# Sitting on Your Assets? Getting the Most from Your Land and Buildings

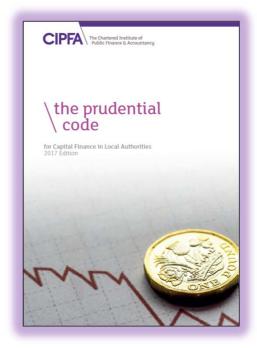


### We still need the basics

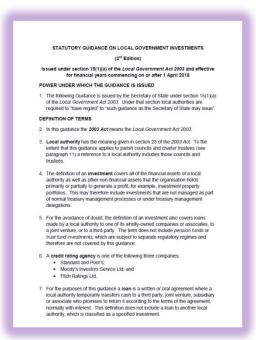
- 1. Property Information Systems and Staffing resources to keep the data comprehensive and relevant
- Health and Safety Compliance management, surveys and testing
- 3. Condition Surveys
- 4. Asset Management Planning
- 5. Comparison with others



## Financial codes and legislation

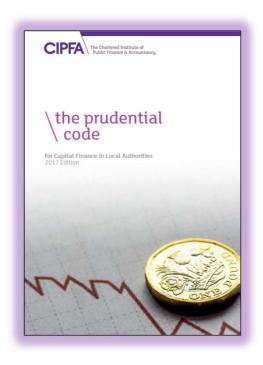








## CIPFA Prudential Code (2017 edition)



Covers all capital expenditure and investment decisions and should take account of all potential long-term liabilities

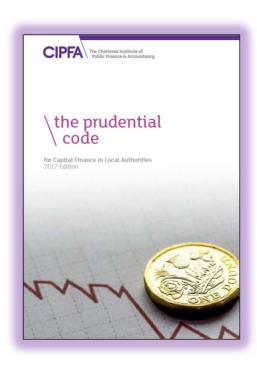
In order to ensure long-term affordability, decisions have also to be prudent and in the long term sustainable

Applies to all local authorities, combined authorities, fire and police

"Capital expenditure plans should be considered alongside the cost of past borrowing, maintenance requirements and planned disposals."



## CIPFA Prudential Code (2017 edition) Capital Strategy



- Capital expenditure
  - Governance process
  - Long term view reference asset lives
  - AMP overview
  - Borrowing restrictions
- Debt and borrowing and treasury management
- Commercial activity
  - Due diligence, Risk appetite, Expert advice, Scrutiny
- Other long-term liabilities
- Knowledge and skills



## CIPFA Treasury Management Code (2017 edition)



### 3 Key TM Principles +

- Effective Management
- Control and Appetite of Risk (should ensure that priority is given to security & portfolio liquidity when investing funds)
- Pursuit of VFM & use of suitable performance measures valid & important tools for responsible organisations to employ in support of their business & service objectives; treasury management policies and practices should reflect this



- Commercial investments for financial benefit rather than for service outcomes are sometimes entered into outside of normal treasury management activity.
- These need more careful financial risk assessment.
- Where such investments do not give priority for security and liquidity over yield, whether because of the nature of the assets themselves or for valid service reasons, CIPFA recommends that such a decision should be explicit, the additional risks set out clearly and the impact on financial sustainability identified and reported.



## Statutory Guidance on Local Government Investments - (3rd Edition)

#### STATUTORY GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

#### (3rd Edition)

Issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018

#### POWER UNDER WHICH THE GUIDANCE IS ISSUED

The following Guidance is issued by the Secretary of State under section 15(1)(a)
of the Local Government Act 2003. Under that section local authorities are
required to "have regard" to "such guidance as the Secretary of State may issue".

#### DEFINITION OF TERMS

- 2. In this guidance the 2003 Act means the Local Government Act 2003.
- Local authority has the meaning given in section 23 of the 2003 Act. To the extent that this guidance applies to parish councils and charter trustees (see paragraph 11) a reference to a local authority includes those councils and trustees.
- 4. The definition of an investment covers all of the financial assets of a local authority as well as other non-francial assets that the organisation holds primarily or partially to generate a profit, for example, investment property portfolios. This may liverefore include investments that are not managed as part of normal treasury management processes or under treasury management processes.
- 5. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture, or to a third party. The term does not include persion funds or trust fund investments, which are subject to separate regulatory regimes and therefore are not covered by this guidance.
- 6. A credit rating agency is one of the following three companies:
  - Standard and Poor's;
     Moody's Investors Service Ltd; and
  - Fitch Ratings Ltd.
- 7. For the purposes of this guidance a loan is a written or oral agreement where a local authority temporarity transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investiment.

- Effective for financial years commencing on or after 1 April 2018
- Introduces requirement for Investment Strategy – produced before the start of financial year to which it relates, approved by full council (or equivalent), publicly available
- Should also incorporate quantitative indicators, funding, rate of return
- Presented in a way that allows Councillors & public to compare the local authority's investment decisions with a similar authority "understand a local authority's total risk exposure"

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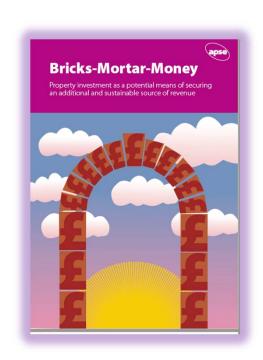


## Borrowing in Advance of Need

- Where a local authority chooses to disregard the Prudential Code and this Guidance and borrow or has borrowed purely to profit from the investment of the extra sums borrowed the Strategy should explain:
  - Why the local authority has decided not to have regard to this Guidance or to the Prudential Code in this instance;
     and
  - The local authority's policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing

## Investing in Property A 10 Step Approach

\ property



- 1. Establish What you've got
- Measure Costs and Performance
- 3. Strategy
- 4. Geography/Boundaries
- 5. Funding security, liquidity and then yield
- 6. Skills and Capacity
- 7. Delivery Models
- 8. Acquire Carefully (Risk Management)
- 9. Acquisition and Management
- 10. Monitor, Review and Adapt

http://www.apse.org.uk/apse/index.cfm/research/currentresearch-programme/bricks-mortar-money/



## So what's happening in practice?





**David Bentley** Head of Asset Management

**27.** 01332 559780

**!**: 07710 368711

ி: david.bentley@cipfa.org