CABINET   Agenda Item:

Ward: All

Portfolio: Finance

FROM: Cllr Barry O'Leary – Portfolio Holder for Enterprise and Finance

Date: 1 February 2021

SUBJECT: **2021-22 to 2025-26 Capital Strategy and 2021-22 Detailed Capital Investment Programme**

Report Sign off	**Seen by:**	**Name**	**Date**
	Chief Executive/ Deputy Chief Executive(s)	Stuart Brown	13/01/21
	Legal	Lesley Dolan	14/01/21
	Finance	Richard Bates	13/01/21
	Group Manager	Richard Bates	13/01/21
	Portfolio Holder	Cllr O'Leary	15/01/21
	Ward Member(s)	All	N/A
Summary:	The purpose of this report is to introduce the new Capital Strategy and make recommendations on the level of the Council's Capital Budgets and the associated funding requirements spanning 2021-22 to 2025-26		
Recommendation:	**1. <u>CAPITAL STRATEGY</u>** **The Leader and Cabinet are recommended to agree and recommend to Full Council the attached Capital Strategy, which give rises to the following financial implications.** **2. <u>CAPITAL INVESTMENT PROGRAMME</u>** **The Leader and Cabinet are recommended to agree and recommend to Full Council:** (i) The new proposed overall Capital Investment Programme for 2021-22 of **£35.102m** and the indicative programmes for 2022-23 to 2025-26 as summarised including the detailed proposals included within **Appendix A**;		

	(ii) Maintain the overall Capital Borrowing Envelope at **£160m** for 2021-22. (iii) Delegating authority to the Section 151 Officer in association with the Chief Executive, Leader and Portfolio Holder for Finance and Enterprise to flex the above indicative sub-totals to provide sufficient flexibility to enable the Council to respond to investment opportunities or requirements if they arise in-year. (iv) That the Corporate Financial Advisor (Section 151 Officer), in conjunction with the Portfolio Holder(s), Chief Executive and relevant Group Manager(s) be given delegation to decide on the specific individual service capital projects to be delivered within generic approvals for their area of control, or any new investment opportunities or needs arising in-year, following any consultation as necessary.
Direct and/or indirect impact on service delivery to our customers and communities:	The Capital Strategy sets the principles within which the Council operates is Capital expenditure. It outlines the capital requirements of the Council and how they will be funding. This feeds directly into the Medium-Term Financial Strategy, which is the vehicle by which the Council identifies the overall resources required to deliver the Corporate Plan.
Contribution to Corporate Priorities:	This paper directly links to the Corporate Aim: **To build a fairer, greener and more vibrant Mendip that values our distinctive towns and rural communities.**
Legal Implications:	The Council is required by Regulation to have regard to the following. For each financial year, a local authority should prepare a Capital Strategy which needs to be approved by the Full Council prior to the start of the financial year.
Financial Implications:	The 2021-22 Capital Investment Programme outlines the detailed capital expenditure and the indicative funding requirements covering the 2022-23 to 2025-26 period. The detailed financial implications are dealt with within the body of this report.
Climate Change Risks and Opportunities:	There are no immediate climate change implications arising from this report
Impact on Service Plans:	This paper directly links to the Service Plans as it provides the capital expenditure requirements
Crime and Disorder Implications:	No implications arising from this report

Equalities Implications:	Each of the capital investments will be, where appropriate, subject to an impact assessment, covering key areas such as Equalities, Community Safety, Sustainability, Health and Safety, Business Risk and Privacy. This is done with a view to identifying possible actions to mitigate negative impacts. However, many of the proposals do not have a direct impact on the public and therefore do not require an Impact Assessment.
Risk Assessment and Adverse Impact on Corporate Actions:	The risk associated with any new commercial or regeneration projects will be carefully assessed as part of the individual full business cases for any new investment. The key risk is the inability to cover the debt financing costs associated with any investment and the knock-on impact on the Council's revenue budget. This would require savings to be found elsewhere within the budget to compensate which could mean service reductions. Other risks, such as investment and counterparty risks are managed through the operation of the Treasury Management Strategy.

MENDIP DISTRICT COUNCIL

Mendip District Council

2021-22 to 2025-26 Capital Strategy and 2021-22 Detailed Capital Investment Programme

Contents **Page**

Appendices:

- Appendix A Summary Capital Investment Programme

Author: **Richard Bates, Interim Section 151 Officer**
Effective Date: **01 February 2021**
Date due for review: **February 2022**

Introduction

1. Capital expenditure is where the Council spends money on assets that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

2. The Capital Strategy sets out the Council's longer-term approach to capital investment ensuring that it is directed to the spending priorities of the Council. It sets out the rationale for investment in capital assets and projects and as part of the Medium-Term Financial Strategy will be revised and updated annually to react to changing corporate objectives, social and demographic changes, political and financial influences.

