Report To:	**CABINET**	**Date:**	**30th NOVEMBER 2017**
Heading:	**CAPITAL STRATEGY UPDATE & PROPOSED CAPITAL PROGRAMME 2017/18– 2021/22**		
Portfolio Holder:	**CLLR JACKIE JAMES - CORPORATE RESOURCES AND FINANCE**		
Ward/s:			
Key Decision:	**YES**		
Subject To Call-In:	**YES**		

Purpose of Report

On 24th March 2017, Cabinet agreed the Council's Commercial Property Investment Strategy. This involved establishing a £10m fund to invest in Commercial Properties in order to generate an income stream that would support the Medium Term Financial Strategy.

The Council's Capital Strategy, Capital Programme and Treasury Management Strategy were revised to incorporate this change.

The remainder of this report outlines requirements for the Capital Programme over the period 2017/18 to 2021/22. This includes an update on the proposed expenditure for existing projects, seeking approval where project costs are likely to increase, plus proposals for the inclusion of new projects that positively contribute the Council's Corporate Plan.

Other than the additional £15m for investment properties, the remaining plans are contained within the 2017/18 to 2019/20 February 2017 Capital Strategy. Indicative capital expenditure for 2020/21 and 2021/22 has been included.

Recommendation(s)

1) To increase the Commercial Investment Fund by £15m to £25m to allow the Council to purchase further commercial property which will provide an invaluable income stream and contribute towards the savings required as defined within the Medium Term Financial Strategy (MTFS).

2) To amend the Capital Strategy and the Commercial Property Investment Strategy plus the Capital Programme below in order reflect the increased value of the Fund.

3) To note the contents of the Government's consultation paper on proposed changes to the Prudential Framework of Capital Finance which if agreed will be effective from 2018/19. This will require further iterations of the strategies being proposed here before implementation in 18/19.

4) To recommend the changes to the strategies and revised capital programme covering 2017/18 – 2019/20 be approved and recommended to Council.

5) To note the indicative expenditure for 2020/21 and 2021/22.

Reasons for Recommendation(s)

To allow the Council flexibility to take advantage of possible acquisitions within the District which may become available before the end of the financial year. In the event that the District opportunities do not materialise, the fund will be used to invest in other properties inside and outside of the District but within the UK to deliver the needed income stream which will support the MTFS.

To approve projects to allow capital investment for the period 2017/18 to 2019/20 and note the indicative Capital Expenditure for 2020/21 and 2021/22.

Alternative Options Considered (With Reasons Why Not Adopted)

In terms of the Commercial Investment Fund:-

1) Not to increase the investment fund. This remains an option but means that the Council cannot bid for local property likely to be offered for sale and would be unable to generate any more income through this route.
2) Award a lower amount for the investment fund. This remains an option but the amount proposed is in keeping with previous experience and offers a manageable portfolio
3) Award a higher amount for the investment fund. This is beyond the Council's appetite for risk at this point.

In terms of the Capital Programme, new projects were submitted as part of the Capital Gateway which involved an assessment for their contribution to the Corporate Plan and impact on the Council's budget with priority given to those which positively impact on the MTFS. On that basis no alternative options/projects are being proposed.

Detailed Information

Capital Strategy and Commercial Property Investment Strategy

As outlined in the introduction to this report, the £10m Commercial Investment Fund is anticipated to be fully utilised by December 2017. The Council's acquisitions to date include:-

1. 3 shops leased to the Southern Co-operative Group
    - The properties were purchased in a combined deal for £1.75M, with a total purchase cost of £1.827M.
    - The 3 properties are located in/near Portsmouth.

2. A hotel leased to Shearings Hotels Ltd
    - The property was purchased for £6M, with a total purchase cost of £6.273M.
    - The property is located near Stratford upon Avon.

An opportunity has arisen for the purchase of 2 assets within the District which the Council would like to explore and subsequently purchase, subject to meeting the Commercial Investment criteria. The Council does not have to increase its limit at this point, waiting instead until new strategies are in place for 2018/19 further to implementation of any new Government requirements (see later paragraph). However, by not increasing the limit, the Council will miss the opportunity to bid for local assets.

Should the opportunities not come to fruition, the intention is to utilise the fund to purchase other commercial properties across the country as is currently the case.

