

Committee: Scrutiny Committee
Title: Investment Steering Group
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Summary

1. At its meeting on 21 February 2019 Council requested a paper be prepared on the establishment of a group to support the Council as it implements the Investment Strategy.
2. Members also requested that Scrutiny considered the paper ahead of it going to Cabinet and then to Council on 9 April.

Recommendations

3. The Committee provides feedback to the Cabinet on the principles contained within this report.

Financial Implications

4. There are no direct financial implications associated with this report.

Background Papers

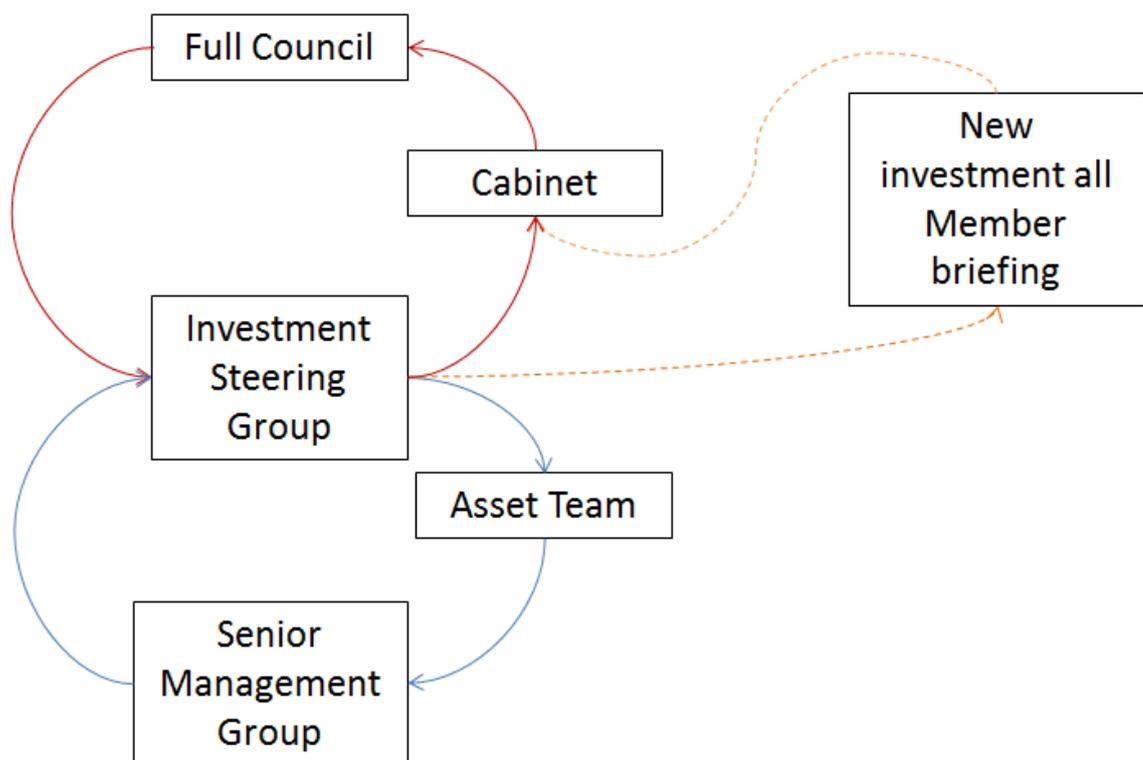
5. None.

Impact

Communication/Consultation	None
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Situation

6. In February 2019 the Council, as part of the budget papers, adopted the Investment Strategy. In doing so the Council agreed in principle to invest up to £100million to help cover the forecast shortfall in government funding.
7. At the Council meeting it was agreed unanimously that Members and Officers needed additional support from external experts in the setup and development of an investment portfolio. It was agreed to bring a report to the next Council meeting, setting out the process for establishing such support.
8. This report sets out the current Administration's proposal for an Investment Steering Group (ISG). The report does not detail the precise makeup of the group as it is felt this would be the responsibility of the new Administration following the May elections. What it does do is set out the structure for decision making and the principles behind such a structure.
9. The ISG would likely be a Working Group of Cabinet.



