

Huntingdonshire District Council: Commercial Investment Strategy

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1. Introduction

This Commercial Investment Strategy outlines the framework the Council will use to govern its Commercial Investment Strategy in order to generate sustainable revenue income streams, support economic growth, and enhance public services.

This strategy is aligned to the Council's Corporate Plan objectives of Improving quality of life for local people, creating a better Huntingdonshire for future generations, and doing core work well.

It is also being written with the backdrop of Local Government Reorganisation and it is recognised that this may change the focus and purpose of the strategy.

2. Policy

The council's policy for investment is to create income from sources outside of the council's operations, in order to bolster reserves and generate additional revenue streams that can be used to support front line services.

This Strategy sits alongside the Authority's Treasury Management Strategy and is fully aligned with *CIPFA's Treasury Management Code of Practice* and *Prudential Code*, which together set the professional standards for prudent financial management and capital investment.

In accordance with these codes and regulations, the council does not enter into borrowing arrangements purely for yield generation. All commercial investments are assessed against the principles of affordability, sustainability, and proportionality, and are undertaken primarily to support service delivery, economic regeneration, or other strategic objectives, rather than for speculative financial return.

The council maintains a robust governance framework, with non-treasury investments subject to the same scrutiny and risk management arrangements as those applied to treasury investments.

By adhering to these codes, the council ensures that commercial investment activities remain transparent, accountable, and consistent with the overarching Capital Strategy, thereby safeguarding public funds and maintaining long-term financial resilience.

3. Financial Context

The Commercial Investment Strategy plays a key part of the council's budget strategy as a significant contributor of income to the budget. Whilst the Commercial Investment Strategy is one element of the overall financial strategy, it links with the Treasury Management Strategy, the use of reserves and Community Infrastructure Levy (CIL). These are all elements of the overall delivery of the Place Strategy and Corporate Plan.

Current income forecasts in the Medium Term Financial Strategy are detailed in the table below, based on an investment portfolio comprising 7 assets.

Year	CIS Income £m	Net Revenue Budget (NRB) £m	Proportion of CIS income to NRB %
2023/24 (Actual)	2.397	24.299	9.9
2024/25 (Actual)	3.068	26.058	11.8
2025/26 (Budget)	3.338	26.464	12.6
2026/27 (Budget)	3.416	25.165	13.6
2027/28 (Budget)	3.465	25.117	13.8
2028/29 (Budget)	3.507	25.875	13.6

4. Guiding Principles

The council's focus is to ensure we operate a mixed-risk portfolio that generates predictable revenue streams back to the council.

We are informed by the council's Treasury Management approach and compliant with local authority financial regulations that govern the council's activities.

We recognise that, in the main, investments will focus on the built environment and largely comprise:

- Property – land and buildings that return reasonably predictable yields
- JV Opportunities – options to generate additional revenue from partnerships that offer risk sharing development opportunities
- Regeneration – initiatives that generate stable long term revenue streams that promote or safeguard the environment.

It is possible that other investment opportunities may present themselves which the council may wish to consider. In doing so, it must comply with this strategy.

The council's underlying methodology is to ensure that any investment submitted for consideration must clearly demonstrate:

- **Commercial Viability:** Each investment must demonstrate strong financial returns or significant socio-economic benefits. It is recommended that investments profile a returning yield of 5-8% to be considered.
- **Local Impact:** Prioritise property investments that enhance Huntingdonshire's economic resilience and infrastructure.
- **Risk Management:** Conduct rigorous due diligence, diversification, and ongoing monitoring.
- **Sustainability:** Focus on environmentally responsible projects that contribute to the environmental sustainability in the context of the council's wider environmental responsibilities and ambitions.
- **Divestment:** Investments should be standalone and be divestable in a timely manner should the investment trajectory look unfavourable.
- **Timely Decision Making:** recognising that investment decisions often need to be taken in a fast-moving environment, such as Gilt markets, or property purchases, it important to have an agile but well governed decision-making process.

5. Strategy

The council's Commercial Investment Strategy will focus on achieving investment outcomes that promote:

- **Revenue Generation:** Establishing stable and diversified income streams to reduce reliance on government funding.
- **Economic Growth:** Investing in or creating opportunities for local businesses, infrastructure, and commercial opportunities to stimulate job creation, attract investment and promote regeneration.
- **Asset Optimisation:** Maximising the value and return of council-owned assets through active management and development.
- **Sustainability & Social Value (ESG):** Prioritising investments that contribute to environmental sustainability, social value and community well-being.
- **Risk Management:** Ensuring all investments align with risk appetite, governance frameworks, and long-term financial stability.

The council will achieve this by taking a commercial approach to Asset Management, seeking to identify opportunities that provide commercial benefit from the council's Estate.

The council will also work in partnership with other bodies to identify commercial opportunities that can be brought forward, both in the council's immediate locality and

beyond, and seek to maximise opportunities whilst managing the council's approach to risk.

6. Governance

The council will ensure that a Board is convened (currently the Treasury and Capital Management Group - TCMG) to support consistent decision making. This Board will comprise Officers and Members and will hold a Terms of Reference appropriate to its activities, and will follow the council's constitution.

The Board (TCMG) will be advised of key decisions and appraised with regular reports on the performance of the Investment portfolio.

The governance will from time to time need to be agile to respond to rapid market changes that impact acquisitions or disposals whilst complying with existing schemes of delegation.

Urgent decisions can be taken by exception with delegated authority to the Chief Executive Officer, Section 151 Officer, Leader of the Council, and Portfolio Holder, in line with the council's constitution.

7. Framework

Investments will need to pay careful consideration to:

- **Diversification of the investment portfolio:** It is intended that the investment is split between Assets that carry different risk ratings (appropriate to the investment type) and should encompass different types of asset investments across different sectors to mitigate risks and aligns with the Treasury Management strategy and Corporate Plan.
- **Due Diligence:** The S151 Officer will present financial appraisals, market analysis, and legal reviews to the Treasury and Capital Management Group (TCMG) for consideration before investments are actioned. This may result in convening a special meeting outside the normal committee timetable or ceding delegated powers to invest to the S151 Officer, in conjunction with the statutory officers and portfolio holder.
- **Ongoing Monitoring:** The S151 Officer will determine a performance index for assessment of investments which will be reported quarterly to the TCMG. This may include specialist advice/brokerage/investment services to ensure more accurate forecasting of investments can be made and risks considered.
- **Exit Strategies:** The S151 Officer will develop clear criteria and plans for determining when and how to divest of assets that are underperforming assets. Approval to divest of assets may need to be delegated to the S151 Officer, in conjunction with the statutory officers and the relevant portfolio holder.

The investment framework should ensure that any submission for consideration **must satisfy** Revenue Generation **plus at least one** other Investment Activity.

All Investment Principles categories need to be clearly defined and demonstrated within a business case that documents expected benefits and returns predicted against a realistic timeline that can be used in budget forecasting.

Investment Oversight will be conducted and appraised by the Governance Board. Quarterly Assessments reports will be coupled with quarterly performance reports and recommendations for any interventions at the earliest opportunity.

Investment Activity	Investment Principles	Investment Oversight ⁽¹⁾
Revenue Generation (must be met)	Commercial Viability	Balanced Scorecard Assessment
Economic Growth	Local Impact	Quarterly Performance Reporting
Asset Optimisation	Risk Management	TCMG Analysis, Review, Recommendation
Sustainability and Social Value	Sustainable Revenue	Cabinet Recommendation/Approval
Risk Level	Divestment	Council Approval

⁽¹⁾ This process will follow the council's Constitution, based on the value/type/risk of the investment