



OVERVIEW AND SRCUTINY COMMITTEE – 29TH JANUARY 2024

DRAFT INVESTING IN LEICESTERSHIRE PROGRAMME PORTFOLIO MANAGEMENT STRATEGY 2024 TO 2028

SUPPLEMENTARY REPORT BY THE DIRECTOR OF CORPORATE RESOURCES

Purpose of the Report

1. The purpose of this supplementary report is to provide additional information relating the external review of the Investing in Leicestershire Programme portfolio including recommendations relating to future investment strategy to be adopted together with an assessment of the impact on the Programme.

Background

2. An external review of the portfolio's performance and strategy was undertaken by Hymans Robertson in December 2020 which made recommendations as to future investments going forward, to ensure financial resilience by maintaining a balanced diversified portfolio of assets. In accordance with the requirement that the portfolio's performance and strategy be reviewed at 3-yearly intervals Hymans Robertson were commissioned to undertake a further review in late 2023.

Hymans Robertson Review 2024

3. Following circulation of the report to Committee Members, the Hymans Robertson review has now been completed. A copy of the full review is appended to this supplementary report, as Appendix A. In light of this, the Strategy document has been further updated to reflect the review recommendations and a copy attached as Appendix B.
4. The 2024 Review, as with the earlier 2020 Review, considers the current economic outlook and that of the real estate investment market. Based on the make-up of the portfolio as at 31st March 2023 the current portfolio mix of approximately 67% direct property and 33% diversifiers is still considered appropriate and strikes a reasonable balance between the positive economic, social and environmental impacts generated in the direct portfolio and the downside protection provided by the diversifiers portfolio.

5. Given the volume of new investments to be made, it is anticipated that the direct portfolio will see only modest growth. It is therefore recommended that the Council explores opportunities to dispose of certain existing assets and recycle the capital into new developments. This will enable the Programme to maintain a high level of positive impact in the local community, as well as providing the opportunity to implement some of the portfolio refinements proposed below.
6. In addition, the Review acknowledges that the development sector, at 29% of the direct property portfolio, is currently significantly larger than would normally be anticipated. The disposal or future development of assets within the sector will correct the balance.
7. In considering the future direction of investment strategy the Review makes the following recommendations:
 - a. In respect of the Direct Property Portfolio
 - i. Increase the allocation to the Industrial/Logistics sectors
 - ii. Maintain or reduce the allocation to Offices
 - iii. Selectively consider Retail investments
 - iv. Maintain the Rural allocation
 - v. Increase the allocation to other Alternative sectors
 - vi. Cap the allocation to Residential

The review also considers that local infrastructure assets are potentially attractive additions to the Fund's direct portfolio, offering a good income yield, potential diversification and clear economic and environmental benefits.

- b. In respect of the Diversifiers
 - i. Allow the allocation to pooled Property to fall but ideally not below 25%
 - ii. Maintain the allocation to pooled Infrastructure
 - iii. Increase and diversify the allocation to pooled Private Debt
8. The review does not recommend any major changes of direction. However, it does suggest that within the direct portfolio consideration be given to selected retail investments and recognises the potential for investment in local infrastructure assets. In the case of diversifiers it advises that the portfolio be rebalanced reducing the level of pooled property and maintaining the level of pooled infrastructure investments whilst increasing and diversifying the portfolio of private debt investments.
9. It is proposed that the above advice be used to inform all future investment decisions, forming an integral part of all investment assessments which will continue to be supported by full business cases.

Appendices

Appendix A – Hymans Robertson Leicestershire County Council – Investing in Leicestershire Programme Strategy Review Paper

Appendix B – Draft Investing in Leicestershire Programme Portfolio Management Strategy 2024-28

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