

CABINET

6th September 2017

ACQUISITION AND INVESTMENT STRATEGY

Relevant Portfolio Holder	Councillor Karen May
Portfolio Holder Consulted	Yes
Relevant Head of Service	Kevin Dicks
Wards Affected	All
Ward Councillor Consulted	None specific
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To present to Members an Acquisition and Investment Strategy which seeks to combine the priorities for economic development with the need for financial stability and income generation. The Strategy will provide a resource to promote economic development and a framework to ensure the resources are allocated prudently.

2. RECOMMENDATIONS

- 2.1 The Cabinet is asked to **RECOMMEND** to Full Council that:
- 2.1.1 the Acquisition and Investment Strategy be approved;
 - 2.1.2 the Executive Director of Finance and Resources together with the Head of Economic Development & Regeneration (North Worcestershire) be responsible for identifying suitable opportunities and developing the viability appraisal and business case for the Council; and
 - 2.1.3 the Executive Director of Finance and Resources in conjunction with the Portfolio holders for Economic Development and Finance and Resources have delegated powers to approve business cases and complete acquisitions.

3. KEY ISSUES

Financial Implications

- 3.1 The Acquisitions and Investment Strategy seeks to combine the economic development and income generation to enhance business growth in the District and provide a source of income to help balance the budget. The approach is similar to that of other authorities that are active in this area.

- 3.2 There is a restriction in the Strategy to limit the investment portfolio to business cases within the District. Some local authorities have widened this to the Local Enterprise Partnership area and there may be merit in considering this in the future if there is evidence that the Council is missing opportunities.
- 3.3 The Strategy also provides criteria to ensure the Council takes a prudent approach to investment and provides limits based on risk on the amount that can be invested in different categories of investment (see table 1 of the Strategy).
- 3.4 In terms of rate of return the Strategy priorities economic development investment and investments with lower risk through a minimum net rate of return (after borrowing and other costs) of 1.25%. Other projects which would need to have a strong business case would require at least a 2% net rate of return. Table 2 of the Strategy illustrates the calculation behind these rates of return and shows a potential return of £250k (1.25% net rate of return) to £400k (2% net rate of return) based on a £20m Investment Portfolio Fund. The likelihood is that there will be a mix of business cases and some will exceed the minimum requirement.

Legal Implications

- 3.5 This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.
- 3.6 The use of the General Power of Competence for commercial purpose requires a business case to be developed and approved by the Council. This business case must be a comprehensive statement covering (at least):
- Business objectives;
 - Investment and other resources required to achieve the objectives;
 - Any risks the business might face and how significant these risks are; and
 - The expected financial results and other relevant outcomes the business is expected to achieve.

Service/Operational Issues

- 3.7 The Acquisition and Investment Strategy will complement the priority for business growth in Bromsgrove as well as seek income generation to help balance the Council budget.

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Customer/ Equalities and Diversity

3.8 None as a direct result of this report.

4. RISK MANAGEMENT

4.1 The Strategy includes a section on the key risks and mitigations. The main risks being:-

- Recession
- Abortive Costs
- Interest Rate
- Knowledge of the market
- Operational
- Capacity
- Change of Government Policy

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