3. This strategy brings together the statutory requirements of the Chartered Institute of Public Finance Accountants (CIPFA) and the CIPFA Prudential Code for Capital Finance in Local Authorities.

4. Within this framework, the Council produces an Annual Service Capital Investment Programme, which is approved by Cabinet and is essentially an implementation plan of the Capital Strategy. The Strategy is not intended to allocate resources to individual projects as this forms part of the decision-making rationale.

5. The Capital Strategy needs to be relevant in the current financial and economic climate and therefore needs a cautious and measured, yet flexible, approach that reflects the fact that:

    - Revenue resources have, and will be, cut significantly in each of the forthcoming financial years. The impact on the Revenue Budget arising from the Capital Investment Programme must be affordable and sustainable, and be used to aid the bottom line;
    - Capital resources available to the Council are limited, with little direct funding provided from central government and currently limited scope to raise income from capital receipts;
    - Local Government's range of responsibility is constantly changing along with the role that it plays within the community, leading to an expectation that Society will assist in the delivery of services.

6. The Annual Service Capital Investment Programme is the term used for the Council's rolling plan of investment in both its own assets and those of its partners. The programme spans multi-years and contains a mix of individual schemes, many spanning more than one year. Some schemes will be specific investment projects while others may provide for an overarching schedule of thematic works e.g. "Disabled Facilities Grant".

7. There is a strong link with the Treasury Management Strategy that provides a framework for the borrowing and lending activity of the Council. Treasury management is concerned with keeping sufficient but not excessive cash

available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while any shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Strategic Aims

The key objective of the Capital Strategy is to deliver an Annual Service Capital Investment Programme that:

- **Ensures that the Council has assets that are fit for purpose and enable the delivery of the priorities set out in the Corporate Plan;**
- **Supports the Council's service specific plans and strategies;**
- **Facilitates income generation that aids the revenue budget;**
- **Is affordable, financially prudent and sustainable.**

This should not however prevent the authority from:

- Reducing the on-going liability of holding assets by engaging with communities to develop alternative service delivery options including asset transfer;
- Fully utilising resource opportunities available for Capital Investment from outside sources where this does not create ongoing revenue liabilities or commitments that cannot be met.

Strategic Asset Management Plan (SAMP)

8. The Capital Strategy should be read in conjunction with the Strategic Asset Management Plan, approved by Cabinet on 23 May 2016 . It outlines where capital investment can assist the Council achieve its goals or where investment and use of resources plays a contributing role to shared priorities. The aims and objectives are included as an annex to this report:

9. The Capital Strategy and Strategic Asset Management Plan (SAMP) assists the Council in major investment decisions. The SAMP considers the strategic requirement and use of key Council assets and will detail clear actions for the further development of the approach to the management of assets. Any assets identified as no longer appropriate will be disposed of enabling sale proceeds to be used as a capital receipt whilst reducing longer term liabilities on revenue and human resources. The SAMP will be updated regularly to reflect progress and changes to the Council's principal assets.

10. Specific asset information can be obtained from the Strategic Assets Management Team which manages the built estate as Corporate Landlord.

Priority Areas for Investment

11. The Council's Corporate priorities:

- Make Mendip a fairer place
- Deliver on our climate and ecological commitment
- Protect and enhance our towns and rural communities

will guide the focus of its work. The Council has identified a number of projects that will support these priorities, to which it will need allocate its resources. Below this, the Council approves annually, a suite of service plans that deliver and contribute towards the aim of the Council. Where appropriate these plans will link to the Capital strategy. On a short-term basis, the Corporate priorities have been amended to savings lives, maintaining statutory services and economic recovery. The longer term priorities do however still remain as above.

12. Future Service Capital Investment Programmes are driven by the budget and service planning process. The size of the programme is determined by:

- Any requirement to incur expenditure;
- Affordability and available resources;
- Revenue implications from Capital expenditure.

