

Decision Maker:	Thames Basin Heaths Joint Strategic Partnership Board
Date:	20 April 2018
Title:	Thames Basin Heaths Financial Statement
Report From:	Investment Strategy Steering Group

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1. Recommendations

It is recommended that:

- 1.1 The Joint Strategic Partnership Board (JSPB) approves the investment objectives as set out in section 4 of this report.

2. Executive Summary

- 2.1. The purpose of this report is to set out the principles for investing the funds held within the Endowment Fund of the Thames Basin Heaths. Those investment objectives can then be discussed with an Independent Financial Advisor to develop an investment strategy, which will be brought back to the JSPB for further approval.
- 2.2. The proposed investment objectives are set out in section 4 of this report.

3. Background and Context

- 3.1. Tariff income for the Thames Basin Heaths is collected from developers by the Local Planning Authorities (LPAs) and passed to the Administrative Body. This tariff income is used to fund current project expenditure (the Maintenance Account) and to accumulate sufficient balances to fund future project expenditure and the cost of long term maintenance and protection of the SPA (the Endowment Account).
- 3.2. As at the 31st March 2017, the balance held within the Endowment Account was £4.387m, and is anticipated to increase to £6.831m at the end of March 2018. The account is currently receiving interest at a rate of 0.25% per annum.
- 3.3. Under the terms of the SAMM agreement (section 5.3) the JSPB is given responsibility to review the value and performance of the Endowment Fund on a regular basis and

provide direction to the Administrative Body as to when, how and from whom the services of an Independent Financial Advisor are to be procured.

- 3.4. At the JSPB meeting on 7th December 2017, it was agreed that a small working group comprising of Councillor Glen, Councillor Goodman and Councillor Hilton would meet to develop draft short and long term investment objectives, for approval by the JSPB.
- 3.5. Those objectives could then be discussed with an independent financial advisor (IFA), who would be asked to advise on a recommended mix of investment types and specific funds that would meet the requirements.
- 3.6. This investment strategy would then be put before the JSPB for final approval.

4. Proposed investment objectives

4.1. The working group met on 26th January and agreed the following draft investment objectives be proposed to the JSPB for approval:

- 1) Approximately £1million should be kept in cash in the Maintenance Account, to fund projected expenditure for a period of two years.¹
- 2) The primary aim would be to generate income, rather than capital growth.
- 3) The investment should have the lowest risk possible.
- 4) A target rate of return on investment should be calculated using the current balance held within the Endowment Account, plus a reasonable assumption of the future income (as provided by the Partners) to give a target percentage rate of return required to meet projected costs in perpetuity.
- 5) The IFA would be asked to advise on a recommended mix of investment types anticipated to meet that target rate of return at the lowest risk, and specific funds that would meet these requirements.
- 6) The JSPB should acknowledge that the target rate of return will vary, depending on actual income and expenditure, and that the target percentage rate of return may not be achieved. In either of those circumstances it would be necessary to review and revise the investment strategy, and/or to review and revise the planned expenditure accordingly.

¹ This is to minimise the risk as far as possible of being forced to sell investments to fund ongoing expenditure at an unfavourable rate and potentially incurring exit costs. It would also allow for longer term investments to be made.