

Investment Indicators

Appendix C1

Security

The Council considers a property investment to be secure if its accounting valuation is at or higher than the amount of debt currently outstanding for the asset.

Security Indicator

Property Purchases	2017/18 actual £'000
Asset Valuations	209,340
Debt outstanding	205,706
Security Value	3,634

Liquidity

Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice. Therefore, in order to assess liquidity, the Council monitors the income stream attached to property purchases, a much more liquid asset, comparing budgets to forecasts and actuals.

Liquidity Indicator

Revenue Income from Properties	2017/18 actual £'000	2018/19 forecast £'000	2019/20 budget £'000
Budget	11,281	15,758	16,433
Actual/Forecast at year end	10,885	15,459	n/a
Percentage Attained	96.5%	98.1%	n/a

Yield

The Council monitors property yields both prior to purchase and post purchase, in order to ensure the portfolio makes a financial surplus

Yield Indicator

Property Portfolio Yield	2019/20 budget %
Gross Yield	6.16

Service Investment – Loans

The Council also monitors and reports on the outstanding balance and potential loss allowances applied to service investment loans. This will ensure that appropriate action can be taken should the loss allowance begin to rise.

Limit and loss allowance indicator

Category of Borrower	31/03/2018 actual			2019/20
	Balance Outstanding	Loss Allowance	Net Figure in Accounts	Approved Limit
Subsidiaries	0	0	0	36,100,000
Businesses	0	0	2500000	8,000,000
Local Residents - Mortgages	13,000	0	13,000	13,000
Employees - Loans	99,000	-3,300	95,700	30% of employee salary
TOTAL	112,000	-3,300	2,608,700	

Commercial Investments - Voids and Maintenance

As described in the main Appendix, each purchase by the Council makes allowance for funds to be transferred to reserves at the end of each financial year to cover unforeseen void and maintenance costs. To ensure these reserves are maintained to the correct level, balances will be regularly reported as part of the Prudential Indicators. These balances will also be monitored through the Medium Term Financial Plan and Budget setting processes, and both overall balances of these reserves, and individual property balances will be assessed to ensure they continue to provide the correct level of risk management.

Void and Maintenance Reserve Indicator

	2017/18 actual £'000	2018/19 forecast £'000	2019/20 budget £'000
Property Reserves			
Void Reserve	604	995	1,386
Maintenance Reserve	258	591	925
Total Property Reserve	862	1,586	2,311

Commercial Investments – Vacancy Levels

Monitoring vacancy levels (voids) ensures the property portfolio is being managed effectively (including marketing and tenant relations) to ensure the portfolio is as productive as possible

Vacancy Level Indicator

	2017/18 actual	2018/19 forecast	2019/20 budget
Vacancy Levels			
Square Footage Vacant	5389 sq feet	5403 sq feet	n/a

In addition, the performance of the property portfolio and its impact on reserves is monitored quarterly as part of the Property Performance report. Commentary from this report will be included as part of the Prudential Indicators to add context and highlight the potential impact of any future opportunities or threats to the property portfolio