13. The Council's priority areas for investment can be summarised as:

a) Income Generation
The Council is looking to identify investments that generate an income to replace the lost grant funding and ease the pressure on the Revenue Budget. Energy Consultants (Carter Jonas) have recently been appointed to bring forward potential investment opportunities in the energy sector. The development of Saxonvale will generate capital receipts for the Council and the Council has also retained the option of funding the development, to generate an investment return. Reflecting this desire, the external operational boundary (borrowing limit) was increased to £160 million by Full Council in February 2020. Specific projects / investment opportunities will be brought forward for approval by the Cabinet as they are identified or via the Phoenix Board where opportunities are time dependent.

b) Economic Regeneration
The Council is committed to investing in the District's future through regeneration projects.Any schemes will need to be self-financing so that borrowing costs are covered by either investment income or capital receipts, so that there is no impact on the Council's revenue budget.

c) Health and Wellbeing
The Council's only annual capital grant fund is the Disabled Facilities scheme, which pays for essential housing adaptations to help disabled people stay in their own homes. The Council has in the past regularly topped-up this funding to assist more of the local community stay in their own home longer.

d) Invest to save
The Council is always looking for opportunities to deliver future efficiencies in service provision, known as 'Invest to Save'. This could include investment in technology or processes.

e) Asset replacement and/or enhancement.
The services delivered by the Council depend upon a variety of assets such as computers, equipment or vehicles. These need to be updated/upgraded on a regular basis to ensure service delivery is maintained or enhanced. An example of this is car park ticket machines as technology advances such as payment by phone / card. Asset maintenance is a revenue cost; the purchase or enhancement is a capital cost.

f) External partnership commitments;
As a heavily outsourced organisation, the Council has commitments to its partners as well as legal and other statutory obligations. It will continue to support capital works as necessary in order to discharge its commitments and legal duties. An example of this is the loan to Somerset County Council for the purchase of the Waste collection vehicle fleet or providing the wheeled bins to assist with meeting recycling targets.

14. Capitalisation thresholds apply so that for land and buildings and plant and equipment a de-minimis of £10k applies, where it meets the criteria of having a life greater than a year and/or has increased the value/life of an asset or enhanced the usability of the asset.

15. Cabinet / Senior Leadership Team (SLT) may require post completion assessments for some key projects and schemes to be undertaken by the responsible officer to assess planned outcomes against what was finally delivered. Post completion assessments form part of the Council's organisational learning and aims to identify good practise, value for money and further areas for improvement.

Funding Sources

16. All capital expenditure must be financed from funds which can originate from a number of sources and in some instances may comprise a mix of funding from both Council and external sources.

17. The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with annual MRP charges, lease principal repayments and capital receipts used to replace debt.

18. Irrespective of the nature of funding, all Capital Schemes should be identified and form part of the Capital Programme. The main sources of funding are likely to originate from those set out in paragraphs 19-27 below.

19. <u>Consideration of Capital proposals attracting specific funding</u>
Schemes attracting external funding, such as grants for private sector housing, will be assessed in the same manner as those requiring any other sources of funding. Partially funded schemes will only be included in the Capital Investment Programme if the ongoing funding requirement is approved by SLT and subsequently Cabinet. Where such schemes attract 100% external funding, then they would normally be included automatically within the Capital Investment Programme, subject to being able to afford any associated ongoing revenue commitments.

20. <u>Capital Receipts</u>
A strategic review of assets is regularly undertaken to ensure that the Council is maximising the benefits gained from them. It is therefore possible that over time, the benefits generated from certain assets reduce and they may become surplus to requirement. Therefore, the most economic benefit could be achieved through selling that asset, thereby raising a capital receipt that can then be used to fund future capital investment.

The Council's policy is to treat all Capital receipts as a corporate resource to enable investment to be used in priority areas. This means that services are not reliant on their ability to generate capital receipts.

21. <u>Flexible Use of Capital Receipts</u>
Ministry of Housing, Communities and Local Government (MHCLG) has issued a 'flexible use of capital receipts' directive. This allows transformation projects which will save revenue budget to be funded from capital receipts. This directive was issued in 2016 and has been extended until 2022/23. To date, the Council has not applied this flexibility, largely as the value of capital receipts has been minimal. This policy may need to be reviewed if Local Government Re-organisation goes ahead in Somerset, to enable capital receipts to be used to pay for the Council's share of transition costs.

22. <u>External funding</u>
There may be a variety of projects that the Council wishes to support where funding is provided wholly or in part from external sources. For example, through ring-fenced grant funding for housing related projects, or via negotiated Section 106 Planning Gain Agreements.

