

**SCRUTINY COMMISSION: 12 SEPTEMBER 2018****CORPORATE ASSET INVESTMENT FUND ANNUAL PERFORMANCE REPORT  
2017-18 AND STRATEGY FOR 2018 TO 2022****DRAFT MINUTE EXTRACT**

The Commission considered a report of the Director of Corporate Resources which would be considered by the Cabinet at its meeting on 14 September and set out the performance of the Corporate Asset Investment Fund (CAIF) to date, as well as seeking Cabinet approval to the revised CAIF Strategy for 2018 to 2022 which set out the Council's approach to future asset investments utilising the CAIF. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

The Deputy Leader and Cabinet Leader Member for Resources, Mr J B Rhodes CC, confirmed that he chaired the CAIF Advisory Board. Its membership also comprised Mr Rushton CC, Mr Blunt CC, Mr Ould CC and Mr Shepherd CC. It did not make decisions, but reviewed proposals and sought views from external advisors. It met in private due to issues around commercial sensitivity. If it supported a proposal, this would be reported to the Cabinet for a decision if appropriate.

The report suggested that, in order to increase the CAIF, options including incurring additional prudential borrowing would need to be considered. Mr Rhodes confirmed that this was not required at present. Over the last seven years, the County Council had reduced its level of debt by £100 million, but still had £265 million of debt. He would be nervous about adding to the level of debt in case it created a problem for the next generation. However, if there was confidence that borrowing would produce a greater level of return, it might be appropriate to do so.

Arising from discussion, the following points were raised:-

- (i) The overborrowed position on the capital programme referred to the fact that the Council was putting money aside to pay off debt, but the long-term nature of debt meant that it could not currently be paid off. The money that had been put aside was the money that would be invested.
- (ii) In response to a query about whether the types of property the Council was investing were flexible enough to respond to changes in the market, it was confirmed that commercial investments would be considered on a case by case basis to ensure that the level of risk was manageable. It was also possible, should the market change, for the Council to cease developing and either act as landowner or sell the land it had invested in, depending on which was the best way to ensure the liquidity of the fund. Advice on changes to the market was sought from external specialists.

- (iii) Members welcomed the focus in the revised CAIF on investment in Leicestershire for the benefit of Leicestershire residents. The proposed use of the fund to develop new or existing assets to meet Council service needs where this would reduce operating costs was also welcomed. The Council was currently considering investing in adult social care facilities as a way of reducing the cost of care. This would support the adult social care market and ensure that the right type of facilities, such as extra care, were available. The business case was currently being developed and would be submitted to the Cabinet in due course. In response to this it was queried whether the County Council, in selling all its residential care homes, had been short-sighted. However, it was confirmed that this had generated over £3 million in capital receipt and that these were old facilities that had required significant investment.
  
- (iv) It was confirmed that Loughborough University Science and Enterprise Park (LUSEP) development had arrangements in place to mitigate risk. For example, it was let on a full repairing, insuring lease and if the current tenants pulled out the building could easily be sublet on a floor by floor basis, or even on a part-floor basis.

RESOLVED:

That the Cabinet be advised at its meeting on 14 September 2018 of the Scrutiny Commission's support for the Corporate Asset Invest Fund Strategy.