

Benchmarking other local authorities' Investment Funds

Authority	How is their Investment Fund managed? How do they procure their investment advice?	How much is in the Investment Fund?	What sort of returns do they get on their investments
Aylesbury Vale	<p>They have built several town centre developments and leased out the properties and put together a team to work to develop the business case and to deliver the development, procure external services such as cost consultant, design co-ordinator etc. This has been funded through prudential and capital borrowing.</p> <p>They also have a private and public sector partnership with 100 properties mainly multi-let industrial estates which is managed by an Asset Management Company.</p> <p>They are looking at formally creating an Investment Fund to help accelerate future development and acquisitions.</p>	£110m investment in town centre development but no formal Investment Fund	7-8% minimum Up to 12%
Barnet	They just have an investment reserve which they use to spend on infrastructure to unlock growth and then pay Community Infrastructure Levy/New Homes Bonus (CIL/NHB) back in to, in order to fund the next wave of investments.		
Eastleigh	Awaiting information		4% to 10%
Fareham	Awaiting information	£8m	
Guildford	<p>In-house asset development team manage the Fund and contract out some of the leasing on an individual property basis.</p> <p>They have in-house surveyors and a framework contract where they need external support with local agents and a strategic property contract for strategic property advice.</p>	<p>Only invest in the borough</p> <p>£57m over 3 years</p> <p>Have not had to borrow this, funding has been taken out of cash held by</p>	<p>6% average achieved</p> <p>Target 8% internal rate of return (2013)</p>

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	<p>They took on an assistant £30-£40k to assist in management of leases. Most are on fully insuring and repairing long leases so don't require much management.</p> <p>Property Review Group Councillor/Officer review group monitors all investments. Already had significant amount of property investments on their books - £70m already owned shopping centres and majority of business parks in the area.</p> <p>Bought back leaseholds where they held freehold and the bought new leases.</p> <p>They are now looking at town centre masterplans and developing sites which are owned or partially owned by the Council for regeneration and housing – looking at this as a separate scheme outside Investment Scheme.</p>	authority.	
Luton	<p>They do not have a specific fund or a cap for their funding. They target commercial property and also manage three other local authorities' investment funds. They have an agreed strategy to work within and would seek member approval to go outside of those parameters. Investments include a Business Centre purchased from the Chamber of Commerce, an investment at a reduced yield with potential economic benefit and four speculative investments.</p> <p>They have a dedicated in house fixed asset team to deliver this and sell services to other organisations. Work with agents who find them property but carry out all analysis work in house.</p>	Invested around £100m which includes Luton Airport	8.5% yield

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Portsmouth	<p>They appointed their own Fund Manger to find investment opportunities. They use an external surveyor for building surveying and formal valuations at the end of the process and an external solicitor for legal transactions (e.g. conveyancing).</p> <p>They have a large property department who manage the existing properties and are looking at options on how to manage the new property investments as they are UK wide and may be better run by external specialists.</p> <p>Their overall budget is approved by the Council and then individual funding opportunities are recommended by the Fund Manager to an Investment Board (comprising the Section 151 Officer, Head of Property, Director and Leader of the Council who approve the investments.</p> <p>They have mainly invested in property outside of Portsmouth e.g. Waitrose, distribution point, storage warehouse.</p> <p>They recommend that the Fund should be higher e.g. £100m to enable investment in approximately 20 lots to spread the risk across the portfolio.</p>	<p>£20m year 1 £50m year 2 £60m year 3</p> <p>Now a total of £110m</p>	<p>5 to 6% initial yield</p> <p>Internal return of rate around 6.5%</p>
Southampton	Awaiting information		

Property/Land Examples of Good Practice Provided by the Local Government Association

Renting office space, Wyre Forest District Council - A review of WFDC's future space requirements demonstrated capacity to rent out office space in the council's new HQ building, Wyre Forest House. Following the review it took just under 12 months to generate income of £161,000 from tenants. We now have 7 Private Sector Tenants and 2 Public Sector tenants and generate income in excess of £250,000 per annum. The

majority of our tenancy agreements are for 5 years so we are on target to achieve more than £1m of income over the next five years. There is no doubt the establishment of WFH and its commercial approach has had a hugely positive financial impact on Wyre Forest District Council and there are many more benefits for employees, businesses and residents. Feedback from private and public sector tenants demonstrates how this has helped them attract top candidates.

Commercial property, Sutton - the council agreed a new Asset Management Strategy in 2015 which included a different approach towards the management of the council's stock of commercially let property portfolio which had built up over the years in a largely unplanned fashion. The council separated properties into an Investment Property Portfolio for properties which it would hold solely for investment reasons and agreed a set of guidelines for managing the portfolio, including the acquisition of new properties to add to the portfolio. A target has been set to increase gross income from commercial property by 50% by 2019/20 from a baseline of £3.2m in October 2015. To date the council has acquired two properties in Sutton that both provide an income of about £600,000, and has reviewed over 90 different property investment opportunities over the last 12 months.

