

REPORT OF CABINET
(Meeting held on 20 February 2017)

1. INVESTMENT STRATEGY (MINUTE 62)

Members will recall that on 4 January 2017 (minute 48 refers) the Cabinet agreed in principle that the Council should invest in commercial property and that an Investment Strategy should be prepared. Subsequent to that meeting a task and finish group was established to review and approve the draft Strategy.

It is important that the Council should continue to seek additional sources of income to meet its aspiration of becoming increasingly independent of government funding and at the same time, to continue to facilitate the economic development of the area.

The investments held by the Council currently overall achieve a return of 0.85%; with the small element that is in a pooled property and equity fund achieving a return of 5.35%. Experience at other authorities suggests that a return of 5 – 7% can be achieved from commercial property investments of the type now under consideration. Set against this will be the cost of the capital used to acquire the properties.

It is estimated that the level of usable reserves in the General Fund currently stands at £18 million. Until these funds are needed for the purpose for which they had been earmarked originally, or interest levels through the Public Works Loans Board reached a defined threshold, these reserves could be used to initially fund the investment strategy.

The Council's agreed treasury management prudential indicators currently impose a limit of £30 million on external debt in addition to the loan of £144 million for the Housing Revenue Account resettlement. This may need to be adjusted to allow for the additional investments. The Cabinet considers that an investment portfolio in the region of £30 million will give a reasonable balance of risk versus reward. There will also need to be an additional revenue budget of £100,000 per annum to support the investment strategy. This will include the funding of the additional staffing resource needed to develop and manage the portfolio of properties.

The Cabinet warmly welcomed the implementation of the strategy. Members of the Council spoke in support.

RECOMMENDED:

- (a) That the Asset Investment Strategy attached to Report Item 3 considered by the Cabinet be approved;
- (b) That the proposed level of investment and the additional budgetary and staffing requirements set out in the Strategy and Report Item 3 considered by the Cabinet be approved;
- (c) That the following delegation of powers be approved to make purchases and investments in accordance with the provisions of the Strategy:
 - (i) That the Chief Executive, the Executive Head Governance and Regulation, and the S151 Officer, in consultation with the Portfolio Holder for Finance and Efficiency and the Chairman of the Corporate Overview and Scrutiny Panel, shall have authority to make asset purchases and investments up to £5 million;

- (ii) The Cabinet shall have authority to make asset purchases and investments above £5 million.
- (d) That a Property Investment Panel be constituted, consisting of the Finance and Efficiency Portfolio Holder, the Chairman of the Corporate Overview and Scrutiny Panel, the Chief Executive, the Executive Head Governance and Regulation, and the S151 Officer, for the purposes set out Report Item 3 considered by the Cabinet.

Councillor B Rickman
CHAIRMAN