

SSDC Investment Strategy 2019/20

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Purpose of the Report

1. The purpose of the report is to inform Members of the recommended Investment Strategy for 2019/20. The investment strategy must be approved by Full Council by 31 March each year in line with regulations.

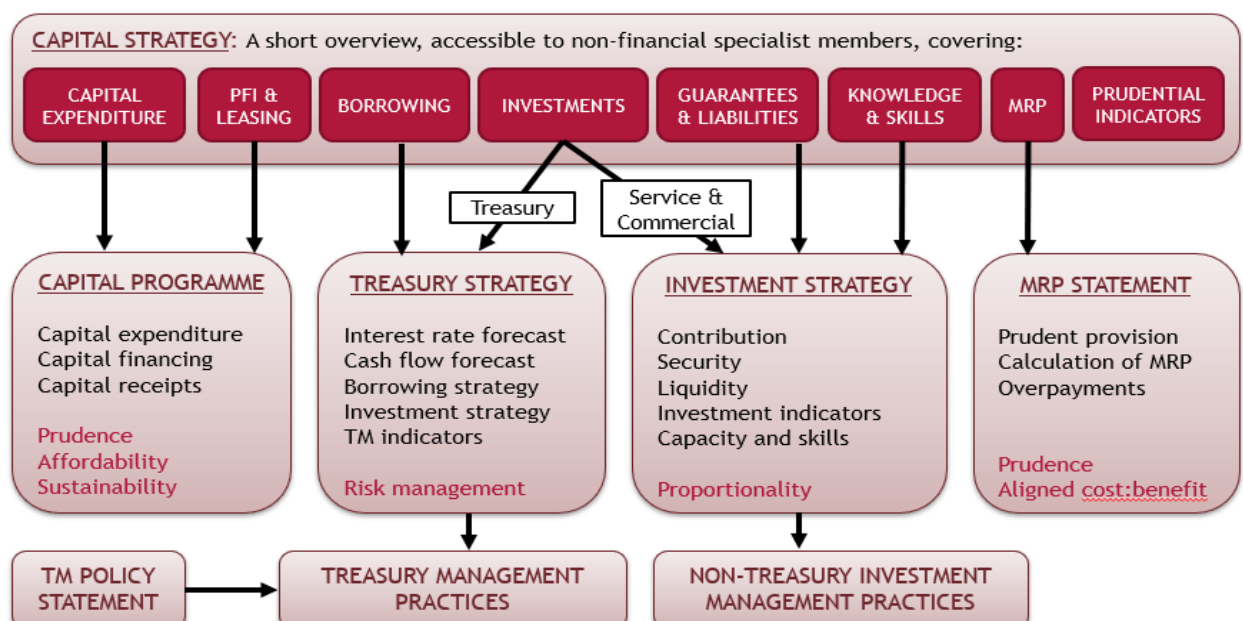
Recommendation

2. The Executive are asked to review and recommend that the Full Council approve the Investment Strategy for 2019/20.

Introduction

3. The investment strategy is a new report for 2019/20, which is a mandatory requirement of the revised Statutory Guidance on Local Government Investments (3rd edition) issued by the Ministry of Housing, Communities and Local Government 2 February 2018.
4. In addition to the investment strategy there is an additional requirement to produce a Capital Strategy. This strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.
5. The flowchart below provides a visual picture of the requirements and contents of the various strategies that are required on an annual basis.

Strategy Reports: England



6. The updated guidance contains a number of provisions requiring local authorities to have a transparent financial strategy. The investment strategy in Appendix A addresses the provisions and the regulatory requirements in the updated statutory guidance.
7. The guidance is issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. Under that section local authorities are required to “have regard” to “such guidance as the Secretary of State may issue”. The legal requirement to “have regard” to guidance is not the same as a requirement to fully comply with the guidance.
8. The updated guidance can be accessed at the link below:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf

Background

9. The Statutory Guidance on Local Government Investments requires the Council to prepare an investment strategy annually (or include the required details in their treasury management strategy) and explain how investments made (including commercial property portfolios) relate to the Council's core purposes.
10. The investment strategy was previously included as part of the treasury management strategy required by CIPFA, the Council's treasury management advisors' advice is to create two separate strategy reports to cover the two different areas and not include the investment strategy as part of the treasury management report.
11. The new investment strategy focuses on two types of investments which are:
 - Investments made to support local public services by lending to or buying shares in other organisations, known as **service investments**.
 - Investments made to earn investment income known as **commercial investments**.
12. The strategy provides detailed information on the policies and procedures that the Council has in place to address the fundamental concepts that are associated with each investment type, which are risk, security and liquidity.
13. The strategy also deals with the concept of proportionality and the Council's reliance on investment income to fund services in the immediate and long-term and the concept of 'borrowing in advance of need' on which a statement of the Council's position is required.
14. The issue of capacity, skills and culture is included in the strategy with a disclosure requirement on the steps taken to ensure that elected members and officers involved in the investment decision making process have appropriate capacity, skills and information to enable them to:
 - Take informed decisions as to whether to enter into a specific investment
 - To assess individual assessments in the context of the strategic objectives and risk profile of the Council.
 - To enable them to understand how the quantum of these decisions have changed the overall risk exposure of the Council.

15. Further information is included in respect of corporate governance arrangements and investment indicators that ensure elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Financial Implications

16. The budget in respect of commercial investment income in 2019/20 is £1.16 million, based on an investment portfolio of £25.6 million and a projected net yield of 3.6%. This figure will be exceeded if further investments are completed between the drafting of this report and the end of the next financial year.
17. Income from service level investments in 2019/20 is estimated to be £328,000 which relates entirely to loans in respect of waste services, renewable energy and community services.

Background Papers: *Statutory guidance on Local Government Investments (revised February 2018)*