



SCRUTINY COMMISSION – 30th JANUARY 2023

MINUTE EXTRACT

Corporate Asset Investment Fund Strategy 2023 – 2027

The Commission considered a report of the Director of Corporate Resources which sought members views on the revised Corporate Asset Investment Fund (CAIF) Strategy for 2023 to 2027. The report set out the proposed approach to management of the CAIF and future acquisitions, the strategy utilising the Capital Programme funding, together with amended Terms of Reference for the CAIF Advisory Board which reflected the core provisions of the Strategy and would support the future management of the estate. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

In response to questions raised the Director commented as follows:

- (i) The CAIF had been established in 2014 to address the acute budget pressures and reductions in government grants faced at that time. These pressures still remained and the CAIF therefore remained relevant to the Council's MTFS.
- (ii) The Fund had been a success, now generating over £7m in revenue income, which had year on year reduced the level of savings required.
- (iii) The Council had been prudent and never borrowed to support CAIF investments, these having been funded from underspends.
- (iv) The Fund had been robust and performed well despite the pandemic and economic pressures arising from the war in Ukraine, including rising inflation costs. The Council had invested sensibly over the years and ensured it maintained a varied portfolio which meant the impact of such external factors had been minimised.
- (v) The County Council's external auditors had not raised any issues or concerns regarding the CAIF since its inception.
- (vi) Recent changes in CIPFA (Chartered Institution of Public Finance and Accountancy) rules meant that the CAIF would now be repurposed. Some authorities had been reckless in the level of commercial investments made, spending billions of pounds and borrowing significant sums. This had resulted in the rules being changed so that borrowing was not permitted purely to generate income.
- (vii) The investment appraisal process outlined in the Strategy included all costs and income. The stated 7% target would therefore be the net return

sought. Although the primary focus of the fund would no longer be to generate an income, it was still considered good financial management to ensure through the Strategy that Council assets achieved a good return.

- (viii) Sites purchased and ongoing developments held in the CAIF would be unaffected by the change in CIPFA rules. Schemes such as Airfield Farm and Leaders Farm would not only generate a future income but would provide jobs and regeneration in the area which was still permitted.
- (ix) The Scrutiny Commission would continue to receive reports regarding the performance of the Fund. It was suggested that a more detailed explanation of the changes and impacts of the new CIPFA rules would be helpful and the Director undertook to provide this as part of the next planned report to the Commission.

The Lead Member for Resources commented that the Fund had supported Council Services well but would now be rebranded to ensure the Strategy reflected the change in tone and focus of the Fund in line with the new CIPFA rules. These changes would be made to the Strategy in time for its presentation to the Cabinet and full Council in February.

RESOLVED:

- (a) That the update now provided be noted;
- (b) That it be noted that the revised Strategy would be presented to the Cabinet on 7th February and thereafter to full Council on 22nd February as part of the MTFS for approval.