

## ASSET INVESTMENT STRATEGY

### 1. RECOMMENDATIONS

- 1.1 That the Cabinet recommends the Council approves:
- i. the Asset Investment Strategy attached as Appendix 1 to this report;
  - ii. the proposed level of investment, at £20M, and associated financial implications as set out in the Strategy and this report; and
  - iii. the continuation of the Property Investment Panel for the purposes set out in this report.

### 2. INTRODUCTION

- 2.1 Since 2017, the Council has implemented an asset investment strategy to invest in commercial property in support of its stated priorities to help local businesses grow, to boost the economic viability of the District and to identify opportunities to generate income to maintain services that are important to residents.
- 2.2 Cabinet is asked to support a new Asset Investment Strategy which continues the existing strategy.
- 2.3 The proposed Asset Investment Strategy is attached as Appendix 1, to this report.

### 3. BACKGROUND

- 3.1 Since the introduction of the existing Asset Investment Strategy, the Council has been able to secure a diverse portfolio of good quality commercial property within the District to support economic activity and industrial development within the New Forest. The purchases have also provided a worthwhile rental income to the Council to support the delivery of the Medium-Term Financial Plan. Based on purchases to date and in train, as well as projects currently under construction, the Council will have invested the initial £30M fund by the end of the 2022/23 financial year.
- 3.2 The Council is confident that in the long term there will continue to be opportunities to purchase and develop further good quality commercial property in the District in support of its objectives and so is planning within the investment strategy and capital strategy for a further £20M of funding to be made available to accommodate further property acquisitions before a further review of the strategy is necessitated.
- 3.3 The Financial Strategy and Business Case for the continuation of the programme is set out in the attached Asset Investment Strategy.
- 3.4 The management of the commercial property portfolio is undertaken by the Estates and Valuation Service. The Council's principal commercial investment properties in its portfolio have a current total capital value of approximately £29m \*. The present rental income is £1.7m \* (gross) which when compared

against the initial purchase prices results in a gross yield of around 6%.  
(\*excludes the 'asset under construction' – Platinum Jubilee Business Park).

- 3.5 Direct costs are fairly minimal, with the ability, in most cases, to recharge these through service charges. The Council applies Minimum Revenue Provision (the repayment of capital reserves from the revenue budget) in line with the Council's approved MRP policy, and this results in a current annual (internal) charge (payable by Revenue into Capital) of approximately £250,000 per annum.
- 3.6 A Commercial Property Panel, comprised of senior officers and members, provides decision-making, oversight, and guidance in respect of the implementation of the present Asset Investment Strategy. The Panel has reviewed the proposed Asset Investment Strategy 2022 and has endorsed it.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 Full details of the Financial and Business Case and the Financial Implications and the Council's prudent approach to investments are set out in the attached Asset Investment Strategy.
- 4.2 An increase of £20M to the investment portfolio, making a total of £50m, is sought as a supplementary estimate to the Council's Capital budget. The exact net financial return will depend on the type and nature of acquisitions and development projects, the financing mix and the level of additional internal resource required, as outlined in para 5.1. It is estimated that the Strategy will achieve an additional net income in the region of £500,000 - £600,000 PA.
- 4.3 Properties will continue to be financed using a combination of reserve-based equity investments (20%) and borrowing (80%). Internal borrowing will be utilised initially, with specific decisions on the timing and size of any external financing requirement being a Treasury Management decision taking into account the Council's whole Capital Financing Requirement.
- 4.4 There are risks the Council should consider, all of which could have an impact on the net return to the Council as set out in the attached Asset Investment Strategy.

#### **5. HUMAN RESOURCE IMPLICATIONS**

- 5.1 Increasing the Council's investment property portfolio will have an impact on workloads within the Estates and Valuation team. Additional resource is likely to be required to help develop and manage the portfolio and its expansion. There may be further staffing requirements within the Estates and Valuation team depending on the nature of the properties acquired.

#### **6. CRIME & DISORDER IMPLICATIONS**

- 6.1 There are no crime and disorder implications arising from this report.

#### **7. ENVIRONMENTAL IMPLICATIONS**

- 7.1 There may be environmental benefits arising through the execution of the strategy. Opportunities include sustainable construction practices, for example to reduce vehicle movements, introduction of solar panels on buildings and the

provision of electrical vehicle charging points. New development and investments in the District may encourage local economic benefits and employment which may bring other sustainability benefits such as a reduction in commuting to neighbouring centres for example. Working with the Council's new Climate Change manager may identify further opportunities for sustainable practices.

## **8. EQUALITY & DIVERSITY IMPLICATIONS**

8.1 There are no equality and diversity implications arising from this report.

## **9. DATA PROTECTION IMPLICATIONS**

9.1 There are no data protection implications arising from this report.

## **10. CORPORATE AFFAIRS AND LOCAL ECONOMY OVERVIEW AND SRUTINY PANEL COMMENTS**

10.1 The Panel considered the Strategy at their meeting of 17<sup>th</sup> November and noted the content ahead of its consideration by Cabinet on 7<sup>th</sup> December 2022.

## **11. PORTFOLIO HOLDER COMMENTS**

11.1 I am pleased to see the Council will continue with the asset investment strategy that will support a vibrant and prosperous New Forest economy.

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### **Background Papers:**

Asset Investment Strategy.