

South Somerset District Council

Investment Strategy 2019/20

Introduction

1. The Council invests its money for three broad purposes:
 - to provide safe and financially efficient custody for cash received in advance of expenditure (known as **treasury management investments**),
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to earn investment income (known as **commercial investments** where this is the main purpose).
2. This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018.

Treasury Management Investments

3. The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government.
4. These activities, plus the timing of borrowing decisions, lead to a cash surplus that is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £35m and £50m during the 2019/20 financial year.
5. The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.
6. Full details of the Council's policies and its plan for 2019/20 for treasury management investments are covered in the treasury management strategy, which is available on request/on the council's website at [South Somerset District Council - Finance](#).

Service Investments

7. The Council can make service investments; service investments can be in the form of a loan to an organisation or the purchase of shares in organisations. The purpose of service investments is to support local public services and to stimulate local economic growth.
8. A summary of the loans made and shares purchased (by category) are included in table 1 below.

Risk Assessment

9. It is accepted that the Council will need to take more risk than in previous years in order to achieve its ambitions and commercial success. It has a robust risk assessment process in place which includes assessing the risk of loss before entering into and whilst holding service investments.

10. This increased risk is balanced with an efficient and proportional regard to governance, policy, management, processes and systems to ensure robust decision-making, performance and success of new commercial enterprises, contracts and partnerships. All of which will continue to evolve and be refined over time to ensure that the Council adheres to its statutory responsibilities and that public money continues to be appropriately invested, used and accounted for.
11. The Investment Assessment Group (IAG) comprising members and senior officers have distinct roles in the assessment of risk. The purpose of the IAG is to assess the investment proposals; and this group is integral to the Council's risk assessment processes in respect of investments.
12. In considering investment opportunities, a predetermined set of assessment criteria for each proposed investment is used and a business case is completed to ensure transparency, due diligence, governance and consistency to aid achievement of the investment objectives.
13. The investment proposals are measured against agreed assessment criteria, in order to ensure it meets the required returns/objectives and so that investment of public money is applied with proportionate and efficient regard to procurement and governance procedures. This process is undertaken prior to the formal decision making process to ensure that only valid projects or investment proposals are taken forward.
14. The Council's Property, Land and Development Team have an operational investment brief, which sits under the formally approved Commercial Strategy and includes comprehensive information on the Council's competitors, where to invest, what to invest in and an indicative budget per portfolio element (ie industrial, retail office etc). Further details are provided on the barriers to entry. The barriers to entry are continually monitored and updated as market conditions change.

External Advisors – Treasury

15. Arlingclose are contracted to provide the treasury advisory service for the council; the contract specification includes risk assessment of investments. If the council plan to undertake an investment for service purposes, if required, the advisors will be provided with details of the investment with a remit of reviewing the proposal and provide feedback on issues with the proposal.
16. The advisors are also used to:
 - Provide technical advice, including interpretation, advice and guidance on legislation and regulation changes that impact on investments.
 - Provide guidance on governance issues
 - Provide training/briefings for elected members.
17. Monitoring and maintaining the quality of advice provided by the external advisors is undertaken by:
 - Reviewing the returns on investment that have been advised by the advisors on a quarterly basis.
 - Quarterly meetings are held with the advisors at which benchmarking data is provided on the return on investments.
 - General discussions are held with the advisors on an ongoing basis in order to ensure that any issues that arise on the provision of advice are resolved immediately.

External Advisors - Property

18. In line with the conventions of the market, the Council will, from time to time, be introduced to property by an Investment Surveyor, who is typically paid a fee totalling one percent of the purchase price. The surveyor provides a diligent assessment of the market and assists in preparing a bid, acting as the sounding board for the in house Investment Surveyor. The Council has attempted to implement a policy of reducing the fee payable to the Investment Surveyor to take into account the cost of third party Building Surveying and RICS 'Red Book' Valuation. The Council has historically employed the services of Mssrs. Alder King, JLL, Charters, and Altitude Asset Management.
19. No property is acquired without Building Survey or 'Red Book' Valuation. These are obtained to show that the Council is achieving best value. The Council have historically employed Mssrs. Alder King, JLL and Lambert Smith Hampton to provide third party Valuations and Mssrs. Lambert Smith Hampton and Kirkham Board to provide third party Building Surveys.

