

This Report will be made public on 10 March 2020



Report Number **C/19/74**

To: Cabinet
Date: 18 March 2020
Status: Key Decision
Head of service: Charlotte Spendley, Director of Corporate Services
Cabinet Member: Councillor David Monk, Leader

SUBJECT: INVESTMENT STRATEGY 2020/21

SUMMARY: This report sets out the council's proposed strategy for its service and commercial investments in 2020/21 to be approved by full Council.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below because:-

- a) The Council must have regard to both CIPFA's Prudential Code for Capital Finance in Local Authorities and the Ministry for Housing Communities and Local Government Investment Guidance when carrying out its duties under Part 1 of the Local Government Act 2003.
- b) The Council is required to approve an Investment Strategy for the forthcoming year.

RECOMMENDATIONS:

1. To receive and note report C/19/74.
2. To recommend to Council that the 2020/21 Investment Strategy, including the Investment Indicators, set out in the appendix to this report is approved.

1. INTRODUCTION AND BACKGROUND

- 1.1 In early 2018 the Ministry for Housing, Communities and Local Government (MHCLG) revised their *Statutory Guidance on Local Government Investments* mainly as a response to the increased commercial investment activity in the sector. The MHCLG Guidance requires all local authorities to produce an annual Investment Strategy for their non-treasury management investments which has to be approved by full Council. The MHCLG Guidance also requires local authorities to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) publications of *The Prudential Code for Capital Finance in Local Authorities* and *Treasury Management in the Public Services* which both complement it.
- 1.2 The Authority invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to earn investment income (known as **commercial investments** where this is the main purpose).
- 1.3 The main purpose of the investment strategy is to identify the level of the authority's service and commercial investments and to set risk management parameters around these.
- 1.4 Treasury management investments and borrowing continue to be covered by a separate annual Treasury Management Strategy Statement which has to be approved by Cabinet as part of the budget process in advance of each new financial year. However, the revised MHCLG Guidance requires some limited treasury management information to feature in the investment strategy, including the level of interest received by the General Fund. Cabinet approved the council's Treasury Management Strategy Statement for 2020/21 on 22 January 2020 (report no. C/19/59 refers)
- 1.5 The investment strategy, set out in the appendix to this report, is based on the authority's existing and planned service-related and commercial investments and is consistent with the proposed General Fund Medium Term Capital Programme approved by full Council on 19 February 2020 (report no. A/19/29 refers).
- 1.6 Being a relatively new requirement on the authority, it is anticipated that the investment strategy will continue to develop and evolve over time in line with the council's own capital investment aspirations and plans. The intention is to review the investment strategy annually as part of the authority's budget setting process. However, if the nature and structure of the authority's proposed service and commercial investments was to change during the year it may be necessary to revise the strategy at the same time.

2. RISK MANAGEMENT ISSUES

- 2.1 The main purpose of the Investment Strategy shown in the appendix to this report is to identify risks associated with the authority's service and commercial investments and to set parameters to help mitigate these. No other risk management issues have been identified as relevant to this report.

3. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

3.1 Legal Officer's Comments (NE)

There are no legal implications arising directly out of this report other than those already stated. For each financial year, the council should prepare at least one Investment Strategy which should contain the disclosures and reporting requirements specified in the Local Government Investment Guidance as published by the MHCLG. The Strategy should be approved by full Council.

3.2 Finance Officer's Comments (LW)

This report has been prepared by Financial Services and there are no direct financial implications arising from it.

3.3 Diversities and Equalities Implications (LW)

There are no direct diversities or equalities issues arising from this report

4. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Lee Walker, Capital and Treasury Senior Specialist

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The following background documents have been relied upon in the preparation of this report:

Arlingclose Ltd – Investment Strategy Report 2020/21 Template

Appendices:

Appendix 1: Investment Strategy 2020/21