

### Investment Strategy 2026/27

#### Introduction

1. The Authority invests its money for two broad purposes:
  - a. 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),
  - b. to invest in a sustainable and vibrant New Forest Economy, supporting employment and industry; investment income is also earned (known as property investments).
2. This investment strategy meets the requirements of statutory guidance issued by the Government in January 2018 and predominately focuses on the second of these categories.

#### Treasury Management Investments

3. The Authority 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 fluctuates and in the past 12 months the Council's investment balance has ranged between £27.9 million and £82.4 million.
4. **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.
5. **Further details:** Full details of the Authority's policies and its plan for 2026/27 for treasury management investments are covered in a separate document; the Treasury Management Strategy.

#### Property Investments

6. **Contribution:** The Council invests in commercial and residential property with the intention of supporting the New Forest economy and community and returning a net income that will be spent on local public services. The Council has established a £50 million fund for the purposes of investment in commercial property, inside or within areas immediately adjacent to, the District boundary, and a

## Appendix 1

£10 million fund exists for investment in residential property, inside or within areas immediately adjacent to the District boundary. Both funds have been established to support the local New Forest economy and community and both also generate an income return.

7. The Council can own commercial property directly and has established a wholly owned group of companies for the purposes of investment in residential property. The Council intends to make equity investments into the group of companies and issue loans, on the latter of which the Council will receive interest payments. Both strategies have socioeconomic benefits, such as stimulation of local economies through investment in commercial premises and growth in the supply of housing throughout the District.
8. **Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. Three out of the fourteen investment properties owned by this Council as at 31/03/25 have been in the Council's ownership for well over a decade. The first acquisition under the Council Commercial Property Investment Strategy was completed in December 2017, and acquisitions and developments have increased thereafter.
9. The main risk when making 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 Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:
10. Table 1: Loans in £millions

Category of borrower	31.3.2025 actual			2025/26
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	3.713	0.000	3.713	8.000
<b>TOTAL</b>	<b>3.713</b>	<b>0.000</b>	<b>3.713</b>	<b>8.000</b>

11. Table 2: Shares in £millions

Category of company	31.3.2025 actual			2025/26
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Subsidiaries	1.388	-0.021	1.367	4.000
<b>TOTAL</b>	<b>1.388</b>	<b>-0.021</b>	<b>1.367</b>	<b>4.000</b>

12. The figures as included in tables 1 and 2 above are in relation to the wholly owned group of housing companies. The total initial investment made up of debt and equity is to total £10 million. The mix of debt and equity will be fluid, and so for the purposes of setting individual limits, the potential maximum in each instance has been shown hence equating to more than £10 million.

13. Table 3: Commercial Property held generating income in £millions

Property	31.3.24	31.3.2025 actual			2026/27
	Value in Accounts	Gains or (losses)	Additions or (Disposals)	Value in accounts	Additions to date
Hythe Marina	2.798	0.147	0.000	2.945	0.000
Hardley Industrial Estate	5.138	1.250	0.000	6.388	0.000
New Milton Health Centre	2.489	0.000	0.000	2.489	0.000
Platinum Jubilee Business Park	8.550	-0.396	0.000	8.154	0.000
Ampress Car Park, Lymington	2.141	-0.215	0.000	1.926	0.000
The Parade, Salisbury Road Totton	1.511	-0.001	0.000	1.510	0.000
Unit 1 Nova Business Park, New Milton	0.548	0.006	0.000	0.554	0.000
Drive-Thru Unit, Totton	1.372	0.033	0.000	1.405	0.000
27 Salisbury Road, Totton	1.900	-0.059	0.000	1.841	0.000
Station Road, New Milton	5.000	0.000	0.000	5.000	0.000
1b Junction Road, Totton	0.127	0.011	0.000	0.138	0.000
Unit 800 Ampress Park, Lymington	1.903	-0.001	0.000	1.902	0.000
<b>TOTAL</b>	<b>33.477</b>	<b>0.775</b>	<b>0.000</b>	<b>34.252</b>	<b>0.000</b>

14. Note: The table above includes material properties denoted in the accounts as Other Land & Buildings (not used operationally by the Council) and Investment Properties, to reflect different statutory accounting definitions of these assets which all have a wider socioeconomic purpose.

15. Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding property investments. Market research is undertaken regularly, and potential opportunities objectively evaluated by the in-house estates team, utilising external expertise as and when necessary.
16. The Authority assesses the risk of loss in its residential holdings before entering into, and whilst holding loans through regular communication via the board of directors and the Council. The board has the freedom to engage with specialist consultants as and when required.
17. Purchases of properties and development opportunities are only completed once a full business case has been prepared and signed off by the investment panel, or board, or by the Council if above delegated financial parameters.
18. **Liquidity:** Compared with other investment types, property can be relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The Council will ensure to keep suitable minimum cash balances available, for example to repay capital borrowed.

