

## Non-treasury Investment Strategy Report 2026/27

### Introduction

1. The Council invests its money for three broad purposes:
  - because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**).
  - to meet the wider Brent Strategy and Borough Plan (2023–2027), the Council seeks to strengthen local public services through lending to or acquiring shares in other organisations (service investments). This includes the investments in Council's housing subsidiaries, i4B Holdings Limited and First Wave Housing Limited, which provide affordable housing within the borough.
  - to earn investment income (known as **commercial investments** where this is the main purpose).
2. This investment strategy meets the requirements of statutory guidance issued by the Government in January 2018.
3. The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Council interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are technically not investments; and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

### Treasury Management Investments

4. The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £20m and £110m during the 2026/27 financial year.
5. The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

6. Full details of the Council's policies and its plan for Treasury management investments are covered in a separate document, the Treasury Management Strategy 2026/27 contained in Appendix I.

**Service Investments: Subsidiary Companies**

7. The Council issues loans and equity to its housing subsidiary, i4B Holdings Limited, to enable it to purchase street properties, which are then offered as affordable rented homes. This initiative aims to alleviate the housing pressures in our community, reduce temporary accommodation costs for the Council, and decrease the number of families in temporary accommodation. The Council issued a new facility of £40m in 2025/26, consisting of £32m loan commitment and £8m equity, to fund i4B Holdings Ltd's capital programme. We anticipate that the loan will be drawn down in 2026/27.

8. The council holds £43.9m shares in i4B Holdings Ltd. One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. To limit this risk and ensure that the total exposure of service investment, shares remain proportionate to the size of the Council.

9. The table below outlines the loans and equity in relation to Subsidiary Companies:

**Table 1: Service Investments: Subsidiary Companies**

| Service Investments: Subsidiary companies £m | 2024/25      | 2025/26      | 2026/27        | 2026/27      | 2027/28      | 2028/29      | 2029/30      |
|--|--------------|--------------|----------------|--------------|--------------|--------------|--------------|
|  | Actual       | Estimated    | Approved Limit | Estimated    | Estimated    | Estimated    | Estimated    |
| i4B Holdings Ltd) Subsidiary Loans           | 182.4        | 179.2        | 500.0          | 211.2        | 211.2        | 211.2        | 211.2        |
| i4B Holdings Ltd) Subsidiary Equity          | 36.4         | 43.9         |                | 51.9         | 51.9         | 51.9         | 51.9         |
| First Wave Housing Subsidiary Loans          | 33.8         | 33.4         |                | 32.9         | 32.5         | 32.0         | 31.5         |
| <b>Total</b>                                 | <b>252.6</b> | <b>256.5</b> | <b>500.0</b>   | <b>296.0</b> | <b>295.6</b> | <b>295.1</b> | <b>294.6</b> |

### Service Investments: Other loans and loans schemes

10. An invest to save loan was given to the West London Waste Authority (WLWA) which is the statutory body responsible for waste disposal in a number of West London boroughs. The funding assisted the development of a new waste treatment facility. The loan is expected to be repaid back by December 2041.
11. The School and Academies Loan Scheme has helped support significant improvements to school facilities ensuring the buildings are suitable for modern teaching and learning and accessible for pupils with disabilities.
12. The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows.
13. Service investments: other loans approved limits and estimated investment values are detailed below:

**Table 2: Service Investments: Other loans**

| Service Investments: Other loans £m | 2024/25     | 2025/26     | 2026/27        | 2026/27     | 2027/28     | 2028/29     | 2029/30     | 2030/31     |
|-------------------------------------|-------------|-------------|----------------|-------------|-------------|-------------|-------------|-------------|
|                                     | Actual      | Estimated   | Approved Limit | Estimated   | Estimated   | Estimated   | Estimated   | Estimated   |
| Local Businesses                    | 0.0         | 0.0         | 10.0           | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Schools, Academies And Colleges     | 17.6        | 17.4        | 55.0           | 17.1        | 16.8        | 16.5        | 16.2        | 15.9        |
| West London Waste Authority (WLWA)  | 14.4        | 13.9        | 20.0           | 13.9        | 13.5        | 13.0        | 12.4        | 11.8        |
| Local Charities                     | 0.0         | 0.0         | 10.0           | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Housing Associations                | 0.0         | 0.0         | 50.0           | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Local Residents                     | 0.0         | 0.0         | 5.0            | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Total</b>                        | <b>32.0</b> | <b>31.3</b> | <b>150.0</b>   | <b>31.0</b> | <b>30.3</b> | <b>29.5</b> | <b>28.6</b> | <b>27.7</b> |

### Service Investments: Other equity

14. The Council does not hold any other equity service investments apart from its investment in i4B Holdings Ltd.

**Service Investments: Property**

15. The Council does not invest in property primarily for yield. The Council invests in property that generates a financial return as part of wider investments in regeneration and community assets. More information is contained in the Capital Strategy in Appendix G.

**Service Investments: Additional Considerations**

16. The Council does not have any other types of service investments nor any current plans to do so. Any decision to make other types of investments will be subject to Cabinet approval. The Council may in future consider the following types of service investments:
  - Lending to Joint ventures (JVs), Associates and Similar entities: The Council can invest in such organisations where there is minimal risk. Moreover, there are instances when the Council is de facto required to invest or to deliver an alternative scheme.
  - The Council may lend to non-Council Companies or Charities, which deliver services supporting the Medium-Term Financial Plan. The loans must be on a commercial basis and that the Council must require assurances that the loan principal will be repaid.
  - The Council may make small loans to organisations that are at a higher risk to support the local economy, possibly in relation to a complex regeneration scheme.

