

Service / Policy:	Investment Fund
Director / Assistant Director:	Anne-Marie Bond

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Section 1: Background Information

1.	<p>What is the proposal / issue?</p> <p>To provide Members' with information to facilitate a consideration of whether the Investment Strategy and level of the Fund needs reviewing, how the Fund should be managed and the governance, reporting and training arrangements for members and reserve members of the Investment Committee.</p>
2.	<p>What is the current situation?</p> <p>The Council established an Investment Fund of £50 million, an Investment Strategy and an Investment Committee on 22 September 2016. An informal briefing session was held on 1 November 2016 to discuss possible options on how the Investment Fund could be managed and taken forward and these are summarised in paragraph 3 below.</p>
3.	<p>What options have been considered?</p> <p>It is recognised that the Council has limited experience of operating such a significant investment fund and there will be a need to obtain appropriate professional guidance, however there are a number of options available including:</p> <ol style="list-style-type: none"> a. Appointment of an individual fund manager (recruitment required). <ul style="list-style-type: none"> <input type="checkbox"/> Pro's - lower cost, closer relationship, direct control of resource. <input type="checkbox"/> Con's - might not have specialist knowledge thereby requiring additional input, will take time to recruit, more difficult to change once employed. <input type="checkbox"/> Opportunity - to provide expert advice to other authorities (income generation with possibility of JV to share risk). <input type="checkbox"/> Threats - resilience and availability, might be poached by others. b. Appointment of an Investment Fund Management Company to provide advice (tender required).

	<ul style="list-style-type: none"> <input type="checkbox"/> Pro's - variable resource, likely to offer specialist sector expertise and resilience, and will be able to demonstrate a track record. <input type="checkbox"/> Con's - will need to be procured, may be remote. <input type="checkbox"/> Opportunity - Possibility to share procurement and investment with other authorities. <input type="checkbox"/> Threats - none identified. <p>c. Place money into an existing Property Investment Fund.</p> <p>d. To compliment any of the options (or combination of options above, an element of the fund could be used locally, with the Torbay Development Agency (TDA) being instructed to bring forward local investment opportunities for consideration. These might be on behalf of the Council, the TDA, local developers or businesses, initiatives arising from the Local Enterprise Partnership (LEP) and others, for example, South Devon College etc.</p> <ul style="list-style-type: none"> <input type="checkbox"/> Pro's - local knowledge, benefits to local economy. <input type="checkbox"/> Con's - local investments may offer lower initial yields. <input type="checkbox"/> Opportunity - lack of suitable premises is the second highest barrier to growth and inward investment. Business rate growth is important to council viability. <input type="checkbox"/> Threats - significant investments in individual projects are likely to carry higher risks (which might be mitigated through JV's). <p>Training, the Governance Support Team Leader has been working to identify appropriate training providers to give expert training on investments and risks with a view to the training taking place before the end of November. This has not been possible due to the lack of availability of suitable trainers and the number of meetings being held in November. It is therefore proposed that the training will take place on 5 December to enable the Committee to start making formal decisions on investments.</p>
<p>4.</p>	<p>How does this proposal support the ambitions, principles and delivery of the Corporate Plan 2015-19?</p> <p>Principles:</p> <ul style="list-style-type: none"> • Use reducing resources to best effect <p>Targeted actions:</p> <ul style="list-style-type: none"> • Working towards a more prosperous Torbay

5.	<p>Who will be affected by this proposal and who do you need to consult with?</p> <p>At this stage we have consulted with Aylesbury Vale, Barnet, Eastleigh, Fareham, Guildford, Luton, Portsmouth and Southampton Councils who have already made successful investments and/or created investment funds and the Local Enterprise Partnership to see if there is any interest in collaboration with Torbay in respect of a shared Investment Fund or Fund Manager and to assist in sharing their experiences as part of the training to members.</p>
6.	<p>How will you propose to consult?</p> <p>Via telephone conversations and email.</p>

