

REPORT TO CABINET

Open		WOULD ANY DECISIONS PROPOSED :		
Any especially affected Wards None	Mandatory	(a) Be entirely within Cabinet's powers to decide	NO	
		(b) Need to be recommendations to Council	NO	
		(c) Be partly for recommendations to Council and partly within Cabinet's powers	YES	
Lead Member: Councillor Brian Long E-mail: cllr.brian.long@west-norfolk.gov.uk		Other Cabinet Members consulted:		
		Other Members consulted:		
Lead Officer: Lorraine Gore E-mail: lorraine.gore@west-norfolk.gov.uk Direct Dial: 01553 616432		Other Officers consulted: Management Team		
Financial Implications YES	Policy/Personnel Implications NO	Statutory Implications (incl S.17) NO	Equal Opportunities Implications NO	Risk Management Implications YES

Date of meeting: 31 January 2017

Capital and Local Property Investment Fund Strategy 2017-2021

Summary

The Capital and Local Property Investment Fund Strategy, supported by a number of other documents, provides a framework for the delivery of the capital programme and ensures that capital investment is directed to the Council's Corporate Priorities and helps achieve the Financial Sustainability Plan. It therefore provides the rationale for any capital spending and property investment plans.

RECOMMENDATIONS

- 1) that Cabinet approve the Capital and Local Property Investment Fund Strategy 2017-2021 as attached to the report.
- 2) that Cabinet recommend to Council that a Local Property Investment Fund is set up and managed as detailed in the Capital and Local Property Investment Fund Strategy 2017-2021 as attached to the report.

Reason for Decision

The previous capital strategy was approved in 2009 and is overdue for review.

1. Purpose

- 1.1 The purpose of the Capital and Local Property Investment Strategy is to outline the Borough Council of King's Lynn and West Norfolk's (BCKLWN) approach to capital investment and how the Council ensures that capital investment is directed to the Council's Corporate Priorities and helps achieve the Financial Sustainability Plan. It therefore provides the rationale for capital spending and property investment plans.
- 1.2 The Strategy is a partner document to the Medium Term Financial Plan, the Corporate Business Plan, the Treasury Management Policy and the Annual Investment Strategy and the Financial Sustainability Plan. It provides a framework for the delivery of the capital programme and exists to ensure that capital expenditure is:
 - targeted to schemes that assist the Council to achieve its priorities
 - affordable, sustainable and prudent
 - subject to appropriate governance and, project and performance management arrangements
 - funded in the most appropriate way
- 1.3 The Local Government Act 2003 requires local authorities to adopt the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). The Prudential Code "requires local authorities to have regard to wider management processes (option appraisal, asset management planning, strategic planning and achievability) in accordance with good professional practice". As part of the Prudential Code, authorities are required to estimate their capital expenditure over the next three financial years, which will form a part of the budget setting process each year.
- 1.4 This Strategy requires that a capital programme is set out for a period in line with the revenue estimates and includes reference to the impact on revenue budgets. It is a requirement for the Strategy to be reviewed on a regular basis.

2. Capital and Local Property Investment Fund Strategy 2017-2021

- 2.1 The Strategy is attached to this report.

3. Local Property Investment Fund

- 3.1 The BCKLWN's Financial Sustainability Plan in response to the Government's multi-year funding settlement identifies future income from capital investment projects as a key element in delivering new revenue income. The Strategy needs to be flexible enough to meet these needs and to be able to be amended to accommodate new investment opportunities in a timely and robust manner as these arise.

- 3.2 The Council's Treasury Management and Investment Strategy already includes provision to consider investment in other opportunities in addition to traditional investment vehicles, subject to separate Cabinet reports.
- 3.4 Property Investment Funds are available which can provide higher rates of return than the traditional banking investments, these require commitment to the investment over the longer term and the Council would have no control over which individual property developments it would be supporting. The Council could alternatively decide to invest in property in the local area and hold a Local Property Investment Fund managed as part of the Treasury Management function, generating a higher return over the longer term, with the added benefit of business rates/council tax growth and wider benefits to the local economy. The Strategy has been updated to provide authority to take up property investment opportunities.
- 3.5 It is proposed that the Strategy provides for property investment opportunities to be undertaken in place of traditional investment vehicles subject to:
- Business case required which considers options, risk, return, fit with corporate priorities and reputation
 - Total funds to be allocated to the Local Property Fund to be capped at £7.5m which is 30% of the Council's core investment funds of £25m
 - No one investment to be more than £2m under the delegated authority. Individual investment opportunities in excess of £2m will require Cabinet approval. The Treasury Management Strategy limit is no more than £4m with any counterparty.
 - Investment decisions in respect of the Local Property Investment Fund for acquisition and disposal of assets held in the Fund to be delegated to; the Assistant Director (S151 Officer) in consultation with the Leader, relevant Portfolio Holder, a third Portfolio Holder, and the Property Services Manager.

4. Financial Implications

- 4.1 The Strategy provides the rationale for capital spending and property investment plans.
- 4.2 The investment in property in the local area will generate a higher return over the longer term than traditional investment vehicles. In addition there will be added benefits of increased business rates/council tax growth for the council.

5 Policy Implications

- 5.1 To establish and operate a Local Property Investment Fund within the Council's existing Treasury Management function.
- 5.2 Investment decisions in respect of the Local Property Investment Fund for acquisition and disposal of assets held in the Fund to be delegated to; the Assistant Director (S151 Officer) in consultation with the Leader, relevant Portfolio Holder, a third Portfolio Holder, and the Property Services Manager.

6 Risk Assessment

- 6.1 The Council already holds £24m (balance sheet 31 March 2016) of investment properties, industrial and commercial properties and land. Investment in a property fund requires a commitment to the investment over the longer term. The value of property can go or down and in the event of a decline in property values the council will need to commit to holding the property until values recover and take additional borrowing if funds are required in the short term.

Access to Information

Treasury Management Strategy 2016/2017
Financial Regulations
Contract Standing Orders
Corporate Business Plan
Financial Plan 2016-2020
Financial Sustainability Plan