Property Estate, St Albans City and District Council - St Albans is using astute commercial management and development of our property estate to drive local development and regeneration, save money and create new revenue streams. Rather than a narrow focus on commercial property as more traditionally defined, ours is a whole council approach. We are embedding commercially shrewd and rigorous business planning into our decision making across the Council, and nurturing a growing entrepreneurial culture in our teams. We are promoting active and healthy living through a complete renewal of our leisure estate, a sea change in the use of museum and heritage assets. We are bringing derelict land back into use as affordable housing. Since 2012 we have invested over £35m on new leisure facilities. This investment has been on a revenue neutral basis, achieving £1.5m in annual revenue savings.

Council as property developer, Aylesbury Vale District Council Teresa Lane - We had identified two prime sites for development in the town centre. We engaged with two developers on mixed-use schemes, and both fell through: one due to a takeover and one due to financial collapse. We finally decided to become masters of our own destiny and manage the regeneration ourselves. One of the developments was what is now the Aylesbury Waterside Theatre. It generates £2m per annum and a 12% yield to the council for an investment of £32m overall; with all risks devolved to the theatre's tenants, the Ambassador Group. The council also targeted Bucks New University's Aylesbury Vale Campus. With a local campus, we are taking rent, but also feeding local employers' talent needs, keeping skills in the area, creating a new generation of postgraduate professionals who will put down roots here. Today the council is extending its property development portfolio with Waterside North. It's currently a car park, but a multi-phase masterplan will see the site improved during 2016/17.

Property, Medway – We invest surplus cash reserves in tenanted property, both commercial and residential for a minimum 5% return. This began in 2016 and we project annual income in the region of £140,000 target pa.

Business Hub, South Staffordshire - in 2015 the council created its Efficiency and Income plan addressing how it would become not only financially self-sufficient by 2020, but also income generating, turning over profit. This equates to generating £2.2m a year from 2020 onwards,

18.3% of the council's annual cost of services. One of these strands is the Business Hub which commercialises the councils assets for SME's by accommodating growing businesses with new affordable packages , connecting businesses with bespoke training, events, advice and marketing and providing council services to businesses for example through advertising, Good Life Deals App and Call Management services. This is generating profit for the council by making best use of its assets. By 2020 this will be over £300,000 cumulatively, averaging £75k per annum and in profit already after the first 14 months of trading with £63,000 generated.

Property, Nottinghamshire CC – the council has developed a Joint Venture with Scape Group to provide Property Design and Operations services on the premise that a commercial partner will drive a more cost effective procurement supply chain as well as developing income opportunities from other areas including Academies and schools, other public sector bodies such as health, fire and police, other local authorities and the private sector.

The Joint Venture is a 'Teckal Company' which means it is controlled by the local authority and can trade by up to just under 20% of its turnover. Scape hold the majority of shares (80:20) and the Board of the Joint Venture has representatives of both shareholders as both need to demonstrate control for the purposes of the 'Teckal' test. Efficiency savings generated by the joint venture (or surplus) from the work it does for NCC or Scape or returns generated from work undertaken for third parties, is shared 50:50.

Property, Reigate & Banstead – we have recently established a property investment company to seek opportunities beyond the borough. This has included looking to acquire an old Sainsbury's site in Redhill to redevelop including a new hotel. We joined with Sainsbury's to guarantee the funding for the hotel and in discussion with Travelodge to develop the site. The council has invested £3m to generate around £300,000 income pa and the capital value for the site has also significantly increased. We are now looking at other sites including land including a car park and looking to finalise a new leisure/restaurant site – total value £40m, council financed the development through borrowing. Sale of some of the residential element will leave a net debt of £10m, but annual income of around £1m pa (coming on stream 2019/20).

Investment strategy, Braintree District Council – the council has an investment strategy of £28m. This includes investment in health facilities, housing growth/new settlements and local infrastructure. The return on investment is in the region of 6% on average for new investments. The council have invested £8m in equity funds, generating between 3.1% and 7.6% pa. This has resulted in increased income by £815k in 2015/16 from previous year and anticipating further increase of £520k in 2016/17.

Commercial property, Runnymede Borough Council – the council funded the construction of the Addlestone ONE site. Income will be obtained from the commercial tenants plus the differential between the cost of borrowing by the council and the OJEU loan interest rate. This includes 10 residential and a further 100 will be added by Addlestone ONE. The development has a community heat network which will supply approx. £40k of electricity to the grid via the Feed In Tariff arrangement and supply all the heat and hot water to the 213 residential tenants and the key anchor tenants. In addition to the above the council has been proactively acquiring commercial properties using low cost borrowing to fund. The combined income from Addlestone ONE and the acquisitions to date exceeds £7.7m of new income, but after the cost of capital is

deducted, a conservative £4.3m. By April 2017, the council expect the income generation to have exceeded £10m through the solid plans that I have in place.