The roles of the constituent parts

Annual Plan (red line)

10. As part of the annual budget setting process, Cabinet develops the Investment Strategy in consultation with the ISG. Cabinet recommends to Council the adoption of the Investment Strategy.

11. Council adopts the Investment Strategy and formally passes it to the ISG.
12. The ISG develops a work plan to implement the Investment Strategy.
13. The Cabinet will receive from the ISG quarterly updates, including KPIs, on the performance of the portfolio.

Internal Process (blue line)

14. The ISG advises the Asset Team (officers) of changes required to the portfolio and tasks them to identify proposals for consideration by the ISG. The ISG also reviews the monthly/quarterly performance of the portfolio.
15. The Asset Team, working with professional advisers, identifies investments that meet the specifications set out by the ISG and prepares investment business cases for each suitable opportunity. The Asset Team also prepares the monthly/quarterly performance data for presentation to the ISG.
16. The Senior Management Group, consisting of the Chief Executive, Directors and the Monitoring and Section 151 Officers, receive the business cases and confirm the legal and financial position and the appropriateness of the proposal. The Senior Management Group also reviews the portfolio performance data.

New Investments (red and dashed orange lines)

17. The ISG reviews the business case and recommends to Cabinet for approval. The ISG Chairman (independent person), along with officers, undertakes an all-Member briefing session to set out the investment and the reasons for its recommendation.
18. Cabinet reviews the investment and if satisfied recommends to Council that funding is made available.
19. At an Extraordinary Meeting of Council a decision is taken on whether or not to allocate the funding. It is not the role of Council to revisit the proposed investment; due diligence will have already been undertaken by the ISG and then by Cabinet.

ISG – Terms of Reference

20. The ISG operates in accordance with the adopted Investment Strategy. Full Council will need to include Terms of Reference for the ISG. This will set out areas such as:
 - Types of investments willing to be considered
 - Commercial property
 - Residential property
 - Bonds
 - Shares

- Location
 - In area
 - In region
 - UK-wide

- Risk Appetite
 - Will have a direct impact on return

- Return
 - E.g. £100m to return net £3.5m per annum

- Ethical restrictions (yes/no to include)
 - Tobacco related
 - Animal testing
 - Etc.

- KPIs for reporting to Cabinet

21. The ISG will then develop the Terms of Reference into operational guidelines for the Asset Team. For example in commercial acquisitions the criteria could include

- Location
- Covenant
- Value
- Lease length
- Single or multi tenancies
- Tenure (freehold or leasehold)
- Repairing obligations
- Project internal rate of return

22. The ISG will also advise the Cabinet of the make-up of the portfolio i.e. percentage of commercial compared to residential compared to bonds and shares.

The role of Scrutiny

23. Scrutiny has been asked to look at this proposal and provide feedback to Cabinet. To help the Committee it is likely that the following recommendations will be made to Cabinet and Council

a. Cabinet

1. Agrees in principle the establishment of an Investment Steering Group as a Working Group of Cabinet, subject to Full Council endorsement.

2. Requests officers prepare proposals for the composition and recruitment process for the Investment Steering Group for consideration by the next Administration.

b. Council - Endorses the establishment of an Investment Steering Group.

24. It is possible that, as there is no Cabinet meeting proposed ahead of Council on 9 April, the Cabinet decision will be taken as an Executive Decision, either by the Leader or the Finance Portfolio Holder.

25. Ongoing, Scrutiny has a role in ensuring the effectiveness of the proposed structure. Further discussion will need to take place, post-election, to establish the most appropriate way for Scrutiny to contribute to the success of this initiative.

26. Annual reporting of the performance of the portfolio would likely be part of the annual accounts meeting of the Governance, Audit and Performance Committee.