

ANNEX 3

THANET DISTRICT COUNCIL - NON-TREASURY INVESTMENTS REPORT 2019-20

1. Background

A revision to the CIPFA Treasury Management in the Public Services Code of Practice was issued in December 2017, with a new requirement being that local authorities produce a Non-Treasury Investments Report for consideration and approval by Members.

'Treasury management investments' activity covers those investments which arise from the council's cash flows and debt management activity, and ultimately represents balances which need to be invested until the cash is required for use in the course of business.

'Non-treasury investments' are investments in financial assets and property primarily for service purposes and/or financial return that are not part of treasury management activity.

2. Permissible non-treasury investments

This council may:

- a) purchase property for service and/or commercial purposes.
- b) make investments for service purposes.
- c) make loans for service purposes.

Service investments are held in relation to operational services (including regeneration) whereas commercial investments are held for mainly financial reasons.

3. Existing non-treasury investments

This council's existing non-treasury investments include:

- a) Investment Property

The council's 2017/18 Statement of Accounts show a 31 March 2018 balance sheet value of £22,865,000 for investment property. These accounts disclose a net yield of £913,000 from investment property (rental income less direct operating expenses), which represents an annual percentage yield of 4.0%.

- b) Investments and Loans

East Kent Housing Limited (EKH): EKH is a company limited by guarantee without share capital, owned and controlled by this council, together with Canterbury City Council, Dover District Council and Folkestone & Hythe District Council. EKH, which was incorporated on 11 January 2011, is run as an Arms Length Management Organisation (ALMO) and its principal activity is to manage and maintain each of the four council's housing stock.

Your Leisure Kent Limited (YL): This council engages YL, which is an Industrial and Provident Society with charitable status, to run its leisure facilities. YL was registered on the Mutuels Public Register on 16 April 1999 and was called Thanet Leisure Force Limited until

26 March 2013. The principal activity of YL is to manage leisure, catering and entertainment facilities and associated service provision for the local communities of Dover and Thanet.

East Kent Opportunities LLP (EKO): To aid economic development and regeneration in Thanet, this Council in partnership with Kent County Council set up EKO as a limited liability partnership. EKO was incorporated on 4 March 2008 with this Council and Kent County Council having 50:50 ownership, control and economic participation in EKO.

The council acts as guarantor for EKH in respect of its pension liability and for YL in respect of certain loans taken out by YL. These arrangements are described in the Contingent Liabilities note to the council's Statement of Accounts.

In addition, the council makes loans from time to time to one or more of EKH, YL and EKO for service purposes.

4. Investment Management Practices

Non-treasury investments are subject to the council's normal approval processes for revenue and capital expenditure and need not comply with the specific requirements of the council's annual Treasury Management Strategy Statement and Investment Strategy. These processes ensure effective due diligence and consideration of the council's risk appetite (including proportionality in respect of overall resources), that independent and expert advice is taken where appropriate, that scrutiny arrangements are properly made, and that ongoing risk management is properly undertaken and acted upon.

Details of risk management, performance measurement and management, decision making, governance, due diligence, reporting and knowledge and skills are shown in the following documents (which are all available on the council's website www.thanet.gov.uk):

- a) Medium Term Financial Strategy
- b) Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy
- c) Flexible Use of Capital Receipts Strategy
- d) Statement of Accounts
- e) Capital Strategy

The key principle of control of risk, and optimising returns consistent with the council's risk appetite, is applied across all investment activities (including any commercially based investments). Where any commercial investment does not give priority for security and liquidity over yield, whether because of the nature of the asset itself or for service reasons, then such a decision should be explicit, the additional risks set out clearly, and the impact on financial sustainability identified and reported.