Better use of office accommodation, Craven District Council – Skipton Town Hall is of significant historical importance occupying a prominent position on Skipton High Street. Having previously been used as office accommodation for the district council much of the space became vacant and was costing the Council around £300,000 per annum. In 2013 we embarked on a project to restore the building and create an Arts and Community destination to secure the buildings future whilst also improving the economic and social vitality of the area. Using a combination of Council funds, external funding and commercial income generated by letting parts of the Hall the project is on track to be make a significant contribution to the local economy and become self-financing by 2018/19.

Rental income, Wyre Council - we have made available part of the Civic Centre in Poulton to accommodate a local doctor's surgery and NHS Extensive Service. Investment by doctors/NHS £800K generating us £45K yearly rental income <http://www.lockwoodavenuesurgery.co.uk/> and provided opportunity for integration of health and District Council services.

Rental income, Wyre Council - We have invested £30K into renovating a two storey building within the grounds of the Civic Centre in Poulton and tenant takes up occupation this month providing extended educational services generating a rental income for us of approximately £25K per year. <http://www.mckee.lancs.sch.uk/>.

Rental income, Burnley Borough Council - £1.7m of LEP funding was used to create 25,000 sq. ft. of managed workspace incubator plus 12,000 sq. ft. grow on units at Vision Park in Burnley. Here the council is taking on the role of an investor taking ownership and management responsibility for the completed units.

Property and land, Darlington Council – A land swap deal was used to remove a loss making golf course and generate about £6m in receipts from land disposal. Land swap revenue saving is in the region of £200k pa.

Rental income, Forest Heath District Council - The council acquired the factory site in May 2012 securing 130 local jobs that had been at risk. It then leased the site to a new business – Omar Group. This deal cost the council £1.456m, but secured £200k per annum in rent. The company grew to employ 367 people but needed more factory space to increase production. A new deal saw the Council invest more than £500,000 into the building of a factory extension – with the business paying the other 50 per cent of the construction costs. This extension is expected to create a further 80 new jobs in our local economy. In return Omar Group signed up to a new 15 year lease with an increase annual rent, representing a further 10% return on the new investment.–The Council will also own the building at the end of the current lease.–The factory extension was opened in August this year.

Land investment, Wychavon DC - The Evesham town centre project is our next big venture and will see a new fire station opening this year and a new Waitrose store, opening in March 2018. We will invest £10m moving the fire station to release land and then the Waitrose store will

follow on the land. A rental stream of £500,000 per year to us and will represent a 5% return, significantly more than could be achieved on the money markets. Whilst this is great news for our financial challenges, the main aim of the project is to attract more big names, grow confidence in the town and stimulate the local economy.

Facilities management, Medway – We have a joint venture with Norse Commercial Services to create a local subsidiary. It is a ten-year arrangement. We have a local authority controlled company with the Teckal exemption providing facilities management services, grounds and greenspace management and special educational needs transport for other councils and private sector clients. This turns over £11m and we have generated £260,000 pa through a profit share arrangement.

Property management, Kent CC – GEN² this is a new wholly owned company set up to deliver Property Management Services to both KCC and other public sector clients. GEN² was established in May 2016 and work is underway to develop the newly formed company's business pipeline and client base. Similarly to Commercial Services, GEN² has been set a dividend target to return to the local authority.

Commercial property, Breckland Council - the council has invested in diverse portfolio of commercial properties that bring an annual income of approximately £2m back into the council.

Property, Hertsmere District Council - we own Elstree Film Studios. We have set up a Property Development Company to provide properties for rent; we have built good quality temporary accommodation and homes for rent prior to setting up this company on a small scale to meet housing demand and provide a revenue stream; our engineering services are a resource for the private sector as are our trading standards team; we along with other local authorities in the region have established a Building Control Company that has just been launched as an independent company; we are developing a hotel and retail outlet utilising council funds and at our own risk so that we maximise the return to the council based around strong leases with leading providers- this is a £10m investment; we are likely to borrow around £30m for our property development company and are in the process of transferring assets to it and getting a business plan together so it can start developing.

Property Investment, South Norfolk District Council – we develop houses for market sale, market rent, including affordables as well as commercial sites. Our Big Sky Developments Company will drive the development of houses and commercial sites across the district. The first sites in Poringland and Long Stratton will see the development of 102 residential dwellings and 3,170sq metres of commercial units. Whilst providing ongoing revenue income to help our aim of moving closer to financial independence, we are also attracting more businesses into the area and building much needed houses for burgeoning communities. We are aiming for an income of £120,000 rent pa from our rented homes (once portfolio is completed), £400,000 annual return on our existing commercial property portfolio (6.% return) Crafton House and Maple Park commercial developments will increase the income once completed and let. Overall, an estimated profit on the whole development of £2.5m.