

# Developing a strategy for asset investment

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# Developing a strategy for asset investment

1. Categories of investment in land and property
2. Financing to invest – A Treasury Management strategy
3. Is the public works loans board an opportunity for low cost investment?
4. Findings of the latest APSE/CIPFA research

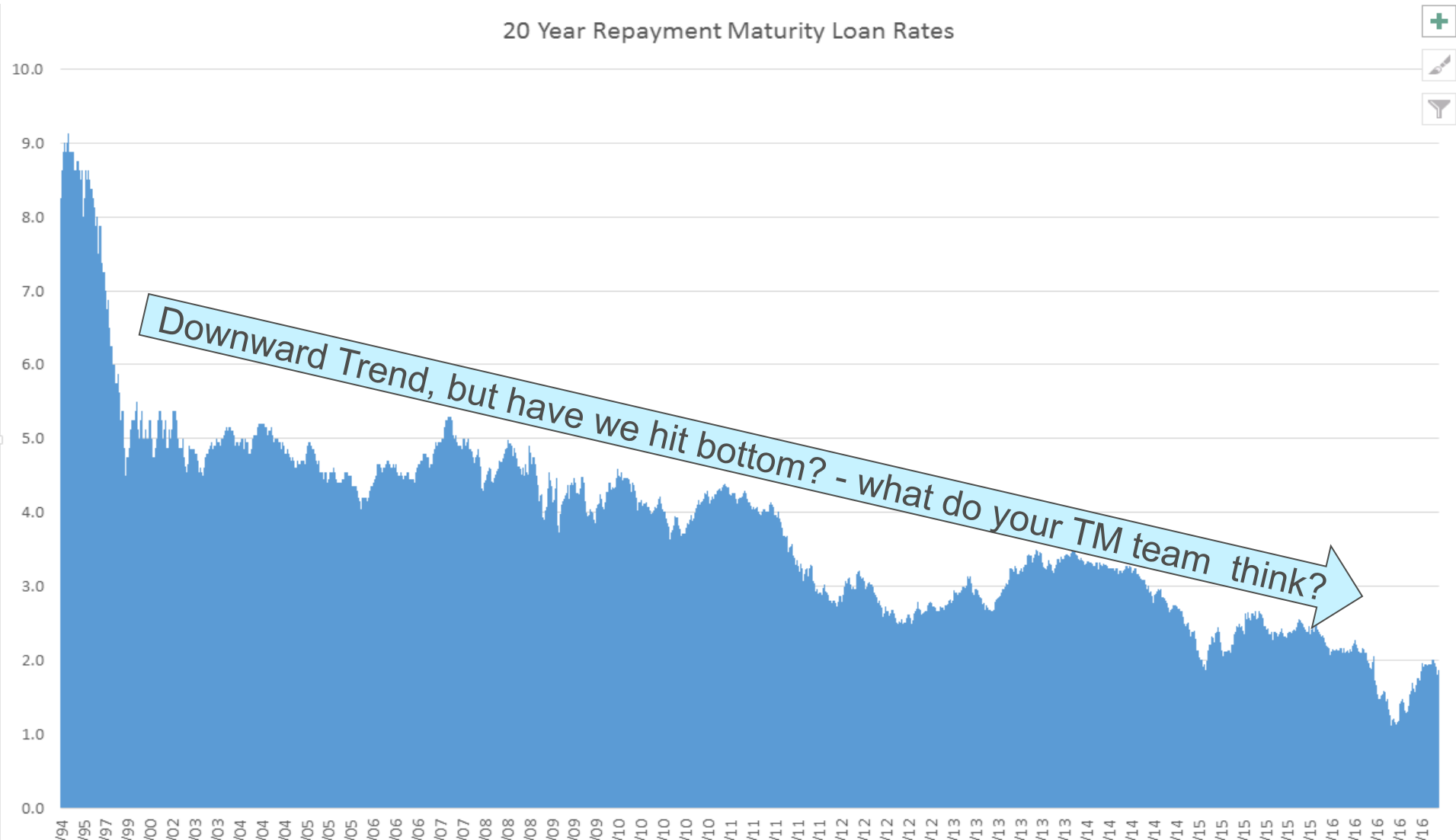
# Financing to Invest

## - A treasury management strategy

- Investment yields at all time low and dropping
- Growth in initiatives to get more from cash balances (i.e. improved returns)
  - Pure Investment
  - Commercial Ventures
  - Loans to Third Parties (acting as a bank)
- Cash reserves, an unintended consequence of austerity?
  - DCLG's commitment to honour DEL spending levels & authority grant over remaining SR period
  - 97% Efficiency returns, shows positive buy-in from councils

# Historic PWLB 20 Year Rates

20 Year Repayment Maturity Loan Rates



# PWLB – an opportunity for low cost investment?

- Current borrowing rates v's Council reserves
  - For many councils, cheaper to use cash reserves than borrow, even if below current prudential limits
  - CIPFA petitioned HMT about options for councils to pay PWLB loans off early
  - Trend now changing for some – post Brexit vote (current PWLB annuity rates: 1.3% 5yr – 3% 50yr)
- Some influencing decisions
  - Current profile / maturity of debt
  - Investment forecasts v's PWLB rates
  - Link with MTFS - revenue and capital projections
  - Appetite for risk & cash management/ liquidity



House of Commons  
Committee of Public Accounts

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# Financial sustainability of local authorities

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**Twenty-sixth Report of Session 2016–17**

*Report, together with formal minutes relating  
to the report*

*Ordered by the House of Commons  
to be printed 14 November 2016*

# Categories of investment in land and property

- TNRP?
- Pure Investment
- Estimating Social Value

## Findings of the latest APSE/CIPFA research

- *"looking to expand property portfolio further in order to generate revenue to support council services"*
- *"generate income from property to help mitigate reductions in grant funding by adopting a stronger commercial approach"*
- *"our Investment Property Management team currently generates an annual income of £30 million from a wide and diverse portfolio and we are looking to appoint a Chartered Surveyor to contribute to the continuing success of delivering a high quality and efficient service"*



# Findings of the latest APSE/CIPFA research

- The war chest – with/or without a battle plan
- Steady as it goes
- Setting up a company
- ‘Close to home’ or ‘Far and wide’
- LABVs
- PSP

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