

Portfolio Holder Decision – CIPFA Prudential Code Consultation - Warwickshire County Council's response

Portfolio Holder	Portfolio Holder for Finance and Property
Date of decision	29 March 2021
	Signed

Decision taken

(1) To approve the County Council's response to the CIPFA consultation on The Prudential Code, as detailed in Appendix 2.

(2) To authorise the Strategic Director for Resources to update the draft response, prior to its submission to CIPFA, subject to any amendments being consistent with the approved framework.

Reasons for decisions

CIPFA have published a consultation on The Prudential Code for Capital Finance in Local Authorities (Prudential Code). The Prudential Code was introduced in 2004, developed as a professional code of practice to support local authorities. The Council, as a local authority, is required by regulation to have regard to the Prudential Code.

Key objectives of the Code are to ensure, within a clear framework, that local authorities' capital investment plans are affordable, prudent and sustainable that treasury management decisions are taken in accordance with good professional practice and that local strategic planning, asset management planning and proper option appraisal are supported.

Since the Prudential Code was last updated in 2017. The landscape for local government investment has seen continuing growth in commercial activity including what CIPFA and the government consider to be excessive activity by a few outlying local authorities in the sector. CIPFA wishes to strengthen the Prudential Code to promote local decision making in line with its key objectives, and ensuring that the code remains fit for purpose.

It is in the interest of the Council to acknowledge and respond to this consultation due to the direct impact any changes would make to current practices. The closing date for responses is the 12 April 2021.

Background information

The Prudential Code Consultation addresses several different aspects of the current code. Appendix 1 includes the full guidance, notes and questions provided by CIPFA for this consultation.

The changes set out in this consultation are to the wording in several paragraphs as follows:

Borrowing in advance of need - in particular the wording within the code to ensure clarity on its meaning and implications (questions 1 and 2);

A potential proportionality objective with regard to commercial investments (questions 3 and 4);

Addition of a sustainability objective and other corporate objectives (such as innovation and diversity) within the code, as well as the relevance of the current objectives (questions 5 to 8);

A requirement for commentary on affordability of commercial activity (question 9);

Improvement to prudential indicators (questions 10 to 15).

Appendix 2 is The Council's draft response to each of these questions. Regarding the wording addressed in questions 1 and 2, we have suggested more clarity in the meaning and definition of the paragraph. For questions 3 to 9 the Council agrees with the proposals set out and has added commentary where relevant. For questions 10 to 15, regarding the indicators, the Council has disagreed with the removal of Gross Debt to Capital Financing Reserve (CFR), and its replacement with the Liability Benchmark, as we do not believe them to be comparable. The response also offers an opinion on the addition of and changes to other indicators as suggested by CIPFA.

Financial implications

There are no financial implications as a result of this report.

Environmental implications

There are no environmental implications as a result of this report.

Report Author

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Assistant Director	Assistant Director Finance
Lead Director	Strategic Director for Resources
Lead Member	Portfolio Holder for Finance and Property

Urgent matter?	<i>No</i>
Confidential or exempt?	<i>No</i>
Is the decision contrary to the budget and policy framework?	<i>No</i>

List of background papers
None

Members and officers consulted and informed
Portfolio Holder – Councillor Peter Butlin
Legal – Jane Pollard
Finance – Chris Norton, Andrew Felton, Virginia Rennie
Democratic Services – Isabelle Moorhouse
Councillors – Warwick, Singh Birdi, Boad, Falp & O’Rourke