Monitoring the quality of external advisor's advice

20. The commercial property industry is well regulated with Chartered Members of the RICS required to undertake a minimum of 20 hours of continuing professional development annually. The investment market is financially lucrative and fast paced; any business or operative failing to stay abreast of the pace of the market finds themselves without prospective clients or properties with which to suit their needs. It is incumbent upon any advisor to maintain consistent quality advice.
21. Registered Valuers are the only Members of the RICS permitted to undertake 'Red Book' valuations. Registered Valuers undertake a further annual return ensuring that they remain fit to practice. The Council undertake internal 'Red Book' valuations, signed by two Registered Valuers, for each proposed acquisition to ensure comparable quality of the third party and our own reports.

Risk Assessment and Credit Ratings

22. The commercial property industry uses Dun & Bradstreet credit rating as a standard. In addition, the Council used Co-Credo credit scoring to assess credit limit, risk rating and filing history. The principle body of each Co-Credo report contains circa 10 A4 pages of financial information which is used to help ascertain covenant strength of any tenant with a property the Council proposes to acquire. Should the council go on to acquire a property the tenant is added to a monitoring list, managed by an in house credit specialist.

Monitoring Credit Ratings

23. Credit ratings for treasury investments are obtained and monitored by the Council's treasury advisors, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected organisation.
24. In addition, the Council monitors the credit ratings by:
- having an alert on any change to the credit rating, with a minimum review of once a quarter.

- for the properties that the Council are in the process of acquiring, a significant alteration in credit score may prompt a reassessment of the value of the property and reduce or retract the bid.
 - a significant alteration in credit score may prompt the expelling of the tenant at the end of the lease if a suitable alternative can be found. This is in respect of tenanted properties outside the provisions of S24-28 of the Landlord and Tenant Act reaching the end of the lease.
25. No risk assessment should be solely based on credit ratings however, and the Council Investment Surveyor will always seek to meet with representatives of any tenant, search for news articles and consider any macro or micro-economic phenomena likely to have an impact on the covenant prior to completing an acquisition.
26. As part of the Commercial Services and Income Generation Strategy it is necessary to ensure the assets are reviewed against Performance Management Indicators that identify the performance of each asset. Assets which are performing poorly against the PMI's will be reviewed and the appropriate remedial actions will be taken.

Service Investments: Loans

27. The Council lends money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees.
28. The Council provides small loans to community groups, local councils, registered charities and not for profit organisations for purposes that meet the Council's objectives and where alternative forms of borrowing are not available.
29. The Council will also issue other service loans to support projects that benefit the local economy and regeneration objectives and to partners in meeting service objectives.
30. The main risk when making a service loan is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council.
31. Upper limits on the outstanding loans to each category of borrower have been set for 2019/20 and are also detailed in table 1.

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2018 actual			2019/20
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Local Authorities	1.24	-	1.24	6.25
Local businesses	0.16	-	0.16	0.17
Community (small) Loans	0	-	0	1.00
Employees	0.06	-	0.06	0.10
TOTAL	1.46	-	1.46	7.52

32. Accounting standards require a loss allowance for loans to be set aside, reflecting the likelihood of non-payment. From 2018/19, the figure for loans in the Council's statement of accounts will be shown net of the loss allowance.
33. However, the Council makes every effort to collect the full sum lent and has a policy which details the general principles that apply to debt management across all Council services.