When the £10m Commercial Investment Fund was agreed by Cabinet the minutes indicated that 'the Council should explore the scope for increasing still further the size of this Commercial Property Investment Portfolio, if the strategy proves to be successful and suitable investment opportunities become available.'

To permit the increase in the Fund the Capital Strategy, Capital Programme and Commercial Property Investment Strategy would require revision and approval from Council.

Treasury Management Strategy

By agreeing to the investment, this would increase the Council's Capital Financing Requirement' (CFR) by a further £15m. The CFR represents the total historic capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure not immediately financed, for example by capital grants, will increase the CFR.

The mid-year Treasury Management Strategy review is also on this Agenda and reflects the above should the proposal be agreed.

In terms of Minimum Revenue Provision (MRP) there is no change in application of Option 4 – Depreciation Method. MRP is the amount set-aside to repay debt. If there is a reduction in the valuation of Commercial Assets a prudent amount needs to be set a-side to repay debt. MRP is a revenue costs and therefore does represent a financial risk to the General Fund Revenue Account should a significant drop in valuation occur. Further, the Council has a property reserve set aside to be used in the event of voids and to ease the liquidity requirement should any unforeseen events occur. The size of this reserve is currently nearly equivalent to the annual value of rents received from the investment properties. This reserve will be increased proportionately to mitigate exposure and provide protection from shocks.

CLG Consultation on Proposed Changes to the Prudential Framework of Capital Finance

The Government has issued proposed changes to the Prudential Framework of Capital Finance. A new framework is to be issued for implementation in 2018/19. The proposals do not prohibit Local Authorities from Commercial Investment but do expect greater openness and transparency. A copy of the proposal can be found as the last attachment to this report.

In summary the proposals involve:-

- Greater transparency and disclosure around the rationale for investing, the size of investments and their direct contribution to core service expenditure
- The evaluation of investments with regard to Security, Liquidity and Yield and the risks contained therein
- The evaluation of non-financial investments with regards to Proportionality; Borrowing in advance of need; and Capacity, Skills and Culture
- A restriction on maximum Asset Life and treatment of MRP.

With regard to the initial £10M fund, the Council has taken several steps that are in the same spirit of the consultation and will be brought in line after the proposed changes have been made clear. In brief, those actions comprise:

1. A thorough understanding of risk prior to making the investment, particularly around the tenant covenant and the nature and structure of lease agreements.
2. A thorough evaluation of the financial impact of the investment, including all costs of ownership and a clear minimum income target.
3. Management of a property reserve providing cash liquidity around this investment activity.

Summary Capital Programme

The proposed Capital Programme and funding is summarised as follows. Appendix 1 shows a detailed breakdown of all the schemes below.

The three areas of the Capital Programme are discussed in more detail within the report.

Table 1 – Capital Programme (2017/18 to 2021/22)

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Capital Expenditure						
Area Committees	1,229	207	0	0	0	1,436
General Fund	33,047	2,341	1,305	2,566	2,709	41,968
Housing Revenue Account	8,225	9,061	8,945	8,659	9,316	44,207
Grand Total	**42,501**	**11,609**	**10,250**	**11,225**	**12,025**	**87,611**
Capital Financing						
Developers Contributions - Area Committees	1,001	207	0	0	0	1,208
Direct Revenue Financing	0	0	0	0	0	0
Other Capital Grants and Contributions - Area Committees	228	0	0	0	0	228
Sub Total - Area Committees	**1,229**	**207**	**0**	**0**	**0**	**1,436**
Prudential Borrowing - General Fund	30,027	456	471	1,737	1,867	34,558
Capital Receipts - General Fund	12	0	0	0	0	12
Fund	469	113	56	0	0	638
Developers Contributions - General Fund	460	0	0	0	0	460
Other Capital Grants and Contributions - General Fund	2,079	1,772	778	829	842	6,300
Sub Total - General Fund	**33,047**	**2,341**	**1,305**	**2,566**	**2,709**	**41,968**
Funded from HRA Reserves	7,145	8,289	8,173	7,887	8,544	40,039
Future 1-4-1 Capital Receipts Funding Recently Built and New Schemes	308	0	0	0	0	308
Non 1-4-1 Capital Receipts	772	772	772	772	772	3,860
Sub Total - HRA	**8,225**	**9,061**	**8,945**	**8,659**	**9,316**	**44,207**
Grand Total	**42,501**	**11,609**	**10,250**	**11,225**	**12,025**	**87,611**

2. Area Committee Capital Programme

These consist of self-financed schemes that enhance the local environment. These are mainly financed by developers' contributions (known as Section 106 funding) but additional grant funding is sought wherever possible to maximise the benefit to local communities. Area Committee schemes are included in the table below.

