

Committee: Council
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. This discussion took place at the Scrutiny meeting held on 21 March 2019. Scrutiny endorsed this high level plan but wished to be engaged with the detail post-election.

Recommendations

3. Council endorses the Executive Decision, take by the Cabinet Member for Finance and Administration to establish an Investment Steering Group as a Working Group of Cabinet.

Financial Implications

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

Background Papers

5. None

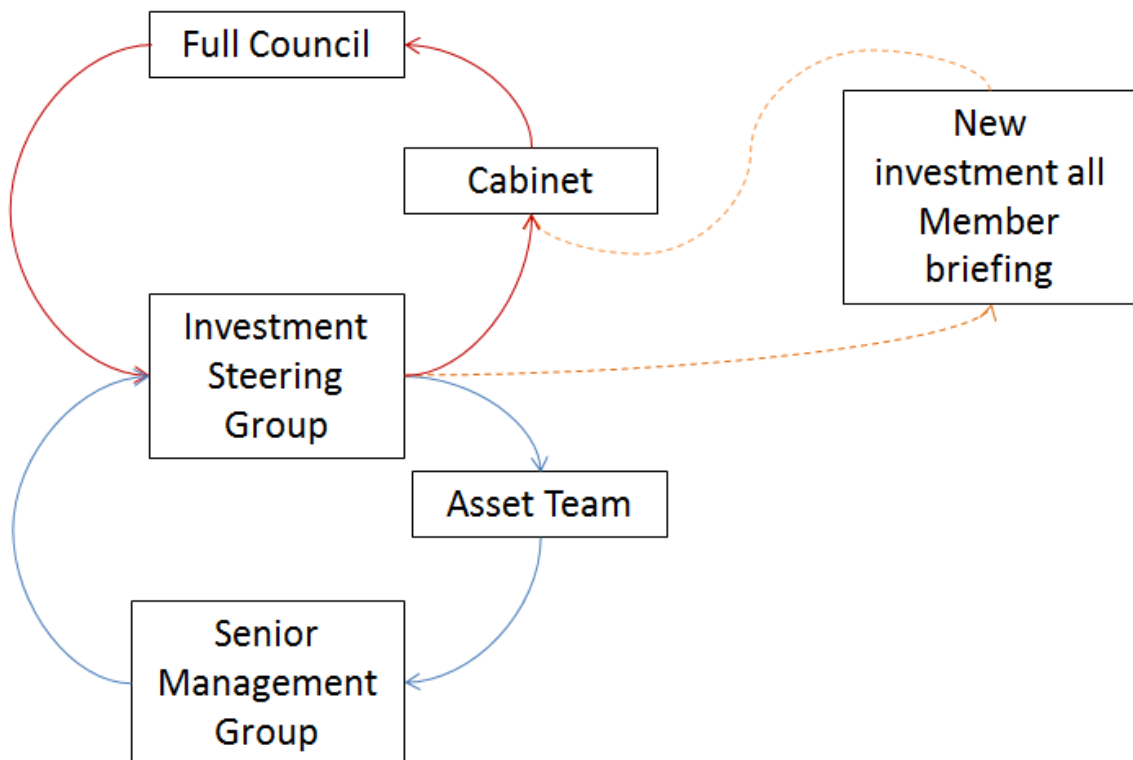
Impact

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 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.

23. On 27 March 2019, as there were no Cabinet meetings remaining ahead of the elections in May, the Cabinet Member for Finance and Administration, following authorisation by the Leader made the decision to establish an ISG as a Working Group of Cabinet, subject to Full Council endorsement.

24. This decision establishes the Investment Steering Group subject to Full Council endorsement. Should this endorsement not be forthcoming, this decision will return to the first Cabinet meeting of the new Administration for reconsideration.

The role of the Scrutiny and Governance, Audit and Performance Committees

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.

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The Investment Steering Group is not endorsed by Council	2 – there is some risk that a consensus cannot be achieved	1 – no investments are planned ahead of the next Cabinet meeting	This is the high level structure only. The make-up of the group will be determined by the new Administration post the May elections.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.