

2019/20 INVESTMENT STRATEGY - UPDATE

To: **Commercial and Investment Committee**

Meeting Date: **22nd March 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 2019/20 Investment Strategy.**

Recommendation: **The Committee is asked to review, note and comment upon the strategy.**

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1. BACKGROUND

- 1.1 Part of the Council's approach of dealing with the twinned 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 the sake of it but to mitigate against the implications 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, the need to utilise the latter option will be minimised.
- 1.3 In July 2016, Commercial and Investment Committee approved an Acquisitions and Investment Strategy in order to set out the objectives for the Council's commercial investment activity, establish a set of investment criteria and clarify the governance arrangements required.
- 1.4 Since this strategy was agreed, the Chartered Institute of Public Finance and Accountancy (CIPFA) has issued a revised Prudential Code 2017 and Treasury Management Code 2017. In addition, the Ministry for Housing, Communities and Local Government (MHCLG) has also issued statutory guidance on changes to the prudential framework for capital finance with particular regard to:
 - Local Authorities Investments
 - Minimum Revenue Provision
- 1.5 CIPFA's revised Codes require for 2019-20 that all local authorities prepare an investment strategy, covering both financial and non-financial assets, and MHCLGs 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 (based on the content of the previous Acquisitions and Investment Strategy) has been included as Appendix 3 within the Capital Strategy (please see Appendix A to this report). Both the TMS and Capital Strategy were agreed by Full Council in February 2019 as part of the Business Plan 2019-20.

2. MAIN ISSUES

- 2.1 The new guidance requires the Investment Strategy to include:
 - An overview of how the associated risk of non-financial investments is managed
 - The implications for future financial sustainability as a result of investment decisions
- 2.2 The Investment Strategy has therefore been updated to include the following aspects:
 - The Council's dependency on commercial income

- The Council's debt relative to service expenditure
- Quantities indicators for existing investments

2.3 In addition, the Commercial and Investment Working Group asked for the following areas of the strategy to be revised:

- Addition of a caveat that C&I can choose to review opportunities returning just below a 6% yield to ensure the Council is not missing out on a worthwhile opportunity
- The ability to change external advisors as appropriate based on performance
- The governance arrangements around initial bids
- The ability to use other funding options in addition to capital receipts

2.4 There has also been a general update of some of the strategy and reordering of some of the sections in order to better reflect the relevant guidance.

3. FUTURE STEPS

3.1 The Council's Business Plan is revised every year – one of the first activities within this process is to revise the relevant strategies included within the plan. Therefore, the Capital Strategy, and as such the Investment Strategy contained within it, will be updated again during the next few months.

3.2 The Council is aware that 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.

3.3 The Council is also looking to benefit from best practice delivered elsewhere in the sector, and therefore will undertake a review of both Investment Strategies and assessment practices for analysing individual investment opportunities of other Council's 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
Have the resource implications been cleared by Finance?	
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	N/A
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	
Are there any Equality and Diversity implications?	N/A
Have any engagement and communication implications been cleared by Communications?	N/A
Are there any Localism and Local Member involvement issues?	N/A
Have any Public Health implications been cleared by Public Health	N/A

Source Documents	Location
Capital Strategy 2019-20 The Prudential Code 2017 The Treasury Management Code 2017 Statutory Guidance on Local Authority Investments Statutory Guidance on Minimum Revenue Provision	1 st Floor, Octagon, Shire Hall, Cambridge