



# Accounts and Audit Committee 7 February 2024

## Asset Investment Strategy Update

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# Trafford Investment Strategy

**Key Objective:**  
**Promote TBC's Strategic Priorities while creating a suitable income stream to support local services.**

## Investment Characteristics

### Geography

- Trafford Borough = Zone 1
- Greater Manchester and Neighbouring Boroughs = Zone 2

### Return Requirements

- Coupon is 2.5% + TBC Funding Costs (0.5% lower in Borough).

### Preferred Attributes

Projects with a certain social and environmental attributes will be preferred, and Borrowers incentivised to incorporate them where possible.

## Investment Criteria

### Development Lending

- Development Lending may be in Zone 1 or 2.
- Quality residential and commercial schemes.
- Suitable low carbon projects to be considered.
- Senior Facilities with First Fixed Charge.
- Minimum commitment of £10m.
- Max LTV – Temporarily 65%\*  
(In-borough 70% LTV).
- Max LTC – Temporarily 75%\*  
(In-borough 80% LTC).

\*due to Covid-19 / economic uncertainty.

### Other Investments

- Direct property investment to be in Zone 1 only on specific criteria.
- Green Infrastructure loans can be made – strategies being explored.
- Social infrastructure loans can be made – one project identified.

# Investment Management Board – Terms of Reference

## **Purpose**

The Investment Management Board's role is one of strategic direction and oversight of the Investment Strategy, including the approval of investment opportunities. It sets out the policies for the management of its investments ensuring priority is given firstly to the security of investments, followed by liquidity and then yield and should identify the procedures for monitoring, assessing and mitigating risk of loss of the invested sums. The Investment Management Board is responsible for ensuring the strategy is approved by full Council.

Officers are responsible for the operational implementation and execution of the Investment Strategy, which is approved annually by the Council, and updated more regularly if required to meet statutory or regulatory guidance.

# Investment Management Board – Terms of Reference

## **Governance/Membership**

The Board will comprise of the following:

The Leader of the Council (Chair)

The Leader of Conservative Party

The Leader of the Liberal Democrats Party

The Leader of the Green Party

The Executive Member for Investment, Regeneration and Strategic Planning

The Executive Member for Finance

The Chief Executive

In addition, the Shadow Executive Member for Investment, Regeneration and Strategic Planning will be invited to attend meetings of the IMB as a non-voting member.

The IMB will act under advisement from the Corporate Director for Place, Council's Monitoring Officer, the Corporate Director of Finance and Systems, and CBRE. Other officers and advisors will attend the IMB as appropriate.

# Investment Management Board – Terms of Reference

## **Responsibilities**

The Investment Management Board will be expected to undertake the following tasks:

- Oversee implementation and ongoing operational execution of the Investment Strategy
- Assess, evaluate and approve (or reject) the investments presented (expected return, volatility, risk factor analysis, etc) to determine if the Council should proceed on each individual proposal
- Approval of the strategic acquisition of land with development potential in line with the investment strategy
- Recommend approval of the investment in direct development opportunities on Council owned land, either independently, or through a joint venture or other partnership structure
- Monitor and evaluate overall investment performance, investment service providers, and costs regularly and at least on an annual basis
- Review overall portfolio opportunities, projections and risks at least on an annual basis
- Monitor, evaluate and assess whether fees incurred by investment service providers are appropriate and reasonable on an annual basis
- Approve the selection of any Investment Advisors
- Ensure performance measurement is based on external evaluations and net yield generated and reporting is undertaken with a view to making recommendations concerning sales or purchases and any amendments to the adopted strategy
- Acknowledge that there may be tax and VAT implications associated with investment activity
- Maintain a record of the meetings that take place
- To review and update the terms of reference on an annual basis, except the membership of the IMB which requires the approval of the Council.

# Commitments to date – as at P8

Asset Investment Fund	Spend to Date £m	Repayments to Date £m	Commitment £m	Total £m
<b>Property Purchase:</b>				
Sonova House, Warrington	12.2			12.2
DSG, Preston	17.4			17.4
Grafton Centre incl. Travelodge Hotel, Altrincham	10.8			10.8
The Fort, Wigan	13.9			13.9
Sainsbury's, Altrincham	25.6			25.6
<b>Sub Total</b>	<b>79.9</b>	<b>0.0</b>	<b>0.0</b>	<b>79.9</b>
<b>Property Development:</b>				
Sale Magistrates Court	6.4	-		6.4
Brown Street, Hale	9.3	-6.1		3.2
Former sorting office, Lacy Street, Stretford	0.9	-		0.9
GMP Site, Chester Road, Old Trafford	0.0	-	0.6	0.6
Care Home Purchase & Remediation	2.5	-	0.6	3.0
Tamworth	0.2	-	0.3	0.5
Various Development Sites	1.2	0.0		1.2
<b>Sub Total</b>	<b>20.4</b>	<b>-6.1</b>	<b>1.5</b>	<b>15.8</b>