23. <u>Borrowing</u>
The Local Government Act 2003 introduced a new system of Local Government Capital Finance. From 1 April 2004 the Prudential Regime

requires Councils to decide their own borrowing limit taking into account the authority's financial situation, MTFS and in particular affordability, as funding of capital expenditure has an on-going revenue cost which has to be met. This replaced the previous system of only being able to borrow in line with limits prescribed and was supported by Government funding through the Revenue Support Grant, which has now ceased.

Borrowing may be internal or external:

Internal borrowing uses the cash balances of the Council. Currently, these balances yield small returns on the market and is therefore cheaper than the interest rate payable on an external loan and so is maximised as far as possible. This has been a significant funding source in recent years.

External borrowing is via loans. Within local government the main provider has traditionally been the Public Works Loan Board [PWLB]. The Council has currently borrowed £62.793m externally to support the commercial investments. This reflects nearly 40% of the overall current borrowing capacity.

24. Leasing
A limited number of assets are leased, such as photocopiers. These are normally taken through Finance Leases where the asset remains owned by the finance company, but the Council rents them.

25. Revenue funding
Given the reduced funding available within local government, opportunities to fund capital expenditure from the revenue budget are limited. However, there may be instances where a revenue contribution in part or wholly is warranted. In such circumstances this would require confirmation from financial officers and appropriate Cabinet approval.

26. Carry Forwards from a previous year
In addition, schemes should be added to the Capital Investment Programme where there is a carry forward from a previous year with specific funding already allocated. The final value will be confirmed in the annual Outturn Report.

27. Crowdfunding
The Council has investigated a number of new potential funding sources and the possibility of crowdfunding small projects is now being actively examined.

2021-22 Capital Investment Programme

28. Service Capital Investment Programme -v- Commercial Investment Programme
It is important to draw a distinction between 'normal' service capital expenditure and commercial investment capital expenditure.

29. Annual capital expenditure to support the provision of services will continue to be funded, as far as possible, through Capital Grant, Capital Contributions, Internal Borrowing and Revenue Funding. Specific capital expenditure to fund commercial investments and regeneration projects will be funded via the external borrowing capacity, but will need to be self-financing to be approved.

30. **Service Capital Investment Programme**
The Service Capital Investment Programme is developed from an assessment of need and available resources. Initial capital proposals for 2021-22 to 2025-26 were identified and have been prioritised by officers in accordance with the strategy, under the following criteria:

a. Corporate Priorities:
   - Make Mendip a fairer place
   - Deliver on our climate and ecological commitment
   - Protect and enhance our towns and rural communities

b. Other Priorities:
   - Health and Safety or other legislative requirements
   - Improves or maintains business continuity
   - Invest to Save, efficiency or income generation
   - Contractual commitment
   - Identified in Strategic Asset Management Plan
   - National priorities

In respect of resources, the only annual Capital Grant received from Government is the Disabled Facilities Grant which totals £0.890m in 2021/22[1], and has been allocated as part of the Improved Better Care Fund. This value is assumed to continue in future years.

A one-off grant has also been received from Homes England in respect of the Saxonvale regeneration project totalling £3.935m. Due to the impact of the pandemic, only part of this has been spent in 2020-21 and the Council are awaiting confirmation from Homes England that the balance can be carried forward and spend in 2021-22.

As at 31 March 2020 the Council had £1,387k Capital Grants Unapplied. This will cover part of the expenditure during 2020-21.

The external borrowing undertaken during 2019-20 meant that the need for ‘internal borrowing’ was removed. With the current level of interest rates, internal borrowing will be appropriate, where cash balances allow, for any commercial investments made during the year.

The proposed Capital programme can be found in **Appendix A**. This includes both the current approved Capital Investment Programme rolled forward and the proposed additional programme to be put to Full Council. The proposed

[1] At the time of writing this allocation has not be confirmed but is widely expected to remain at previous levels.

2021-22 Service Capital Investment Programme is **£1.614m**, including **£0.903m** prior approvals which will be rolled forward.

An indicative annual Capital Investment Programme for future years has been included so that likely spend and funding can be demonstrated and the financing costs of this calculated. More detailed scheme proposals will be developed over time.

31. **Commercial Investment Capital Programme**

In addition to the schemes outlined within the Service Capital Investment Programme, it is possible that opportunities for commercial investment come to light during the year. It is therefore prudent to ensure the Council has the flexibility to respond in such circumstances. The Operational Boundary (Borrowing Limit) was increased to £160m by Full Council in February 2020.

