Breckland District Council Investment Strategy 2017-18 to 2019-20

Purpose
The purpose of this investment strategy is to set the context within which the council will invest its reserves, balances and funds.

Background
Investment provides a wide opportunity and the current capital projects and reserves list illustrates this with investment in services, transformation projects, IT, operational assets and investment assets etc.

The Council's Treasury Management Policy and Strategy determines where we can invest our cash balances. This is scrutinised by Governance and Audit Committee and approved by Full Council and can be amended at any time. The Treasury Management policy and strategy is based on the Prudential Code and DCLG (Department for Communities & Local Government) Guidance. This investment strategy links to the Treasury Policy and Strategy, but each policy is entirely separate[i].

The current issues and risks for the Council include:

1. As reserves and balances become more constrained the options are more limited in terms of asset acquisitions, especially when repayment of the debt is taken into account. In this context where and how should the council invest its remaining reserves and in what circumstances would the taking of debt be acceptable, bearing in mind that the Council is currently debt free, are key considerations.

2. How much of remaining balances should be used for different purposes (such as those outlined above) or set aside for future opportunities/potential liabilities.

3. There has been some risk within the investment asset portfolio in terms of the security of rental income and the impact on council finances should income not be achieved for any reason. The Council could consider diversification of the portfolio to offset this but with a potential reduction in return levels.

4. It is already planned that the investment asset portfolio be subject to regular review and this is underway, however the impact on revenue income needs to be managed when there are timing issues between disposal and acquisition as these could be substantial.

5. The council could seek to drive the 'acquisition strategy' with a regeneration approach or it can let the opportunities come to it.

6. This work needs to be regularly reviewed around key areas of focus and key strategic areas of interest.

7. It is possible to loan funds to a company for a market rate of interest to increase investment income, however the length of time over which this investment would take place needs also to be considered as balances are projected to continue to decline over future years as reserves and balances reduce.

This strategy seeks to address these risks by providing an adopted position on how much funding should be used, for which timeframe and for what purpose.

Strategy

The total investment opportunity is articulated as follows:

A. Investment in time and resource to drive and review existing income streams/debt collection, for example: fees and charges, council tax, housing benefits overpayments, sundry debts and more recent opportunities include New Homes Bonus (NHB) and Business Rates (NNDR) growth.

B. Investment in services to drive transformation, for example; IT, the digitalisation agenda, etc.

C. Commercialisation of services through capital or revenue investment to drive new income streams.

D. Investment in operational assets to extend their life, facilitate income generation or a social return on investment.

E. Acquisition of plant vehicles or equipment as part of a contract to avoid finance lease costs by a contractor or to increase efficiency.

F. Disposal of low performing assets to recycle into new investment opportunities.

G. Purchase of investment assets either directly, or in partnership with others - investment locally (grows business rates/builds houses) or elsewhere - yield may be better but no additional income generated.

H. Development and disposal of assets in order to achieve capital gain and further future investment opportunities.

Any initiatives relating to the above should be aligned to the Corporate Plan and priorities. Balances are allocated to specific funds or reserves to allow for investment accordingly.

I. The *Growth Fund* balances are held for projects which deliver a minimum ongoing return of 4% to the Council through economic, housing or employment growth (i.e. new house building leading to council tax and NHB income, new businesses leading to new NNDR income, etc).
II. The *Investment Fund* balances are held to purchase or build assets which generate a minimum ongoing return of 4% to the Council.

Other balances are held as a prudent protection against future events, which may occur, for example the Revenues and Benefits reserve holds balances to protect the Council if business rates were to drop below the ‘Safety Net’ level. These balances can be invested on a temporary basis for 1 to 3 years, i.e. loans to Council owned companies, to generate an additional return – however they should not be permanently committed as they may become required if the potential event occurs.

Increasingly we should make allowance for capital replacement and investment through revenue to provide future resilience and reduce reliance on capital resources.

Monitoring
This policy will be managed and reviewed every three years and, from time to time, updates and re-issues will be circulated. However, the policy will be reviewed sooner if a weakness in the policy is highlighted, in the case of new risks, and/or changes in legislation.

Related Policies and Strategies

This strategy links to the following policies or strategies:

- Treasury Management Policy and Strategy
- Capital Strategy
- Asset Management Plan
- Medium Term financial Plan
- Corporate Plan

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[i] CIPFA released 2 consultations in August 2017 to review the Prudential Code and the Treasury Code, therefore this strategy may need to change dependent on the outcome of these consultations.