34. **Liquidity:** For financial investments that are not treasury management investments or loans.
35. The Council has no current plans to use financial investments that are not treasury management investments or loans. If this position changes, procedures for determining the maximum periods for which funds may prudently be committed, what maximum periods are, and how the Council will stay within its investment limits will be produced.
36. **Non-specified Investments:** Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

37. The Council is aware that the commercial property market has been improving since 2009, and is considered by many to be near its peak. Therefore, any investment needs to show potential for improvement to allow values to be maintained should there be a downturn.
38. The Council's Commercial Strategy allows for investment nationally, but to date it has focussed on investment in the South West as appropriate opportunities have arisen. These have been within three hours travelling time of Yeovil, to allow for hands on management, with particular consideration given to opportunities within the Council's area. The portfolio is currently retail and alternative energy focused, and the requirement is to now balance the portfolio across industrial and office markets. The Council has set a target rate of return for the portfolio within the confidential commercial strategy which was approved by Council in August 2017. Achieving the target may be influenced by the market and other factors and therefore choice of investment is very selective to try and ensure that the target rate across the portfolio is maintained, as some investments will meet all other criteria but be above or below the target rate of return.
39. The aim is to develop a diverse portfolio in terms of location, sector and tenant. The Council notes that many other local authorities are currently investing in similar portfolios and have made it a point of principle to engage the local authority within which any proposed acquisition lies, to ensure public funds will not be used to bid against another local authority.
40. The Council's intention is to use capital expenditure by the tenant within the property, for infrastructural improvements locally, and development potential within the site, to raise Market Values.
41. The commercial property investment portfolio is an integral part of the Council's medium term financial plan and contributes towards the overall income generation target that is needed to mitigate the significant reduction in government funding, enabling the Council to maintain and improve services and service standards, and to meet our priorities and objectives. The Commercial Strategy details the Council's approach to commercialisation. One of the aims of the strategy is to align with and support the Council Plan and ensure that the Council is the partner of choice for the community and commercial sectors by demonstrating its commercial awareness and effective delivery of services.

42. The value of the property held for investment purposes was £17.6 million as at 31 March 2018 and is anticipated to be £25.6 million at 31 March 2019. Table 3 provides details of the property portfolio as at the above dates.

Property Investments

43. The Council has a number of property investments, details of 2 recent investments are detailed below.

- **Building A, Somerset** - With some prime investments in the vicinity achieving yields in the 4-5% range, Building A is self-evidently secondary achieving a higher yield to its comparable investments. Physically, this is due to the age of construction and low eaves heights for such a substantial unit. It is also because the current tenant has mentioned that they intend to leave at the end of the current tenancy. However, we believe that the market has priced in this tenant uncertainty harshly and our initial exchanges have suggested that the tenant may indeed be amenable to staying at the premises. The infrastructure changes likely to be brought about by the Hinkley Point C development will lead to investment and job creation in the local area, which will in turn drive up rents and secure tenants for longer terms, from the mid-2020's. We are of the opinion that the unit can easily be subdivided to provide three units of circa 12,000 square feet, with the further potential for development of a detached unit to the north of the site. The likely running yield of approximately 7.5% contributes to the council meeting its target yield for the portfolio.
- **Building B, Devon** – Currently under offer and reflecting a net initial yield that is above target. The net initial yield is keener than a number of recent transactions, however we are of the opinion that this doesn't take into account the fact the property is currently underlet at a rent equating to £6.25psf, when we assess Market Rent to be c£9.00psf. This underletting is to take into account the £6,000,000 capital expenditure of the tenant. On reversion we would expect a significant reversionary yield of approximately 10%. The tenant, the University of Plymouth, is a strong covenant and is likely to be in situ for seven years (subject to a break option after five years). We are of the opinion that the capital expenditure will significantly improve the building and we also bear in mind the potential for developing the west part of the site under an option, which would improve the investment value. The net initial yield provides an annual income, net of borrowing, of £147,000, towards the funding requirement of the Council's services and priorities.