**Proportionality**

19. The Council is expecting investment activity to assist in achieving a balanced revenue budget. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives of the Authority is dependent on achieving the expected net profit from investments, excluding financing costs, over the lifecycle of the Medium -Term Financial Plan. Should it fail to achieve the expected net profit, the Council will continually review and evaluate its services, and their delivery models, ensuring the most efficient service is provided to the residents of the New Forest. Prudent use of reserves can also be considered as a suitable contingency plan for continuing to provide these services in the short term.
20. Table 4: Proportionality of non-treasury Investments (£millions)

	2024/25 Actual	2025/26 Forecast	2026/27 Budget	2027/28 Budget	2028/29 Budget
Gross service expenditure	47.000	53.000	56.000	58.000	60.000
Investment income	2.025	2.027	2.106	2.106	2.106
Proportion	4.3%	3.8%	3.8%	3.6%	3.5%

### Capacity, Skills and Culture

21. **Elected members and statutory officers:** Commercial Property investments are made pursuant to the Asset Investment Strategy approved by the Council in 2017, and refresh approved by the Council in 2022. An experienced team formed from the Council's finance, estates and valuation and legal departments prepare initial assessments and recommendations concerning suitable properties. Prior to entry into a bidding process, approval must be secured from the Portfolio Holder: Finance & Corporate Services, the Monitoring Officer and the Section 151 Officer. Prior to entry into binding legal agreements, final approval must be secured from the Chief Executive, the Monitoring Officer and the Section 151 Officer in consultation with the Portfolio Holder: Finance & Corporate Services and the Chairman of the Resources and Transformation Overview and Scrutiny Panel for transactions up to £5 million, and the approval of Cabinet for transactions above £5 million. This detailed and clear process of scrutiny and decision making by key senior officers and members ensures the strategic objectives, risk profiles and overall risk exposure for the Council are considered and fully understood.
22. **Commercial deals:** The Council will take a prudent approach to the management of financial risk and the assessment of possible investments. The criteria for selecting investment assets set out in the Asset Investment Strategy and the steps for selecting assets set out above accord with prudent investment principles and the key decision makers, including the section 151 Officer, are involved in the process to ensure compliance.
23. **Corporate governance:** The Asset Investment Strategy originally created in 2017 and updated in 2022 makes express reference (at paragraph 2.1) to the Council's Corporate Plan 2020-2024 and was prepared in the context of seeking to deliver on those priorities. The objectives remain valid in the context of the updated Corporate Plan 2024 – 2028 and the Council's new priorities. The process for selecting assets is set out in the Asset Investment Strategy to ensure accountability, responsibility and authority for decision making on investment activities within the context of the local authority's corporate values. Consideration is given to the ongoing performance of assets to ensure they are delivering against the criteria. This provides an opportunity to challenge the ongoing retention of assets held and where appropriate may lead to a recommendation for an asset disposal.

## Investment Indicators

24. The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure, as a result of its investment decisions.
25. **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third-party loans.
26. Table 5: Total investment exposure in £millions

Total investment exposure	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Budget	31.03.2028 Budget	31.03.2029 Budget
Pooled Fund T M investments	9.10	9.10	9.10	9.10	9.10
Other T M investments	23.30	10.00	10.00	10.00	10.00
Subsidiary investments: Loans	3.71	3.71	3.71	3.71	3.71
Subsidiary investments: Shares	1.36	1.36	1.36	1.36	1.36
Commercial investments: Property	34.25	34.25	34.25	34.25	34.25
<b>TOTAL INVESTMENTS</b>	<b>71.73</b>	<b>58.43</b>	<b>58.43</b>	<b>58.43</b>	<b>58.43</b>
Commitments to lend	0.00	0.00	0.00	0.00	0.00
Guarantees issued on loans	0.00	0.00	0.00	0.00	0.00
<b>TOTAL EXPOSURE</b>	<b>71.73</b>	<b>58.43</b>	<b>58.43</b>	<b>58.43</b>	<b>58.43</b>

27. **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments can be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.
28. All investments made to date are funded through internal borrowing. It is anticipated that external borrowing will be required to part fund the programme in the future, once new investment is reintroduced (currently paused as a result of the high interest rate environment).

29. Table 6: Investments funded by borrowing in £millions

Investments funded by borrowing	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Budget	31.03.2028 Budget	31.03.2029 Budget
Subsidiary investments: Loans	3.71	3.71	3.71	3.71	3.71
Commercial investments: Property	21.43	21.43	21.43	21.43	21.43
<b>TOTAL FUNDED BY BORROWING</b>	<b>25.14</b>	<b>25.14</b>	<b>25.14</b>	<b>25.14</b>	<b>25.14</b>

30. **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of external borrowing where appropriate, as a proportion of the sum initially invested.

31. Table 7: Investment rate of return (net of costs)

Investments net rate of return	2024/25 Actual	2025/26 Forecast	2026/27 Budget	2027/28 Budget	2028/29 Budget
Treasury management investments	4.76%	4.11%	3.98%	3.77%	3.57%
Subsidiary investments: Weighted Average	3.82%	3.82%	3.82%	3.82%	3.82%
Commercial investments: Property	5.34%	5.35%	5.57%	5.57%	5.57%

32. **Notes to table 7:** As cash balances reduce, the overall treasury management investment earnings in £000's will reduce. However, the funds that are held by the Council will represent required minimum balances and will continue to be placed within medium-longer term strategic funds, which are typically higher yielding.

33. The general increase in the rate of return for Commercial Property is due to the growth of rental income, principally at the Platinum Jubilee Business Park. As already outlined, the authority does not associate direct borrowing with individual assets. Borrowing will be incurred in the overall context of the Capital Financing Requirement and cash balances.