

Chichester District Council

THE CABINET

6 September 2016

Overarching Investment Opportunities Protocol

1. Contacts

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2. Executive Summary

This report describes proposals for implementing an Investment Protocol to preserve and improve the financial and other resources available to the Council. The Protocol aims to generate revenue income from capital investment, and is a direct response to the prospect of dwindling central government funding in future years.

The Protocol sits within, and adopts the principles incorporated in the Council's corporate Asset Management Plan in respect of land and property transactions. However, as well as land and property, the Protocol is open to other forms of investment opportunity to the extent that they support and promote other Council policies, plans and priorities.

To fund investment opportunities as they arise, the Investment Protocol will draw upon the newly established Investment Opportunities Reserve, supplemented by other available sources of internal and external finance, to the extent that it is necessary to realise approved investments.

3. Recommendations

3.1 That the Cabinet endorses the Investment Opportunities Protocol as set out in Appendix 1 of this report, together with the Land and Property Sub-Strategy Investment Protocol at Appendix 2.

4. Background

4.1 At its meeting of 3 February 2015, the Cabinet considered a report on the Council's Budget Spending Plans 2015-16 and resolved that "a new Investment Opportunities Reserve....is created" (Paragraph 6.10 of that report). This reserve currently stands at £2,118,500.

- 4.2 The purpose of the reserve is principally to fund investments that aim to generate increased income given the expectation that central government funding shall continue to diminish over time. Accordingly, the Council recognises the importance of accessing investment opportunities of all kinds to maximise its income earning potential alongside other measures aimed to preserve services while maintaining a balanced budget.
- 4.3 The Investment Opportunities Reserve will be used in conjunction with other available resources (capital receipts, earmarked capital & revenue reserves, borrowing etc.) for the purposes of securing investments in land, property, and other assets. The aim is to generate higher returns than currently available for alternative cash investments at a time when interest rates remain at historically low levels.
- 4.4 At its meeting held on 24 November 2015 the Corporate Governance and Audit Committee considered a report relating to the Council's Overarching Investment Protocol. The report advised (paragraph 7.4) that only one Investment Protocol had so far been drafted and this related to the Land and Property Sub-Category. The Committee resolved to set up a Task and Finish Group to complete the drafting of this Investment Protocol. Two meetings of the Task and Finish Group ensued culminating in a revised version (see Appendix 1) of the Protocol which was approved by the Corporate Governance and Audit Committee on 30 June 2016 and referred to Cabinet for final approval.
- 4.5 This report also sets out at Appendix 2, the broad considerations that need to be made, and the procedures to be followed, with regard to future investments to be funded from the Investment Opportunities Reserve in relation to land and property. In doing so, it aims to provide consistency of approach and transparency to decision making within the overarching Investment Protocol.
- 4.6 This report reproduces the proposals submitted to the Corporate Governance and Audit Committee on 30 June 2016. Since that meeting there have been some amendments to those proposals following consideration by the Senior Leadership Team, and the substantive ones are highlighted by track changes in the report where they arise.
- 4.7 The Land & Property Sub-strategy is the only one proposed at the current time. Any future sub-strategy protocols that may be proposed for other forms of investment shall be submitted in the first instance to the Commercial Programme Board (and other relevant Committee) for approval prior to being adopted.

5. Outcomes to be Achieved

- 5.1 To have an agreed overarching Investment Protocol which is complemented by the specific Land and Property sub strategy Protocol in order to assist the Council when it considers these forms of investment within its powers. The principal outcome is to enhance the revenue income generating potential from capital investment above the level obtainable on deposit.

6. Proposal

- 6.1 That the broad considerations set out in Appendix 1 be agreed as the Investment Protocol.
- 6.2 The revised sub-category protocol in respect of investments for land and property as detailed in Appendix 2 reflects the outcome of the review by Task & Finish Group. The Cabinet are recommended to approve this revised protocol.

7. Resource and Legal Implications

- 7.1 *Resource implications:* The Investment Opportunities Reserve currently has £2,118,500 available for capital investment. As investments are made over time (and the amount available diminishes) there will be a need to replenish the fund or supplement the amount available with other financial resources.
- 7.2 Where this need arises, the Head of Finance & Governance shall be consulted to consider the availability of other sources of internal or external finance by which to supplement the Investment Opportunities Reserve, or otherwise to fund new investments. Among the options considered shall be the scope for making contributions from revenue underspends that occur at year end, or transferring a proportion of in-year capital receipts to the Reserve.
- 7.3 In these respects the use of existing internal resources such as capital receipts or other surplus reserves is likely to be preferred to prudential borrowing from external sources. But such borrowing as may be considered necessary and approved shall be conducted within the approved limits for Prudential Borrowing applicable.
- 7.4 *Legal Implications:* Generally, The Local Government Act 1972 empowers Councils as follows:

“a local authority shall have power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions” (Part VII, Section 111).

In exercising this power, the Council aims to obtain a mixed portfolio of investments that spreads both the return and risks across a range of assets, such as:

- Land and property acquisition
- New housing investment
- Business Opportunities
- Financial assets (cash or non-cash).

- 7.5 Unlike sales (disposals) there are no direct legal restrictions on purchases of land. The Council can buy investment property to ensure we have sufficient income streams to maintain delivery of services and not solely to deliver particular functions on that property. This freedom to purchase land is further reinforced by the Localism Act 2011 “general power of competence”.

7.6 The only significant legal restrictions which need to be taken into account in making decisions are where the purchase of land:

- Is incompatible with the due exercise of its powers
- Is incompatible with the discharge of its functions
- Divests the authority of its statutory powers
- Obliges the authority not to exercise its other powers.

7.7 Where necessary, the appropriate legal advice shall be obtained to ensure the legality of any proposed transaction before it is secured or obligates the Council.

8. Consultation

8.1 This report has been prepared by officers comprising the Capital Investment Development Group who have met on several occasions in 2015. The report has also been considered by the Commercial Programme Board on 28 July and SLT. The initial protocol was presented to the Corporate Governance & Audit Committee on 24 November 2015, and thereafter referred to a Task & Finish Group (29 February and 5 April 2016) and Corporate Governance and Audit Committee on 30 June 2016.

9. Community Impact and Corporate Risks

9.1 The community impact of any particular investment proposal is indeterminable at this stage as it is dependent on the ultimate type of investment entered into (e.g. whether property related, purely financial, or other form of investment).

9.2 The corporate risks are those covered above in Section 7 of this report.

10. Other Implications

10.1 Other implications considered include:

Crime and Disorder		None
Climate Change		None
Human Rights and Equality Impact		None
Safeguarding and Early Help		None
Other Such investments as may be made shall be done so ethically in a manner that is consistent with other Council policies, values and practices, and does not inadvertently result in promoting, supporting or delivering outcomes that the Council would not wish to occur.	Yes	

11. Appendices

11.1 Appendix 1 – Investment Opportunities Protocol

11.2 Appendix 2 - Land & Property Sub Category Protocol

| 12. Background Papers

None