



SCRUTINY COMMISSION – 25th JANUARY 2021

MINUTE EXTRACT

Corporate Asset Investment Fund Strategy 2021-2025

The Commission considered a report of the Director of Corporate Resources which detailed the revised Corporate Asset Investment Fund (CAIF) Strategy for 2021 to 2025 and set out the Council's planned approach to future asset investments utilising the CAIF. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

The Chairman welcomed the Lead Member for Resources, Mr J B Rhodes, who attended for this item.

Arising from discussion and questions the following points were raised:

- (i) The CAIF had been in place since 2014, and it was considered timely for an independent external review to be undertaken of the Strategy, especially in the light of Covid 19 and the effect the pandemic had, and was forecasted to continue to have, on the economy.
- (ii) The CAIF had performed well during 2020 despite the pandemic. No tenants had gone bankrupt and there were no voids directly arising from the pandemic. Whilst some changes to the frequency of rental payments had been agreed with some tenants, all continued to pay rent on time.
- (iii) 34 new lettings had been agreed since March. Whilst it was more difficult to secure new tenants at this uncertain time, the assets owned by the County Council continued to remain attractive which made the CAIF, at its core, strong and resilient. Despite this, Members agreed there was no time for complacency, as 2021 would continue to be a difficult year for the economy both nationally and globally.
- (iv) Although the Council held investments in office buildings, the nature of the tenants occupying such premises e.g. the Loughborough University Science and Enterprise Park (LUSEP), meant these had not been affected like many others.
- (v) Members noted the suggestion by Hymans to invest in overseas infrastructure schemes. The Director confirmed that this could be done directly or indirectly utilising the Council's pension fund expertise to assess such investments and risk exposure.
- (vi) Concern was raised about the possible increase in investments outside the County as a result of the suggestion by Hymans that more account

should be taken of 'location'. Members were reassured that most of the Council's investments were within Leicestershire or its economic subregion and that this was unlikely to change. The Lead Member for Resources emphasised, however, that the purpose of the Fund was to generate income for the Council and whilst locating within the County would be preferred this had to be balanced against the security of the investment, the level of yield likely to be generated and risk and flexibility. He said it was important that CAIF investments were made for sound business reasons to support the Council's Medium Term Financial Strategy, as to do otherwise could result in riskier investments being made.

- (vii) Members expressed concern about the possible reduction in rural assets and proposals to sell county farm land for development where possible. A member raised specific concerns about the long term risks to the Council if it reduced its asset base for short term gain. Another member emphasised that rural farm land was not just an asset, but the much valued countryside of the County and that the sale of such land should be considered in this wider context. Members were pleased to note that the Council would seek to acquire land to replace any of the County Farms Estate which was disposed of for other uses under the CAIF Strategy and that this had been its approach for some time.
- (viii) It was noted that, in light of the independent review by Hymans, investigations into asset classes such as residential and student accommodation would be undertaken. Members highlighted that Leicester City, De Montfort and Loughborough University had recently reported that student accommodation was already over allocated. Given the number of students now accessing courses remotely, a member further questioned if demand for such accommodation would likely reduce post-Covid.
- (ix) As the Council was not a housing authority, housing investments raised some specific technical issues for the Council which would need to be overcome by the setting up of a Council owned housing company. There were no proposals planned to enter the housing market at the current time, but this would be considered when and where appropriate.
- (x) In response to a question raised, the Director confirmed that one of the Council's sites occupied by a Citroen dealership was operating well and the tenant continued to pay rent on time.
- (xi) A member questioned the Council's continued investment in logistical buildings and whether this approach provided a sufficiently mixed range of employment. It was noted that whilst the retail sector was not doing well, even pre-Covid, logistics and industrial sectors were, and the Council had benefited as a result. The Director highlighted that the CAIF generated an income which supported the delivery of a balanced budget, without which the financial gap would increase and cuts to services would be more likely.

- (xii) In terms of next steps, Members noted the proposal to continue with current investments but that new, large strategic investments would be unlikely given the level of current economic uncertainty. The position would be monitored, and investments pursued as and when deemed appropriate. Such investments would be overseen by the CAIF Advisory Board and would be reported to the Scrutiny Commission and the Cabinet as necessary.

RESOLVED:

That the comments now made be referred to the Cabinet for consideration at its meeting on 5th February 2020.

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