Table 3: Property held for investment purposes in £ millions

Property	Actual	31.3.2018 actual		31.3.2019 expected	
	Purchase cost	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Retail	12.3	-0.6	11.7	-0.6	11.7
Industrial	5.7	-0.1	5.7	-0.1	13.7
Energy	0.0	0.0	0.0	0.0	0.0
Office	0.3	0.0	0.2	0.0	0.2
TOTAL	18.3	-0.7	17.6	-0.7	25.6

44. Security of investment is a primary consideration, in accordance with government guidance, and the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

45. A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.
46. Should the 2018/19 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising.
47. Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions.
48. The Council's asset disposal policy includes the approved process for asset disposal and performance indicators (property management indicators) which provide the information on the performance of each property. The performance indicators provide information on assets which are not yielding the level of return required by the Commercial Strategy.
49. The Council uses Argus Enterprise software, the industry standard, to track the performance of its investment portfolio. This software is capable of monitoring running yields asset by asset and across the portfolio, and adopting multiple scenarios. By continually reviewing the market, the tenant covenant and unexpired lease term of each property, the Council is able to find the optimum time to dispose of assets.
50. Upon disposal, the Council will appoint two agents, one regional and one national, to market the property to the investment market, ensuring Market Value is achieved. In the current market a sale is typically achievable within six months.

Other Categories of Investment

Special Purpose Vehicles (SPV)

51. The Council has recently setup SSDC Opium Power Ltd which is a special purpose vehicle (SPV) setup to deliver a renewable energy project. This is the Council's first step into ownership and development of renewable energy which will provide essential support to the National Grid for balancing power demand and storing renewable energy.
52. The company is 50:50 owned between the Council and Opium Power Limited, with the Council providing a secured term loan facility to the SPV. The agreed rate of interest on the loan is 5% per annum. A repayment schedule has been agreed with the SPV as part of the loan conditions.

Green Technology and Renewable Energy

53. Renewable energy investments not only assist with the Council's income generation needs and contributes towards the objectives of the commercial strategy, they also meet the Council Plan commitment to promote the use of green technology.
54. Renewable energy measures and investments are continually sought to ensure that the Council's existing and future energy costs and requirements on our own operational property are considered.

Community Benefit

55. Other investments that do not meet the internal rate of return target, but do provide some financial return and also bring collective benefit to the community in accordance with the

wider Corporate Plan objectives are considered with a different form of assessment criteria but similar decision making process.

56. The primary objective may not be to generate income but to deliver a service of community benefit i.e. economic development, jobs, health, welfare, leisure, housing need etc.

Regeneration Schemes

57. Major investment in Regeneration Schemes are planned or are in progress, such as the Chard Regeneration Scheme and the Yeovil Refresh, and these are projects with their own strategies and plans for delivery, but they link to the Commercial Strategy objectives in the longer term and the same principles apply in executing these projects. Therefore, the council will progress, consider and assess Regeneration proposals, using an investment based approach that seeks to create viable regeneration schemes that not only pay for themselves but generate a return on the investment over the longer term where possible.
58. Regeneration delivers both tangible commercial and community objectives resulting in income generation for the wider district in the medium to long-term, as well as directly to the Council through business rates or council tax, for example.

Loan Commitments and Financial Guarantees

59. Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.
60. There is a potential environmental risk in the Birchfield Park area as part of the land is an old landfill site. There is a bond in place with the developer to meet any liabilities resulting from the development of the road. However, there remains a residual liability of £311k that falls on the Council. A specific working group manages any risks within existing revenue and capital budgets.
61. In transferring employees to the Somerset Waste Partnership (SWP) South Somerset agreed a guarantee of last resort to the Somerset County Council Pension Fund for those employees transferred to Kier. The actuarial valuation at the time assessed the maximum liability at £748k. However, unlikely that this will ever be required as the SWP has the right over vehicles and depots and the staff would transfer back to the authority.
62. South West Audit Partnership became a company limited by guarantee on 1st April 2013. SSDC has guaranteed the Somerset County Council Pension fund deficit relating to ex-employees to a value of £149k. The nursery that was run by South Somerset District Council has now transferred to Mama Bears. The Council has guaranteed £36k to the Somerset County Council Pension fund.

Proportionality

63. The income from investment activity contributes to the achievement of funding needed to maintain services and meet Council priorities and objectives. Table 4 shows the proportion of expenditure on delivery of service objectives that is funded from investment income, this is shown year by year over the lifecycle of the Medium Term Financial Plan.
64. If the investment income is anticipated to drop below amount included in table 4 the Council's contingency plans for continuing to provide these services are supported by holding adequate general reserves and a specific investment risk earmarked reserve.

