

Matter which the Mayor has decided is urgent by reason of the need for Council to consider the views of the Governance and Audit Committee on 7th March, 2022 with a view to introducing the scheme on 1st April, 2022.

Agenda Item No. 13(ii)

THE VALE OF GLAMORGAN COUNCIL

COUNCIL: 7TH MARCH, 2022

REFERENCE FROM GOVERNANCE AND AUDIT COMMITTEE: 1ST MARCH, 2022

“ PROPOSED INTRODUCTION OF A NON TREASURY SERVICE INVESTMENT STRATEGY, THE INVESTMENT AND GROWTH FUND (REF) –

The Operational Manager – Accountancy presented the reference from Cabinet of 28th February, 2022.

It was outlined that Appendix 1 to the report set out the proposals for the Non Treasury Service Investment Strategy, which was intended to address opportunities identified in the Council’s Recovery Strategy to support innovative business and economic regeneration, increase Capital Programme investment and focus on green jobs and green infrastructure.

The Economic Regeneration and Growth Fund was to be funded using £2.2m of the Economic Regeneration and Growth Fund Reserve and with provision for up to £10m Prudential Borrowing. The fund for Investment would total £12m with £200k earmarked for feasibility and due diligence costs and the initial costs associated with specialist Non Treasury Investment Advice.

The Economic Regeneration and Growth Fund would be supported by a Strategic Project Board with Investment Decisions approved by Cabinet and regular reporting to Cabinet, Council and Governance and Audit Committee as set out in Appendix 1 to the report.

The first call on any investment return should be repayment of debt and building up an earmarked reserve to mitigate the risks, which was outlined in the risk management section in Appendix 1 to the report.

Councillor Dr. Johnson commented that it was good to see the Council looking at investments with positives social benefits, and he was in agreement with the governance model. However, it was unclear as to why the Council had chosen to change its policy now, when possibilities such as this were available over the past couple of years. In reply, the Operational Manager advised that this proposal had come out as some of the points that were raised as part of the Council’s Recovery Strategy, but it had taken some time to be brought forward and had been delayed by officer capacity.

Councillor Wilson stated that he welcomed this strategy, but he had some concerns as this needed to be timely and could be a very bureaucratic process. Therefore, this needed to be very carefully managed by the Council, especially as the 5-case model approach was being adopted. The Council also needed to be very specific with what it wanted to achieve and how this would be measured. It was also critical for more work to be carried out in relation to the methodology to be used and in relation to the time aspect.

The Chair, Councillor Carroll, queried whether any analysis had been carried out on the potential impacts that rising interest rates could have on the strategy, which was a concern given the likely inflation situation. In response, the Operational Manager clarified that some very low level sensitivity analysis around indicative rates had been undertaken. It would also be important for sensitivity analysis on interest rates to be built into any business cases that had been put forward. The Operational Manager advised that there was some detail in the report around the performance management regime, but it may be that a traffic light system could be employed to alert Members if there were any issues. It was important to recognise that the Council's usual approach was to borrow on a fixed rate basis, which helped guard against fluctuations in interest rates. In addition, the Council's interest rate projections would be within the guidance that had been received from the treasury management advisors. The Operational Manager also advised that specialist property and investment management expertise would need to be utilised as part of this strategy and the management of these investments.

There being no further comments, it was

RESOLVED –

(1) T H A T the contents of The Non Treasury Service Investment Strategy be noted.

(2) T H A T Council be advised of the comments and observations of the Governance and Audit Committee, these being:

- Concern that this may lead to something overly bureaucratic so requires specific clarity around the timing aspect, what the Council's investments aim to achieve and how success will be measured;
- For more work to be carried out around the methodology of how investments will be made;
- Concern with the potential impact on investments and assets of future rises to Interest Rates.

Reasons for decisions

(1) Having regard to the contents of the report and discussions at the meeting.

(2) To advise Council of the views and observations of the Governance and Audit Committee.”