Table 2 – Area Committee Schemes (2017/18 to 2021/22)

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Area Committees						
Hucknall Area Committee	152	152	0	0	0	304
Kirkby Area Committee	744	10	0	0	0	754
Sutton Area Committee	307	45	0	0	0	352
Rural Area Committee	26	0	0	0	0	26
Total	**1,229**	**207**	**0**	**0**	**0**	**1,436**
Funded by						
Nottinghamshire County Council (NCC)	148	0	0	0	0	148
Waste Recycling and Environment (WREN)	50	0	0	0	0	50
Hucknall & Linby Collieries Joint History & Heritage Committee	3	0	0	0	0	3
Network Rail	5	0	0	0	0	5
Rural Payments Agency	2	0	0	0	0	2
Selston Parish Council	5	0	0	0	0	5
Skanska	15	0	0	0	0	15
Sustainable Transport S106	165	5	0	0	0	170
Section 106	836	202	0	0	0	1,038
Total	**1,229**	**207**	**0**	**0**	**0**	**1,436**

Table 3 below shows where changes to capital schemes by Area Committee have been made from the previous approved Capital Programme.

Table 3 – Area Committee Schemes (changes in proposed expenditure)

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Expenditure Approved	**1,286**	**70**	**0**	**0**	**0**	**1,356**
Changes to Hucknall Area Committee Schemes	-86	152	0	0	0	**66**
Changes to Sutton Area Committee Schemes	15	-15	0	0	0	**0**
Changes to Kirkby Area Committee Schemes	9	0	0	0	0	**9**
Changes to Rural Area Committee Schemes	5	0	0	0	0	**5**
Total Proposed Expenditure to be Approved	**1,229**	**207**	**0**	**0**	**0**	**1,436**

2.1 Changes to Existing Area Committee Projects

Table 4 shows the changes in budget scheme by scheme. The actual allocation to each project is shown at Appendix 1. There are several schemes where there have been significant change in budget allocation:

Lime Tree Recreation Ground – Additional works funded from additional developer contributions.

Papplewick Green Public Art Work – Additional works funded from additional developer contributions.

Brierley Forest Park Management Plan / Huthwaite Welfare Park Management Plan – The works planned for Huthwaite Welfare Park Management Plan have been put on hold and the expenditure budget for this project has been transferred to Brierley Forest Park Management Plan.

Table 4 – Area Committee Scheme (changes in budget – by scheme)

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Hucknall Area Committee						
Butlers Hill Allotment Access	-2	0	0	0	0	-2
Lime Tree Recreation Ground	51	0	0	0	0	51
Papplewick Green Public Art Work	-129	152	0	0	0	23
Titchfield Park and Hucknall Cemetery: implementation of park masterplan	-6	0	0	0	0	-6
Sub Total	**-86**	**152**	**0**	**0**	**0**	**66**
Sutton Area Committee						
Brierley Forest Park Management Plan	54	-15	0	0	0	39
Huthwaite Welfare Park Management Plan: General Improvements	-39	0	0	0	0	-39
Sutton Lawn management Plan	8	0	0	0	0	8
Sutton Lawn Play Area	-8	0	0	0	0	-8
Sub Total	**15**	**-15**	**0**	**0**	**0**	**0**
Kirkby Area Committee						
Beacon Drive/ Coniston Road	-9	0	0	0	0	-9
Forest Road Nature Area	1	0	0	0	0	1
Portland Park Management Plan: General Improvements	0	0	0	0	0	0
Warwick Close	17	0	0	0	0	17
Sub Total	**9**	**0**	**0**	**0**	**0**	**9**
Rural Area Committee						
Nottingham Road Recreation Ground	5	0	0	0	0	**5**
Sub Total	**5**	**0**	**0**	**0**	**0**	**5**
Grand Total	**-57**	**137**	**0**	**0**	**0**	**80**

3. General Fund Capital Programme

Changes to the General Fund Capital Programme are explained below and summarised in the tables overleaf.