The impact of the pandemic during 2020-21 has meant that no new commercial investment has been undertaken. This does however remain an important option to generate a financial return and help to reduce the Council's future budget gap and it is anticipated that new opportunities will arise in 2021-22. The appointment of an external energy consultant will also bring potential investment opportunities in the energy sector.

Any commercial investment should return more than the cost of the borrowing, including MRP where appropriate and give a net yield in excess of 1%. It is important to remember that whilst the main driver should be financial return, community benefit also should be considered when investing. The other essential consideration is around the risks associated with any investment which will be assessed whilst considering any investments and also on an on-going basis.

The commercial properties the Council has purchased to date have provided a net financial return of around £3 million per annum, or over 2.4% above the debt financing cost.

MRP has not previously been applied to these assets on the basis that the plan is to sell the assets at a future date to repay the debt. However, recent guidance has been issued which indicates that MRP should be charged on Investment properties. The Council is required to have regard to this guidance and has therefore amended its MRP policy in this respect. Details are set out in the **Treasury Management Strategy.**

Commercial investment opportunities are being identified and assessed by independent external consultants and proposals will be brought forward to the Cabinet or Phoenix Board as required.

32. **Regeneration Projects.**

In line with the council's priority to "Protect and enhance our towns and rural communities", a number of regeneration projects are being developed across the district. This will help support the council aim to build a more vibrant Mendip. This investment should yield both on-going revenue income and capital receipts which could be used for further investment, or to reduce the Council’s overall debt position.

Individuals projects will be subject to the production of a full business case which will be brought to Cabinet or the Phoenix Board for approval. No provision has been made within the Council’s revenue budget in relation to these schemes, so any projects will need to be self-financing, such that borrowing costs are covered by investment income or capital receipts.

33. **Flexibility**
The above indicative sub-totals should be flexible in order to enable the Council to respond to investment opportunities or requirements if they arise in-year.

Borrowing Strategy

34. The Council’s primary objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at below 0.5%) and long-term fixed rate loans where the future cost is known but higher (currently 1% to 2% depending on the length of the loan).

35. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The flexibility to renegotiate loans should the Council’s long-term plans change is a secondary objective.

36. The rules for using the PWLB have however been changed during the past year. Council's can no longer use the PWLB for Commercial Investment or debt for yield. Other sources such as local authorities / financial Institutions will have to be used where necessary.

37. The Council will adhere to MHCLG guidance, which states “Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed”. Therefore, the Council must not borrow with the only intention being to invest the cash as a treasury investment. Through the Council's Non-Treasury activity, the need to borrow is created through the purchase of the commercial asset, therefore the Council may borrow in advance of need to fund the transaction when the purchase is sufficiently progressed.

38. Statutory guidance states that debt should remain below the capital financing requirement, except in the short-term. Therefore, the Council is required under Section 3 (2) of the Local Government Act 2003 (the “2003 Act”) to set

an "Authorised Limit" (affordable borrowing limit) for external debt, which includes direct borrowing as well as other long-term liabilities. This was increased in February 2020 to £165m.

39. Below this, the Council has an Operational Boundary within which the Capital Investment Programme must operate. This was increased to £160m in February 2020. Only in exceptional short-term circumstances should this boundary be breached.

40. The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken, and the type of borrowing should allow the Council transparency and control over its debt.

Treasury and Non-Treasury Investments

41. Treasury investments relate to the investment of excess cash arising from receiving cash before it is paid out again.

42. It is proposed that the Council's policy on treasury investments is to prioritise security and liquidity over yield; that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss.

43. The Ministry of Housing, Communities and Local Government (MHCLG) describe other types of investment, particularly direct commercial investments as Non-Treasury investments.

44. The risk profile of such investments differs to Treasury Investments, therefore it is proposed that the Council's policy on Non-Treasury investments is to prioritise yield and security over liquidity; that is to focus on maximise returns within a secure setting, even if they may not be particularly liquid.

45. The Council has undertaken a number of Non-Treasury Investments, purchasing property assets rents to high calibre companies on a long-term lease. Therefore, the rental income is maximised, but should the cash be required, the asset will need to be sold which inevitably takes time. The Council employs external advisers and consultants that are specialists in commercial investment to supplement the professionally qualified and experienced in-house staff to undertake thorough due diligence to ensure as far as possible that these investments also minimise the risk of loss. The Investments are also reviewed on annual basis by our external advisors, Cushman and Wakefield.