Table 4: Proportionality of Investments

	2017/18 Actual	2018/19 Forecast	2019/20 Budget	2020/21 Estimate	2021/22 Estimate
Gross service expenditure	76,505,204	66,612,101	67,582,350	65,048,694	68,576,710
Investment income	1,185,388	2,149,940	2,391,345	2,337,302	2,245,899
Proportion	1.55%	3.23%	3.54%	3.59%	3.28%

Borrowing in Advance of Need

65. Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. The Council has chosen not to follow this guidance and plans to borrow for this purpose because its financial strategy requires significant additional income to replace reductions in government grant and provide essential resources to maintain and improve services to the local community.
66. Large efficiency savings have been delivered through transformation savings, however this is not enough on its own to result in affordable, sustainable services and avoid major cuts to local services. Additional income is needed to meet the Council's priority of maintaining and improving services.

Capacity, Skills and Culture

Elected members and statutory officers:

67. The Council have enterprising staff, partners and members, their skills and ideas need to be clearly and effectively communicated and harnessed to help achieve our Commercial Strategy. The Council have invested in staff training to enhance staff and member skills and raise the level of commercial expertise across the Council.
68. Staff training is a continuing priority in this area with continuing professional development being an integral part of this.
69. The Council has recruited a highly experienced commercial director and qualified property specialists, which ensures that the necessary skills and knowledge are in place to achieve the aims of the Commercial Strategy and ensures that the risks involved in commercial investments are fully understood.
70. In addition, the Council has qualified accountants and solicitors who provide the required legal and financial advice. A significant budget is available to buy in the required expertise and advice if required.
71. Officers involved in the identification of investment opportunities are continually developing and enhancing their knowledge and skills by attending training events and seminars on a regular basis. This ensures that developments in the market are understood which is essential when considering and assessing potential investment opportunities.
72. Reporting to members on a regular basis on the performance on current investments, and on potential new investments is an integral part of the Commercial Strategy, the continual reporting ensures that elected members have the information needed to assess the risks and rewards that are associated in this area.

73. In considering investment opportunities, a predetermined set of assessment criteria for each proposed investment is used and a business case is completed to ensure transparency, due diligence, governance and consistency to aid achievement of the investment objectives.

Commercial deals:

74. Officers who are tasked with negotiating commercial deals have been provided with the necessary training and information and are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.

- Briefings and guidance provided to, and discussed with the senior leadership team and officers involved in commercial deals.
- There is a requirement for continuing professional development for qualified professionals who are part of the decision making process for commercial deals.

Corporate governance:

75. The Council has robust governance arrangements in place, the Commercial Strategy (2017-2021) sets out the arrangements which:

- Sets out the approved budget for the financial years that the strategy covers, the authority to manage the budget of either borrowings or reserves is delegated to the S151 officer in consultation with the Investment Assessment Group.
- An Investment Assessment Group established who undertake due diligence, report on performance and recommend investments to acquire, or assets to dispose of, to the CEO that meet required criteria set out in the Commercial Strategy
- The IAG comprises of the Property, Land and Development Manager, Director of Commercial Services & Income Generation, S151 Officer, Monitoring Officer, and Portfolio Holder.
- Delegation of individual investment / acquisition approvals up to a value of £10 Million for any single transaction to the Chief Executive Officer in consultation with the Leader.
- In considering opportunities, a predetermined set of assessment criteria for each proposed investment project is used.
- A business case is completed in each case to ensure transparency, due diligence, governance and consistency to aid achievement of the Commercial Strategy and the Corporate Plan objectives.
- Where the criteria are met, there is a schedule of delegation agreed that enables positive decisions to be made that respect market requirements for swift action and confidentiality.
- If a unanimous recommendation to proceed is made by the IAG, the proposal will be recommended to the Chief Executive Officer for a final decision in consultation with the Council Leader.
- There is regular performance monitoring to demonstrate how investments are performing over time, and to enable portfolio review to take place to maximise benefit over time.