3.1 New Schemes.

The following new schemes have been added to the Capital Programme:

Hucknall Car Parks (combine Station Road and Titchfield Street) – Station Road and Titchfield Street Car Parks have been removed from Capital Programme but replaced with a new scheme intended to create a new larger car park for the same cost as the two removed car parks.

Leisure Transformation Programme – The Leisure Transformation Programme is in the investigative stage. The £340k is funded from S106 and is to be used towards the funding of its feasibility and design costs. The full cost of this scheme is still to be agreed.

Servery Chillers Idlewells Indoor Market – The upgrading of market servery chillers and provision of cooking equipment to improve facilities for the traders. The units costs and maintenance will be covered by additional rental income from the individual stall holders

Solar PV Installations Leisure Centres – Installation of large Solar PV systems on Lammas and/or Hucknall Leisure Centres (both very high energy users). The energy produced would be sold to the Centre(s) at a discounted rate from the grid price, and the Council would claim Feed in Tariff.

Table 5 – General Fund (New Projects – by scheme)

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
New Projects						
Hucknall Car Parks (combine Station Road and Titchfield Street)	227	0	0	0	0	227
Leisure Transformation Programme	340	0	0	0	0	340
Servery Chillers Idlewells Indoor Market	59	0	0	0	0	59
Solar PV Installations Leisure Centres	236	0	0	0	0	236
Grand Total	**862**	**0**	**0**	**0**	**0**	**862**

3.2 Changes to Existing General Fund Projects.

The Council profiles its capital programme but inevitably there will be some slippage to project timetables. The Council will endeavour to ensure that costs are projected accurately however in some projects costs will vary from the budget due to market forces or unexpected circumstances. The main movements in budget are outlined below:-

Table 6 – General Fund Projects (changes in budget – by scheme)

Idlewells Market Hall Asbestos Removal and Refurbishment –The initial budget for the Indoor Market project was set prior to final design completion and before the full extent of the remedial works was known. The full costs have now been fully identified and the capital programme has been amended to reflect these changes, including additional floor levelling works and asbestos removal.

Improvement Grants 1996 Act Disabled Facility Grant (DFG) – Increase in Capital spend because of an increase in funding from the Better Care Fund. The amount of money spent on DFG Grants will always be limited to the amount of DFG grant received.

Investment Properties – Additional £15m added to the Commercial Investment Fund to finance Commercial Investment Properties as outlined at the beginning of the report.

Office Accommodation Works to Accommodate DWP at Central Offices – Asset Management officer time has allocated to this scheme id greater than originally anticipated.

Office Accommodation Works to Accommodate Police at Central Offices – Asset Management officer time has allocated to this scheme id greater than originally anticipated.

Purchase of Vehicles – The capital programme now includes the indicative vehicle expenditure for 2020/21 and 2021/22. This will be reviewed in line with our new capital strategy.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Changes to Current Projects						
Ada Lovelace Business Centre Development	1	0	0	0	0	1
Broomhill Shop Refurbishment	-3	0	0	0	0	-3
Demolition of Hucknall Toilets	4	1	0	0	0	5
Idlewells Market Hall Asbestos Removal and Refurbishment	100	0	0	0	0	100
Improvement Grants 1996 Act Disabled Facility Grant	201	-44	137	829	842	1,965
Investment Properties	15,000	0	0	0	0	15,000
Office Accommodation Works to Accommodate DWP at Central Offices	51	0	0	0	0	51
Office Accommodation Works to Accommodate Police at Central Offices	19	0	0	0	0	19
Purchase of Vehicles	-816	-703	-714	1,737	1,867	1,371
Grand Total	**14,557**	**-746**	**-577**	**2,566**	**2,709**	**18,509**

3.3 Deletions to Existing General Fund Projects.

Station Road and Titchfield Street, Hucknall Car Parks have both been removed from the Capital Programme. A new additional car park (see New Schemes above) has been added to the Capital Programme. The remaining schemes listed in Table 7 below have been completed and will not require any further capital expenditure.