**Risk assessment - Risk of loss:**

17. The Council assesses the risk of loss before entering into and whilst holding service loans by undertaking various financial checks and utilising specialists (where required) to advise on technical aspects of the investment. Projects funded by service loans are monitored within the Council's existing capital programme and governance reporting regime. The following risk assessment methods are used:
  - Evaluation of business plans/cashflow forecasts
  - Ability to demonstrate repayment of principal and interest
  - Use of credit ratings and financial data
  - Wholly owning the company having a sizeable share in company
  - Council having first right to call on assets in the event of default / charge on assets (relevant for i4B Holdings Ltd)
  - Obtaining assurance that there is sound governance and in controls in place.
  - Determination of an exit strategy

- Use of external advisors for accounting/taxation; legal (including Subsidy Control); and technical advice
- Use of on-lending / loan agreements to manage the respective transaction and financial monitoring of such agreements.

### Loan Commitments and Financial Guarantees

18. Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council. The only loan commitments held by the Council are to i4B Holdings Ltd.

### Expected Credit Loss

19. Accounting standards require the Council to recognise an expected credit loss allowance for loans, reflecting the likelihood of non-payment. The Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments. The expected credit loss to date has been immaterial.

### Investment Indicators

20. The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

21. **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

**Table 3: Total investment exposure**

| Total Investment Exposure                      | 2025/26   | 2026/27   | 2027/28   | 2028/29   | 2029/30   | 2030/31   |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Estimated | Estimated | Estimated | Estimated | Estimated | Estimated |
| Treasury management cash investments           | 20.0      | 20.0      | 20.0      | 20.0      | 20.0      | 20.0      |
| Service investments: Loans (all service loans) | 287.8     | 327.0     | 325.8     | 324.6     | 323.2     | 321.9     |

|                                  |              |              |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Commercial investments: Property | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Total Investments</b>         | <b>307.8</b> | <b>347.0</b> | <b>345.8</b> | <b>344.6</b> | <b>343.2</b> | <b>341.9</b> |

22. **How investments are funded:** Government guidance states that these indicators should include details of how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves, grants and other income.

**Table 4: Investments funded by borrowing**

| Investments Funded by Borrowing (Service loans: Subsidiaries) (£m) | 2024/25      | 2025/26      | 2026/27      | 2027/28      | 2028/29      | 2029/30      | 2030/31      |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | Actual       | Estimated    | Estimated    | Estimated    | Estimated    | Estimated    | Estimated    |
| i4B Holdings Ltd Loans   | 182.4        | 179.2        | 211.2        | 211.2        | 211.2        | 211.2        | 211.2        |
| i4B Holdings Ltd Equity  | 36.4         | 43.9         | 51.9         | 51.9         | 51.9         | 51.9         | 51.9         |
| First Wave Housing (FWH)   | 33.8         | 33.4         | 0.0          | 32.9         | 32.5         | 32.0         | 31.5         |
| <b>Total Service investments: Subsidiaries</b>                     | <b>252.6</b> | <b>256.5</b> | <b>263.1</b> | <b>296.0</b> | <b>295.6</b> | <b>295.1</b> | <b>294.6</b> |
| <b>Total Funded By Borrowing</b>                                   | <b>252.6</b> | <b>256.5</b> | <b>263.1</b> | <b>296.0</b> | <b>295.6</b> | <b>295.1</b> | <b>294.6</b> |

23. **Rate of Return:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred. Table 5 sets out the expected rate of return on service investments whilst Table 6 sets out other investment indicators.

**Table 5: Investment rate of return (net of all costs)**

| Investments net rate of return       | 2025/26   | 2026/27   | 2027/28   | 2028/29   | 2029/30   | 2030/31   |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                      | Estimated | Estimated | Estimated | Estimated | Estimated | Estimated |
| Treasury management investments (%)  | 3.93%     | 3.50%     | 3.25%     | 3.25%     | 3.25%     | 3.25%     |
| Service investments: Loans (%)       | 3.28%     | 3.30%     | 3.30%     | 3.30%     | 3.30%     | 3.30%     |
| Commercial investments: Property (%) | 0.00%     | 0.00%     | 0.00%     | 0.00%     | 0.00%     | 0.00%     |

**Table 6: Other investment indicators**

| Financing Costs to Net Revenue Stream       | Estimate    | Estimate    | Estimate    | Estimate    | Estimate     | Estimate     |
|---|-------------|-------------|-------------|-------------|--------------|--------------|
|   | 2025/26     | 2026/27     | 2027/28     | 2028/29     | 2029/30      | 2030/31      |
| Financing Costs (Interest & MRP) (£m)       | 36.2        | 39.1        | 49.6        | 56.1        | 61.5         | 68.6         |
| Net Revenue Stream (£m)                     | 431.4       | 499.3       | 533.7       | 568.4       | 589.5        | 611.5        |
| <b>Proportion of net revenue stream (%)</b> | <b>8.4%</b> | <b>7.8%</b> | <b>9.3%</b> | <b>9.9%</b> | <b>10.4%</b> | <b>11.2%</b> |

### Capacity, skills and culture

24. The Council employs professionally qualified and experienced staff in senior positions with responsibility for making recommendations and decisions on Treasury Management investments and Service Investments. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA and all senior members of the finance team are qualified accountants. In conjunction with the knowledge and skills of Council staff, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach can be more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
25. The Council provides a training and awareness programme for elected Members, including training in relation to scrutiny of the Treasury Management function and the annual Statement of Accounts.
26. The Council's treasury activity (including investments and borrowing) is reported to the Audit & Standards Advisory Committee and full Council twice a year via a mid-year report (recently published 3<sup>rd</sup> December 2025) and the full year outturn report.