



COTSWOLD DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE - 30 JULY 2020
Report Number	AGENDA ITEM (11)
Subject	THE PUBLIC SECTOR SOCIAL IMPACT FUND
Wards affected	ALL
Accountable member	Cllr. Mike Every - Deputy Leader and Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	Jenny Poole - Chief Finance Officer Tel: 01285 623313 Email: jenny.poole@cotswold.gov.uk
Summary/Purpose	This report presents a treasury investment opportunity for the Council to invest available long term funds in a specialist Public Sector Investment Fund investing in a diversified range of UK secured assets with positive social impact, generating competitive market returns.
Annexes	Annex A - Public Sector Social Impact Fund Fact Sheet January 2020
Recommendation/s	<i>To consider the investment opportunity and to provide feedback to the Chief Finance Officer for consideration.</i>
Corporate priorities	Respond to the challenges presented by the climate change emergency Deliver good quality social rented homes
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Arlingclose Limited - Council's treasury advisors Warrington Borough Council Altana Wealth Limited Grant Thornton LLP - Council's external auditors

1. BACKGROUND

- 1.1.** Council officers have been working with Warrington Borough Council and Altana Wealth Limited on an investment opportunity which aims to provide an investment return over the medium term of between 5% and 8% and also supports the Council climate change emergency priority.
- 1.2.** Pooled Local Authority Treasuries, Pension Funds and related entities are encouraged to invest into projects/assets which aims are to improve the lives of UK residents. Social impact projects/investments can be across a variety of industry sectors as set below, but are not limited to:
 - Automotive – electric car charging points
 - Education – special needs schools
 - Energy – solar/wind
 - Environmental – forestry
 - Finance – local lending vehicles
 - Industrial – energy savings and efficiency equipment
 - Property – social housing
- 1.3.** Whilst Officers have delegated powers to enter into such an investment under the Council's Treasury Management Strategy 2020/21, the Chief Finance Officer invites Members to express their views on the suitability of investing in this Public Sector Social Impact Fund.

2. MAIN POINTS

- 2.1.** The Public Sector Investment Fund, is a UK domiciled LLP, investing in a diversified range of UK secured assets with positive social impact, generating competitive market returns of between 5% to 8% gross. This joint venture was started between Warrington Borough Council and Altana Wealth Limited and a further five cornerstone investors have joined investing over £60m to date, and over the next year is looking for new investors, such as Cotswold District Council.
- 2.2.** Altana Wealth Limited have shared due diligence documents, which were commissioned on behalf of the cornerstone investors. Due diligence was carried out on the accounting treatment of the transaction, legality of the transaction, and included advice from treasury management advisors. The Council's finance team have reviewed the due diligence reports and the legal team are currently completing a review. Any concerns from the legal team will be raised at the Committee meeting.
- 2.3.** The Council has also sought advice from its external auditors (Grant Thornton LLP) to ensure that the treatment of the transaction as a treasury investment rather than a capital investment is appropriate and to mitigate, as far as possible, the risk of unintended accounting issues arising during the audit of the 2020/21 financial statements.
- 2.4.** This type of investment meets the council priorities in supporting the development of social rented homes and investing in green initiatives.

3. FINANCIAL IMPLICATIONS

- 3.1.** The 2020/21 Treasury Management Strategy allows officers to invest up to £5m in this category of investment. The investment needs to be considered as a long term investment with a timeframe of 7 to 10 years. The fund offers potential returns of between 5% and 8%, however the fund will need to identify investment opportunities in order to achieve this level of return. Initially, it is anticipated that the investment will return between 3% and 5% by being invested in any one single asset of any class (including equity, debt and property within the projects noted in paragraph 1.2. The Fund Manager will adopt best practice, in measuring the social impact of the Partnership's investments. So far as is possible, investments will be assessed against quantifiable metrics, which shall form the basis of management information used by the Investment Advisory Committee in making decisions on individual investments and in shaping the Partnership's investment strategy.
- 3.2.** The Audit Committee's views on an appropriate level of investment are sought to support the Chief Finance Officers decision on the transaction. The minimum amount that can be invested is £1million, and that is the level of investment which the Chief Finance Officer is proposing. Members are advised to review to the Risk Assessment at section 5 of this report.
- 3.3.** The Council will withdraw monies which are currently invested with Money Market Funds and short term deposits returning an average rate of 0.15% per annum in order to invest in the Public Sector Social Impact Fund.
- 3.4.** By diversifying the councils investment portfolio even further eliminates potential credit losses and provides a much improved return on a social purpose investment.

4. LEGAL IMPLICATIONS

- 4.1.** The Council's legal team are currently reviewing the due diligence documents provided by Altana Wealth Management. Any issues arising from the review will be reported at the meeting.

5. RISK ASSESSMENT

- 5.1.** The Council procures treasury advice from Arlingclose Limited. Arlingclose have reviewed the investment and have provided the following advice:
- "Given the higher risk nature of this specialist fund and the likely low liquidity, we would not recommend it for clients' treasury management investments. We acknowledge, however, some local authorities may consider investing for a social purpose. Should the Council consider investing, before committing to any investment:*
- *You must first seek all the necessary legal documentation on the PSSIF and ask your legal department to scrutinise the terms of the partnership deed which will be binding on all partners.*
 - *The Council should also determine what its role will be in the partnership and also have sight of the conflicts of interest policy to which the factsheet refers."*
- 5.2.** The Council's legal team is currently reviewing the documentation provided in order to provide assurance on the points raised by Arlingclose.

- 5.3.** Given the advice received, the Chief Finance Officer, is considering an investment of £1 million which can be financed by utilising funds currently held in Money Market Funds. An investment of £1 million would represent 7% of the Council's long term pooled investment portfolio.

6. BACKGROUND PAPERS

- 6.1.** The Council approved the 2020/21 Treasury Management Strategy Statement a requirement of the Treasury Management Code of Practice which gives the Council the opportunity to invest in this type of investment.
- 6.2.** Attached at **Annex A** to this report is further information on the scheme provided by Altana Wealth and Warrington Borough Council.

(END)