Table 7 – General Fund Projects (Deletions to Capital Programme – by scheme)

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Schemes Removed or Reduced						
Car Park Extension and Car Parking Machines Lammas	-3	0	0	0	0	-3
Fox Street Demolition	-3	0	0	0	0	-3
Redevelopment of Kirkby Toilet Site	-3	0	0	0	0	-3
Station Road - Hucknall new Car Park	-105	0	0	0	0	-105
Sutton Town Regeneration	-7	0	0	0	0	-7
Sutton Windmill	-4	0	0	0	0	-4
Titchfield Street - Hucknall new Car Park	-122	0	0	0	0	-122
Warm Homes on Prescription	-40	0	0	0	0	-40
Grand Total	**-287**	**0**	**0**	**0**	**0**	**-287**

Table 8 - General Fund Schemes Reconciliation of Current Capital Programme to Proposed November 2017 Capital Programme

3.4 General Fund Capital Programme Funding

The tables below show the changes in financing required to move from the existing Capital Programme to the proposed 2017/18 – 2019/20 Capital Programme. Funding for the indicative 2020/21 -2021 schemes have also been included.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Current Capital Programme	**17,915**	**3,087**	**1,882**	**0**	**0**	**22,884**
New Projects	862	0	0	0	0	862
Changes to Current Projects	14,557	-746	-577	2,566	2,709	18,509
Schemes Removed or Reduced	-287	0	0	0	0	-287
Proposed November 2017	**33,047**	**2,341**	**1,305**	**2,566**	**2,709**	**41,968**

Table 9 – General Fund – Financing of the Capital Programme

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Current Capital Programme	**17,915**	**3,087**	**1,882**	**0**	**0**	**22,884**
Capital Grants	208	-44	137	829	842	1,972
Prudential Borrowing	14,679	-702	-714	1,737	1,867	16,867
Capital Receipts	0	0	0	0	0	0
Developers Contributions - General Fund	248	0	0	0	0	248
Direct Revenue Financing	-3	0	0	0	0	-3
November 2017 Capital Programme	**33,047**	**2,341**	**1,305**	**2,566**	**2,709**	**41,968**

3.5 Capital Strategy

The Capital Strategy recommends that the average annual General Fund capital borrowing requirement shall not exceed £7.6m over the four years 2016/17 – 2019/20 (Average £1.9m per annum) plus £254k unused borrowing requirement carried forward from 2016/17 for years 2016/17 to 2019/20. In addition to the £7.6m, £10m was agreed for Commercial Property Investment as part of the Capital Strategy in February 2017. This will be increased by a further £15m if this report is approved.

The table below compares the proposed borrowing to the existing Capital Strategy. This indicates that the overall Capital Expenditure is currently within the total agreed in the Capital Strategy.

Table 10 – Comparison to the Proposed 2017 Capital Strategy

	2017/18 Proposed £'000	2018/19 Proposed £'000	2019/20 Proposed £'000	Total £'000
Borrowing	30,027	456	471	**30,954**
Less Unused Borrowing Funding 2016/17	-254	0	0	**-254**
Total Borrowing	29,773	456	471	**30,700**
Capital Strategy	26,900	1,900	1,900	**30,700**
Diff	**-2,873**	**1,444**	**1,429**	**0**
Cumulative Diff	**-2,873**	**-1,429**	**0**	**0**

HRA Capital Programme

There have been changes to the profiling and mix of Decent Homes Schemes. This has resulted in an overall capital expenditure reduction of £3.8m for these schemes for the years 2017/18 – 2019/20. The Capital Programme for the Decent Homes Scheme works and HRA Vehicles now includes indicative expenditure for another two years. There will be an update to the 30 year investment model that may result in variations to the proposed schemes. Any future changes to these schemes will continue to be agreed by Cabinet.

A new project the Electronic Document and Records Management (EDRM) system has been added to the HRA capital programme this is expected to cost £61k. The EDRM allows the Housing section to have a computerised solution for document management instead of the existing predominantly paper based system.

The expected 1-4-1 and Non 1-4-1 Housing Capital Receipts is based on receipts received in the 2016/17 financial year. These have been extrapolated to provide full year estimates for 2017/18 and future years. If future Right to Buy receipts are more or less than the estimate then this will affect HRA balances.