Section 2: Implications and Impact Assessment	
7.	<p>What are the financial and legal implications?</p> <p>When determining which investments to make under the Investment Fund, Members will need to have regard to the advice of the Chief Finance Officer on the anticipated income to be achieved taking into account the Council's treasury management process and the most cost effective way of borrowing the money to fund the investment.</p> <p>Treasury management and (property) Investment Fund are two separate issues both in terms of governance and purpose.</p> <p>1) Treasury Management:</p> <p>This is the “management of the Councils’ investments and cash flows”. The key here is the management of all council investments, borrowing and cash flow linked to its total spending and income plans.</p> <p>This is governed by Local Government Act 2003, CIPFA Treasury Management Code of Practice and the Prudential Code. This is reflected in the Council's Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision (MRP) Policy. All these are scrutinised by Audit Committee and approved annually by Council. The Council's approved Investment Strategy for 2016/17 allows the investment in Property Funds up to £10m. All property funds apart from CCLA (which has a legal exemption) are classified as capital expenditure and therefore a MRP would apply.</p> <p>DCLG guidance is clear that “while speculative nature of borrowing purely to invest is unlawful, there appears to be no legal obstacle to the temporary investment of funds borrowing for the purpose of expenditure in the reasonably near future”.</p>

2) (Property) Investment Fund:

This was established for the purchase of property within and outside Torbay. Loans and co-investment in property in property are also permitted. Any borrowing and cash flow implications, as a result of decisions made for spending the fund, would be dealt with under the Council's overall Treasury Management Strategy as above. Purchase of property is classified as capital expenditure and therefore a MRP would apply. The investment in a property fund would appear to be both a treasury management activity and unlawful if borrowed for.

Notes:

Local Government Act 2003 allows Councils to:

Power to borrow - A local authority may borrow money—

- (a) for any purpose relevant to its functions under any enactment, or
- (b) for the purposes of the prudent management of its financial affairs.

Power to invest - A local authority may invest—

- (a) for any purpose relevant to its functions under any enactment, or
- (b) for the purposes of the prudent management of its financial affairs.

Local Government Act 1972 allows Councils to:

Acquisition of land by agreement by principal councils.

(1)For the purposes of—

- (a)any of their functions under this or any other enactment, or
- (b)the benefit, improvement or development of their area,

a principal council may acquire by agreement any land, whether situated inside or outside their area.

8.

What are the risks?

Members will receive professional training to help them understand the risks of the different types of property investment which may be used for the Investment Fund. It is likely that the Council will develop a portfolio of different investments some with higher yields to ensure that the income generated is maximised and that the risks are spread over a number of investments rather than all in one high risk proposal.

<p>9.</p>	<p>Public Services Value (Social Value) Act 2012</p> <p>It is proposed that some of the investments will be within Torbay and consideration will be given to ensure that they improve the economic well-being in the area and they will also generate additional business rates which will be used to fund the Council in the future. Investments outside of Torbay will be assessed to ensure that they maximise income at appropriate levels of risk.</p>
<p>10.</p>	<p>What evidence / data / research have you gathered in relation to this proposal?</p> <p>See Appendix 2</p>
<p>11.</p>	<p>What are key findings from the consultation you have carried out?</p> <p>n/a</p>
<p>12.</p>	<p>Amendments to Proposal / Mitigating Actions</p> <p>n/a</p>

Equality Impacts

13	Identify the potential positive and negative impacts on specific groups		
	Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
Older or younger people			There is no differential impact.
People with caring Responsibilities			There is no differential impact.
People with a disability	If the Council invests in local properties it will ensure that the buildings are DDA complaint.		
Women or men			There is no differential impact.
People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>			There is no differential impact.
Religion or belief (including lack of belief)			There is no differential impact.
People who are lesbian, gay or bisexual			There is no differential impact.
People who are transgendered			There is no differential impact.
People who are in a marriage or civil			There is no differential impact.

	partnership			
	Women who are pregnant / on maternity leave			There is no differential impact.
	Socio-economic impacts (Including impact on child poverty issues and deprivation)			There is no differential impact.
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			If the Council invests in local properties it will ensure that the buildings are DDA compliant.
14	Cumulative Impacts – Council wide (proposed changes elsewhere which might worsen the impacts identified above)	N/A		
15	Cumulative Impacts – Other public services (proposed changes elsewhere which might worsen the impacts identified above)	N/A		