

**2020/21 INVESTMENT STRATEGY**

*To:* **Commercial and Investment Committee**

*Meeting Date:* **18<sup>th</sup> October 2019**

*From:* **Chief Finance Officer**

*Electoral division(s):* **All**

*Forward Plan ref:* **N/a**

*Key decision:* **No**

*Purpose:* **To update Commercial and Investment (C&I) Committee on the 2020/21 Investment Strategy.**

*Recommendation:* **The Committee is asked to review, note and comment on the Strategy and recommend its inclusion within the Capital Strategy, to be included within the 2020-21 Business Plan.**

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## 1. BACKGROUND

- 1.1 Part of the Council's approach to dealing with the twin pressures of reduced central government funding and growing demand for services has been to drive a more commercial approach within the organisation and to deliver better financial returns from property and asset holdings.
- 1.2 Any commercial acquisition carries with it a degree of risk and as this involves the investment of public funds, the rationale for engaging in such activity should be clear. The Council does not intend to invest in commercial activity for its own sake but to mitigate against the consequences of increasing budgetary pressures. The Council will not meet the financial challenges it faces through transforming services alone. The approach will require a mix of transformation, additional revenue sources, and a reduction in service levels. By focusing resources on the first two approaches, the need to utilise the latter option will be minimised.
- 1.3 The Council's Investment Strategy has been prepared in line with the following guidance:
  - The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017 and Treasury Management Code 2017
  - The Ministry for Housing, Communities and Local Government (MHCLG) statutory guidance on Local Authority Investments
- 1.4 CIPFA's revised Codes require all local authorities to prepare an investment strategy, covering both financial and non-financial assets, and MHCLG's statutory guidance provides detail on the necessary content for those strategies. The Council's strategy for financial assets has been incorporated into the Treasury Management Strategy (TMS). The strategy for non-financial assets has been included as Appendix 3 within the Capital Strategy (please see **Appendix A** to this report). Both the TMS and Capital Strategy will be agreed by Full Council in February 2020 as part of the Business Plan 2020-25.

## 2. MAIN ISSUES

- 2.1 The revised Strategy has been updated to reflect the Council's investment activity since the Strategy was last agreed by Full Council in February 2019 as part of the 2019-24 Business Plan. The main revisions are:
  - Providing clarity regarding the Council's aim to generate a 6% average yield across the portfolio over the medium term. This reflects the fact that investments are not made purely on the basis of initial yield, but consider other factors such as reducing sector or geographical concentration risk, and the growth in yield over the medium to longer term.
  - Providing more detail on the information that the Council uses and the process it goes through in order to make a decision to invest.
  - Adding individual investment summaries, including qualitative indicators, for the new acquisitions since February 2019.

### **3. FUTURE STEPS**

- 3.1 Due to increased commercial activity generally across the public sector, it is likely that both CIPFA and MHCLG will issue further guidance which the Council will need to reflect in future iterations.
- 3.2 The Council is also looking to benefit from best practice delivered elsewhere in the sector, and will therefore undertake a review of both Investment Strategies and assessment practices used by other Councils for analysing individual investment opportunities. This will help to ensure the Council's commercial activity is operating within a robust framework. The outcomes of this review will also feed into future updates.

### **4. ALIGNMENT WITH CORPORATE PRIORITIES**

#### **4.1 Developing the local economy for the benefit of all**

There are no significant implications for this priority.

#### **4.2 Helping people live healthy and independent lives**

There are no significant implications for this priority.

#### **4.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority.

### **5. SIGNIFICANT IMPLICATIONS**

#### **5.1 Resource Implications**

This report sets out the need for the Council to undertake Commercial Investment activity.

#### **5.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

#### **5.3 Statutory, Risk and Legal Implications**

The report highlights how the revised Investment Strategy meets the statutory guidance.

#### **5.4 Equality and Diversity Implications**

There are no significant implications within this category.

#### **5.5 Engagement and Consultation Implications**

There are no significant implications within this category.

#### **5.6 Localism and Local Member Involvement**

There are no significant implications within this category.

## 5.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
<b>Have the resource implications been cleared by Finance?</b>	Yes Name of Financial Officer: Ellie Tod
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b>	N/A
<b>Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?</b>	N/A
<b>Are there any Equality and Diversity implications?</b>	N/A
<b>Have any engagement and communication implications been cleared by Communications?</b>	N/A
<b>Are there any Localism and Local Member involvement issues?</b>	N/A
<b>Have any Public Health implications been cleared by Public Health</b>	N/A

Source Documents	Location
The Prudential Code 2017 The Treasury Management Code 2017 Statutory Guidance on Local Authority Investments Statutory Guidance on Minimum Revenue Provision	1 <sup>st</sup> Floor, Octagon, Shire Hall, Cambridge