Asset Investment Fund	Spend to Date £m	Repayments to Date £m	Commitment £m	Total £m
<b>Equity:</b>				
Stretford Mall, Equity	9.3		7.1	16.4
Stamford Quarter, Equity	23.1		2.1	25.2
K Site, Stretford Equity	12.5		-0.2	12.3
<b>Sub Total</b>	<b>44.9</b>	<b>0.0</b>	<b>9.0</b>	<b>53.9</b>
<b>Development Debt:</b>				
Bruntwood; K site	12.2	-	0.0	12.3
Bruntwood; Stamford Qtr./Stretford Mall	32.5	-	9.2	41.7
CIS Building, Manchester	60.0	-25.8	-	34.2
Castle Irwell, Salford	19.6	-19.6	-	0.0
Castle Irwell, Salford – Phase 2	11.0	-9.5	0.0	1.5
Castle Irwell, Salford – Phase 3	7.5	0.0	8.5	16.0
Hale Library	4.3	-1.3	0.0	3.0
Network Space, Broadheath	16.4	-	5.1	21.5
Sunlight House	23.5	-	3.5	27.0
Barton Dock Road, Trafford Park	9.1	-	2.9	11.9
One Victoria	0.0	0.0	22.6	22.6
<b>Sub Total</b>	<b>196.0</b>	<b>-56.1</b>	<b>51.7</b>	<b>191.6</b>
<b>Total Capital Investment</b>	<b>341.3</b>	<b>-62.3</b>	<b>62.2</b>	<b>341.3</b>
Albert Estate Investment	17.6	-5.6		12.0
<b>Total Investment</b>	<b>359.0</b>	<b>-67.9</b>	<b>62.2</b>	<b>353.4</b>

# Review of the size of the Investment Fund

Current Level of Commitments	£353m
New investments under consideration/due diligence	£120m
Headroom in Existing Fund of £500m	£27m

(Headroom will increase as investments mature and are repaid over the next 6/12 months)

**Recommend maintaining Fund at £500m**

# Prior Years Performance and Forecast

	Actuals 2020/21 £k	Actuals 2021/22 £k	Actuals 2022/23 £k	Forecast 2023/24 £k	Forecast 2024/25 £k	Forecast 2025/26 £k	Forecast 2026/27 £k
Gross Income	-17,795	-14,335	-13,410	-15,166	-16,953	-17,766	-16,484
Maintenance and Admin Costs	805	432	968	656	557	655	706
External Fees	840	262	961	769	700	700	700
Financing Cost - Interest	5,452	4,586	4,698	6,181	8,167	9,367	8,059
Financing Cost – Debt Repayment (MRP)	2,241	2,252	2,316	2,381	2,092	2,092	2,092
Risk Reserve	2,085	108	-1,254	-760	-600	-735	-260
<b>Net income to support revenue budget</b>	<b>-6,372</b>	<b>-6,695</b>	<b>-5,721</b>	<b>-5,939</b>	<b>-6,037</b>	<b>-5,687</b>	<b>-5,187</b>

<b>Risk Reserve at 01/04/23</b>	<b>5,005</b>
<b>Budgeted Contributions</b>	<b>-2,355</b>
<b>GMP Site Costs</b>	<b>-643</b>
<b>Forecast Reserve at 31/03/27</b>	<b>2,007</b>



# Investment Monitoring

Performance Metric	Frequency	How	Where
Net Income	Bi-monthly	Budget Monitoring Reports	Executive
Capital Expenditure	Bi-monthly	Budget Monitoring Reports	Executive
Asset Valuation	Annual	Statement of Accounts	Accounts & Audit Ctte, Executive
Prudential Indicators	Bi-monthly	Budget Report, Outturn Report	Council, Executive
Loan covenants	Quarterly	Loan monitoring - CBRE	IMB – by exception

The Asset Investment Strategy has also been subject to two reviews by the Audit and Assurance Service and is reported regularly as part of the updates of the Strategic Risk Register

# Risks and Mitigations

Risk	Mitigation
<ul style="list-style-type: none"> <li>Market /Sector</li> </ul>	<ul style="list-style-type: none"> <li>Annual update of Investment Strategy by external advisors to assess the market. Focus on diverse portfolio, low risk assets</li> </ul>
<ul style="list-style-type: none"> <li>Tenant Risk</li> </ul>	<ul style="list-style-type: none"> <li>Annual review of credit risk of tenants using D&amp;B ratings (Risk Reserve to cover void losses)</li> </ul>
<ul style="list-style-type: none"> <li>Skills</li> </ul>	<ul style="list-style-type: none"> <li>Regular updates from external advisors, skills training for internal staff. Plans to introduce further Member training by CIPFA</li> </ul>
<ul style="list-style-type: none"> <li>Valuation Risk</li> </ul>	<ul style="list-style-type: none"> <li>Annual reviews; ensure sufficient headroom on debt investments i.e. Loan to Value covenants</li> </ul>
<ul style="list-style-type: none"> <li>Security</li> </ul>	<ul style="list-style-type: none"> <li>On debt deals ensure first legal charge on all property</li> </ul>
<ul style="list-style-type: none"> <li>Asset Condition</li> </ul>	<ul style="list-style-type: none"> <li>Use of external advisors to assess property condition issues (Risk Reserve created to cover future property related costs)</li> </ul>