Table 11 – Housing Revenue Account (changes to budget)

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Expenditure Approved	**9,640**	**10,889**	**9,409**	**0**	**0**	**29,938**
Changes to Current Projects						
Management Fee	-57	-60	-60	578	578	**979**
Catch up and Major Repairs	-708	-408	-292	5,594	5,594	**9,780**
Service Improvements	-373	-473	-717	1,695	1,245	**1,377**
Contingent Major Repairs	-86	1	0	206	206	**327**
Exceptional Extensive Works	-222	-893	600	100	882	**467**
Disabled Adaptations	-30	5	5	455	455	**890**
Housing Vehicles	0	0	0	31	356	**387**
Sub Total	**8,164**	**9,061**	**8,945**	**8,659**	**9,316**	**44,146**
New Schemes						
Electronic Document and Records (EDRM) System	61	0	0	0	0	**61**
Grand Total	**8,225**	**9,061**	**8,945**	**8,659**	**9,316**	**44,207**
Capital Funding						
Funded from HRA Reserves	7,145	8,289	8,173	7,887	8,544	**40,039**
Future 1-4-1 Capital Receipts Funding Recently Built and New Schemes	308	0	0	0	0	**308**
Non 1-4-1 Capital Receipts	772	772	772	772	772	**3,860**
Total Capital Funding	**8,225**	**9,061**	**8,945**	**8,659**	**9,316**	**44,207**

Implications

Corporate Plan:
The Capital Programme reflects the priorities in the Corporate Plan.

Legal: Section 120 Local Government Act 1972 – empowers a District Council to acquire land for the purpose of any of the Council's functions or for the benefit, improvement or development of their area by agreement inside or outside its area. No ministerial consent is required.

Section 1 Localism Act 2011 – allows Councils to do anything that an individual generally may do. This includes the power to do it anywhere in the UK or elsewhere, for a commercial purpose, and for the benefit of the authority, its area, or persons resident or present in the area.

Section 1 and 2 Local Government Act 2003 – gives the Council the power to borrow and invest money for any purpose relevant to its functions.

Financial Regulation B.10 sets out the requirement for the Council to approve additional Capital Expenditure.

Finance:

This report is effective from 30/11/2017 and has the following financial implications:

Budget Area	Implication
General Fund – Revenue Budget	The average annual MRP charge for the next five years after 2017/18 is expected to be between £2m and £2.5m.
General Fund – Capital Programme	The General Fund Capital Programme has increased by £13.9m for years 2017/18 to 2019-20. Indicative schemes for years 2020/21 to 2021/22 will add £5.3m to the Capital Programme.
Housing Revenue Account – Revenue Budget	The HRA reserves will be adjusted in line with Capital Expenditure.
Housing Revenue Account – Capital Programme	The HRA schemes have reduced by £3.7m for 2017/18 – 2019/20. Indicative schemes totalling £18m for 2020/21 and 2021/22 are expected to be funded from HRA reserves £16.4m and non 1-4-1 receipts of £1.6m.

Risk:

Risk that Investment will not provide sufficient return to cover cost of borrowing and provide income stream	Vigorous financial appraisal and due diligence should ensure that scheme proposals are financially viable. This will minimise the risk the investment would not be profitable and a property would be purchased with an unreliable tenant. Active management of the portfolio

	will ensure that the investments continue to deliver after purchase.
Risk that the value of the asset could reduce therefore increase exposure to debt	Asset valuations will be performed annually therefore actions to mitigate against this risk could be performed speedily. A wide portfolio of assets should mean that any asset reduction in one assets could be offset by a rise in another asset. The use of a reserve funded from the net income from the investment assets could be used to part fund any increase in MRP as a result of downward valuations.
The property could become void therefore income stream reduced until re let	Strong due-diligence of the tenant and complete understanding of the lease terms should ensure that expected income streams are achieved. The use of a reserve funded from the net income from the investment assets could be used to part fund any void periods.
Risk of under or overspend against the Capital Programme resulting in additional /reduction in costs and variation to Budget & forecasting.	Monthly monitoring of capital spend is taking place and being reported to management with exceptions reported to members.

Human Resources:
There are no HR implications

Equalities:
There are no Equalities implications

Other Implications:
None

Reason(s) for Urgency (if applicable):
N/A

Exempt Report:
N/A

<u>Background Papers</u>

CLG Consultation on Proposed Changes to the Prudential Framework of Capital Finance

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