46. The Asset Investment Strategy, agreed by Phoenix Board in March 2018, governs the framework within which these investments are made. It ensures a balanced portfolio is achieved that enables the spread of inherent risks associated with property investment. An acquisition matrix specifies the

financial and physical criteria of assets, a balance of sector types, length of leases, amount of rental income from any one asset, the asset yield, location of assets and the quality of buildings. This will be reviewed shortly, to assess and reflect the impact of the pandemic.

47. The governance of Non-Treasury Investments is covered by the Phoenix Sponsorship Board comprising elected members with support from specific officers and professional advisers (as required), who in turn report quarterly to Cabinet.

48. Reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review, and an annual report after its close, will be taken to Full Council via the Audit Committee. For the avoidance of doubt, the financial implications of the Non-Treasury Investment will form part of that report.

49. In order that commercial investments remain proportionate to the size of the Authority, they will be subject to an overall maximum investment limit, which was agreed at £100m by the Full Council in February 2020.

Minimum Revenue Provision (MRP)

50. Where the Authority finances capital expenditure by debt, it must make prudent provision to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP).

51. The Council is required to make a Statement on MRP. This statement brings together the statutory requirements of the Chartered Institute of Public Finance Accountants (CIPFA) and under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended].

52. The financial implications of the statement directly impact the level of charge to the revenue budget. The statement and further supporting information is included within the **Treasury Management Strategy** approved annually by Full Council.

Prudential Indicators

53. The Council is required, by regulation, to publish a number of indicators relating to the Capital Investment Programme, Treasury Management and the revenue implications of the programme, known as the Prudential Indicators.

54. Under the Prudential Code the Council is obliged to adopt the “CIPFA Code of Practice for Treasury Management in the Public Services”. The Council has formally adopted this code and has also adopted the content and the spirit of the revised edition of the code that was fully published in 2018.

55. The Prudential Code Indicators have been based on the assumption that Cabinet / Council will approve the proposals contained in the Revenue Budget and Service Capital Investment Programme. The Prudential Code Indicators and further supporting information is included within the **Treasury Management Strategy** approved annually by Full Council.

Background Papers

56. List of background Papers:

- **Medium Term Financial Strategy – Cabinet February 2021**
- **2021-22 Treasury Management Strategy – Audit Committee January 2021**

Appendices

- **Appendix A Capital Investment Programme 2021-22 to 2025-26**

Contact Officer: Richard Bates – Interim Section 151 Officer
Phone No: **07597 375305**
Richard.Bates@mendip.gov.uk

Annex 1 – Strategic Asset Management Plan – Aims and Objectives

The Council's objectives in terms of asset management include:

- Using innovative asset management solutions to enhance, not constrain, service delivery.
- To be one of the delivery mechanisms for the Transformation Plan.
- The AMP is to inform future decisions about the suitability, sufficiency and sustainability of the Council's land and property resources
- To further develop AIMS (Assets Information Management System) as a sophisticated tool which will accurately inform property decisions and strategies.
- To provide accurate data for informed decision-making including improved information databases; management of data to retain accuracy; and establishing protocols for the updating of data.
- To optimise the value of the Council's land and property portfolio through effective corporate arrangements for the acquisition and disposal of land and property assets.
- To seek out and be alert to all opportunities to enhance and protect the revenue from the property portfolio, and to promote new sources of revenue. A key action will be to undertake a strategic review of the Council's car parks to identify options for capital release and the creation of additional revenues.
- Ensure fitness for purpose and value for money.
- Manage all properties in the most economic, efficient and effective manner.
- Seek to protect the property of the Council by eliminating encroachments, claims for adverse possession or similar issues.
- Ensure major repair projects are procured to provide best value for money and that they are undertaken pro-actively.
- To ensure that the Council's property assets are used intensively, whether with the prime aim of supporting a range of community uses or yielding better 40
- returns
- To share facilities with public sector partners to achieve better value for money, where appropriate.
- To realise the value of properties that are surplus to requirements in a timely manner and optimising prevailing market conditions.
- To protect the Council's long-term interests by disposing, where appropriate, by means of a long-term lease with covenants restricting the future use and development of the sites.

- Ensure that any non-operational investment properties are performing.
- Where possible, to utilise surplus land for alternative uses such as mixed-use development including the promotion of affordable housing.
- Promote and facilitate work with partners and the community to optimise the use of the Council's assets for the benefit of the local community, including the disposal of amenity land where such assets are more effectively managed on a local basis.
- To provide, through the AMP, a robust framework to guide decision making processes and procedures by the Council in respect of its assets.