

# Havant Borough Council

## Investment Strategy

### 1. Introduction

1.1 The Council invests its money for three broad purposes:

- Because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure – known as **treasury management investments**,
- to support local public services by lending to or buying shares in other organisations – **service investments**
- to earn investment income – known as **commercial investments** where this is the main purpose.

1.2 This investment strategy meets the requirements of the statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

1.3 The Council does not currently have any service investments.

1.4 The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

### 2. Treasury Management Investments

2.1 The Council typically receives its income in cash before it pays for its expenditure. It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with the guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £30m and £50m during the 2024/24 financial year.

### Contribution

2.2 The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

## Further Details

2.3 Full details of the Councils policies and its plan for 2024/25 for treasury management investments are covered in a separate document, the treasury management strategy, available in Appendix E.

### 3. Commercial Investments: Property

3.1 The Council invests in UK commercial property with the intention of making a profit that will be spent on local public services.

3.2 The Councils total Commercial property portfolio is valued at £38.1 million.

3.3 A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

### Risk Assessment

3.4 The Council assesses the risk of loss before entering into, and whilst holding, property investments. These risks are managed by ensuring:

- funds available for new purchases are disaggregated to limit the overall impact that any single investment would have on the Councils finances.
- new purchases are only considered with existing tenants of "high quality" and sufficiently long tenancy term.
- appropriate checks are carried out to ascertain the tenant's reliability.
- other "due diligence" is undertaken to protect the Councils investment as far as possible such as checks on planning conditions, land contamination issues and planning policy issues.

### Proportionality

3.5 The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet service delivery objectives is dependent on achieving the expected net profit from investments over the lifecycle of the Medium-Term Financial Strategy.

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Investment income	1,448	1,554	1,466	1,466	1,466
<b>Gross service expenditure</b>		17,588	18,020	17,931	18,613
<b>Proportion</b>		8.8%	8.1%	8.2%	7.9%

#### 4. Investment Indicators

4.1 The Council has set the following indicators to assess the Council's total risk exposure as a result of its investment decisions.

##### Total risk exposure

4.2 The first indicator shows the Councils total exposure to potential investment losses.

	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Forecast £m
Treasury Management Investments	48,205	46,205	46,205
Commercial Investments	38,100	38,100	38,100
<b>Total</b>	<b>86,305</b>	<b>84,305</b>	<b>84,305</b>

##### Rate of return received

4.3 This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested.

	2022/23 Actual	2023/24 Forecast	2024/25 Forecast
Treasury Management Investments	4.06%	4.00%	3.75%