76. In line with feedback from the Peer Review team in 2018, the intent is to update the governance arrangements of commercial investments in future, for example to ensure that the Finance and Legal Portfolio Holder is appraised of planned investments and is satisfied that financial and risk aspects are fully covered in the decisions process.

Investment Indicators

77. The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

78. **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third party loans.

Table 5: Total investment exposure in £millions

Total investment exposure	31.03.2018 Actual	31.03.2019 Forecast	31.03.2020 Forecast
Treasury management investments	34.2	32.1	29.8
Service investments: Loans	1.5	1.3	3.0
Commercial investments: Property	11.9	18.9	13.5
Other investments: SPV	0.0	9.8	7.4
TOTAL INVESTMENTS	47.6	62.1	53.7
Commitments to lend			
Guarantees issued on loans			
TOTAL EXPOSURE	47.6	62.1	53.7

79. **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing in £millions

Investments funded by borrowing	31.03.2018 Actual	31.03.2019 Forecast	31.03.2020 Forecast
Treasury management investments	0.0	0.0	0.0
Service investments: Loans	0.0	5.0	4.5
Commercial investments: Property	0.0	30.0	50.0
Other investments: SPV	0.0	9.8	7.3
TOTAL FUNDED BY BORROWING	0.0	44.8	61.8

80. **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2017/18 Actual	2018/19 Forecast	2019/20 Forecast
Treasury management investments	1.82%	1.94%	1.86%
Service investments: Loans	2.49%	2.49%	2.49%
Commercial investments: Property	3.27%	3.62%	3.50%
Other investments: SPV		5.00%	5.00%
ALL INVESTMENTS	2.53%	3.26%	3.21%

81. The Commercial Strategy for commercial investments includes a benchmark Internal Rate of Return. We also measure investment returns for budgeting purposes taking into the full cost of acquisition including any costs of borrowing (principal repayments and interest), sinking funds and void risk.
82. Also the sinking fund provisions are ring fenced within the council from the revenue so that future capital bids should reduce/or not be needed for future maintenance and repair of these assets. All of these actions mean that the Commercial Strategy objectives are being met and appropriate prudent financial management of the assets for now and the future is being undertaken.
83. **Other Investment Indicators:** The MHCLG guidance lists a number of additional indicators which are included in order to enhance understandability and transparency.
84. Table 8 includes a selection of additional indicators which aim to allow members and other interested parties to understand the total exposure from borrowing and investment decisions. The indicators cover both the Council's current position and the expected position assuming all planned investments for the following year are completed.

Table 8: Other investment indicators in £millions

Commercial Income to net service expenditure ratio: The indicator measures the dependence on non-fees and charges income to deliver core services

	2017/18 Actual £million	2018/19 Forecast £million	2019/20 Forecast £million
Commercial Income	0.58	1.12	1.16
Net Service Expenditure	18.57	18.00	17.17
Commercial Income as a percentage of net service expenditure	3.11%	6.23%	6.67%

Interest cover ratio: The indicator measures the total net income from property investments, compared to the interest expense.

	2017/18 Actual £million	2018/19 Forecast £million	2019/20 Forecast £million
Income from Property Investments	0.58	1.12	1.16
Interest Expense	0	0.20	0.41
Interest cover ratio	-	5.5	2.9

Loan to value ratio: The indicator details the amount of debt compared to the total asset value.

	2017/18 Actual £million	2018/19 Forecast £million	2019/20 Forecast £million
Debt	0.00	30.00	50.00
Total Asset Value	17.44	39.18	61.73
Loan to value ratio	0.00%	76.57%	80.99%

Gross and net income: Compares the income received from the investment portfolio at a gross level and net level (less costs of Property Team).

	2017/18 Actual £million	2018/19 Forecast £million	2019/20 Forecast £million
Gross Income from Property Investments	0.58	1.12	1.16
Less Property Team Cost	(0.45)	(0.45)	(0.46)
Net Income from Property Investments	0.13	0.67	0.70