shows a funding gap for the years following the approved programme. For funding options – see section 10.

## **7 Managing the Capital Programme**

7.1 A Capital Working Group (CWG) meets every year. The group includes the Deputy Chief Executive 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 usually 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 – 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 2021 the forecast balance of the Capital Receipts Reserve used for the financing of the Capital Programme at 31 March 2023 was £4.5M. The options for dealing with any expenditure above this balance 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 three 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, if required, 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 as well as a general contribution towards future capital spending.
- 10.16 Additional revenue contributions may be made in the event of revenue surpluses at the end of 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 cash 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 but this would need to be considered in the wider context of the Council's overall budget.

#### Use of Existing Balances

10.19 At 1 April 2020 the Council had £11.805M 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.

10.24 The table in paragraph 6.8 shows that all currently available capital receipts will be expended by 2023/24 and that there is an overall funding deficit of £8.523M in the period to 2025/26 if no additional financing is identified.

10.25 This longer-term potential deficit will be monitored over the coming year and updated when the Strategy is renewed in 2022. The current Capital Programme is fully financed and can be delivered with available resources.

#### Borrowing

10.26 The Council is permitted to borrow under the Prudential Framework introduced with effect from 1 April 2004.

10.27 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 property in Andover. The Council, as an eligible local authority, has accessed funds at the PWLB Certainty Rate.

10.28 The Prudential Indicators, annexed to the Treasury Management Strategy Statement and Annual Investment Strategy report elsewhere on this agenda, set out the maximum borrowing limits for the Council.

## Minimum Revenue Provision (MRP) Policy Statement

- 10.29 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 a similar proxy figure.
- 10.30 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.
- 10.31 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.
- 10.32 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.
- 10.33 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.
- 10.34 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.
- 10.35 There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding year, nor is a charge required until the financial year after an asset becomes operational.
- 10.36 The Council's MRP Policy is elsewhere on this agenda, as part of the Treasury Management Strategy Statement and Annual Investment Strategy.

## **11 Commercial Property Investment and Resource Strategy**

- 11.1 On 27 January 2021, Council approved the Medium Term Financial Strategy (MTFS) for 2021/22 – 2023/24. This strategy sets out that the Council, “will continue to seek out new investment opportunities through Project Enterprise, making better use of cash resources to enhance revenue returns”, and “ensure that the Council’s infrastructure is fit for purpose and that new capital needs are identified and met.”
- 11.2 The Council has 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 senior officers of the Council including the Chief Executive, Deputy Chief Executive, Head of Property & Asset Management, Head of Finance & Revenues and a senior legal representative.
- 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 can be closer to the investment market on a day to day basis than the Council’s in-house team. 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 depending on the perceived risk of a project, ranging from 4% to 10% for commercial property investments. 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 A lower minimum level of return of 3% is used for residential property purchases to reflect the greater influence of expected long-term capital appreciation in house values that is not so prevalent in the commercial property market.

### Risk Management

- 11.10 The adoption of the Investment Strategy and its implementation have had a positive impact on the Council's finances and improved its financial standing. Decisions made under this strategy 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.
- 11.11 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.
- 11.12 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.
- 11.13 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

- 11.14 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.

- 11.15 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.
- 11.16 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.
- 11.17 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 Financial Services Manager (CIMA) and the Technical Accountant. They are managed by the Head of Finance who is ACCA qualified.
- 12.1.1 The team is experienced in treasury management activity and has demonstrated its skills by enabling the Council to opt-up to Professional status under the MiFID II (EU law - Markets in Financial Instruments Directive) reforms.
- 12.2 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

- 12.3 The Council's investment property portfolio is managed by the Property and Asset Management Service. 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.

- 12.4 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 and operational properties.
- 12.5 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.

### 13 Conclusion and reasons for recommendation

- 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>			
N/A			
<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			
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Report to:	Cabinet	Date:	10 February 2021