

TRAFFORD COUNCIL

Report to: Scrutiny Committee
Date: 8th March 2023
Report for: Information
Report of: Executive Member for Economy and Regeneration and the Corporate Director of Place

Report Title

Investment Management Strategy projected income and delivery strategy for 2023/24

Summary

The Council has an Asset Investment Strategy (AIS), overseen by the Investment Management Board (IMB), with an objective of promoting the Council's strategic priorities while creating a suitable income stream to support local services. This strategy has an approved budget of £500m funded from prudential borrowing.

By the end of 2022/23, it is forecast that the AIS will have provided a net £22.98m over a five-year period to support the revenue budget.

In 2023/24, income target of £6.09m has been set for the AIS. Forecasting suggests current commitments will provide circa £4m of net income, with the shortfall of £2.04m to be met through further investments in year and, if necessary, utilisation of funds held in the AIS Risk Reserve.

Recommendation(s)

It is recommended that the Scrutiny Committee:

- a) Note the contents of the report, including the forecast income shortfall and proposed mitigations

Contact person for access to background papers and further information:

Name: Frank Fallon

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Background papers: None

Implications

Relationship to Policy Framework/Corporate Priorities	The Council's Asset Investment Strategy supports the corporate plan priorities, including building quality, affordable and social housing, successful and thriving places, pride in our area and green and connected.
Relationship to GM Policy or Strategy Framework	Not directly applicable, although the Strategy supports wider GM regeneration activity.
Financial:	As set out in the report
Legal Implications:	None
Equality/Diversity Implications:	None
Sustainability Implications:	See below regarding carbon reduction
Resources Implications: eg Staffing/ICT/Assets	None direct.
Risk Management Implications:	There are risk implications associated with any commercial acquisition and investment. The Asset Investment Strategy is a key document in effective risk management of the utilisation of investment funds.
Carbon Reduction	The Council's updated Investment Strategy gives priority to supporting investments which promote sustainable development.
Health and Wellbeing Implications:	No direct implications
Health and Safety Implications:	No direct implications.

1. Background

1.1. The Council on the 26th July 2017 approved a summary Asset Investment Strategy, and the establishment of the Investment Management Board (IMB) to oversee implementation of the Strategy. The overall objective of the strategy is:

“To promote Trafford Council's strategic priorities while creating a suitable income stream to support local services”

1.2. The strategy is reviewed, updated as necessary, and approved by the Council annually. The latest strategy, approved by Council on 15th February 2023, can be found in Appendix B.

1.3. In February 2020 approval was given to increase the fund to £500m, supported by prudential borrowing, to support the Council's Asset Investment Strategy. The value of the fund is reviewed annually to ensure that it is set at an appropriate level to cover the commitments and provide a reasonable level of head room. This review has been considered by the Scrutiny Committee as part of their review of the budget and is satisfied that it is appropriate to maintain the fund at its current level. The transactions that have been agreed by the Investment Management Board to date have a total current committed cost of £332.83m. This means the balance of the approved £500m which is available for further investment is £167.17m.

- 1.4. This investment to date has provided a net benefit to support the revenue budget in 2018/19 of £1.67m, £3.12m in 2019/20, £6.37m in 2020/21, £6.48m in 2021/22 and is forecast to provide £5.34m in 2022/23.
- 1.5. In 2023/24, the targeted net income for the Strategy is £6.09m. This target will require the Council to build upon the investments it has made to date to generate additional income, while ensuring that any new investments are compliant with the Investment Strategy and supports the Council's Corporate Priorities. To assist with achieving this target, as investments are sold or recouped, the funds will be recycled into new investments.

2. 2023/24 Net Income Forecast

- 2.1. In 2023/24, the strategy is forecast to generate £13.92m of gross income, which is offset by costs of £9.88m to provide a net income of £4.04m. This means that there is a shortfall of £2.04m against the target of £6.09m.
- 2.2. The table shows the net income and cost details for the investments by category. A table with the detail by investment can be found in Appendix A.

Asset Investment Strategy (AIS) Revenue Budget 2023/24	Gross Income £000	Financing Costs £000	Other Costs £000	Net Income £000	Risk Reserve Contribution to/ (withdrawn) £000	Net Income after Risk Reserve £000
Property Acquisition	(5,166)	3,625	193	(1,348)	592	(756)
Equity Investment	(815)	1,938	0	1,123	(947)	176
Property Development	0	0	6	6	0	6
Development Debt	(7,490)	3,888	0	(3,602)	354	(3,248)
Treasury Investment	(451)	206	0	(245)	24	(221)
AIS Total	(13,922)	9,657	199	(4,066)	23	(4,043)
					Income target	(6,087)
					Variance	2,044

3. Shortfall Mitigation

- 3.1. The current income gap of £2.04m will be met through the agreement of new income generating investments in year. Funds from the AIS Risk Reserve can also be used to meet any further shortfalls in this income challenge.
- 3.2. The IMB has agreed investments which have committed £332.83m of the £500m fund approved by Council, leaving a balance of £167.17m for further investments. This balance would need to be utilised to make new investments in 2023/24. A number of potential investments are being explored for suitability with the strategy or undergoing due diligence, and will be presented to the IMB in due course.
- 3.3. The Council uses elements of the income received from investments to contribute to a Risk Reserve, with an estimated contribution in 2023/24 of £0.99m. This reserve had a balance at the start of March 2022 of £6.31m. This balance is forecast to reduce to £5.46m by the end of 2022/23 as £0.85m is used in year to support borrowing costs at the investments at the shopping centres where regeneration work has impacted trading. A further £0.97m is expected to be drawn for the same purpose in 2023/24, in addition to £0.64m estimated to be Trafford's contribution to the preliminary costs of the redevelopment of the former GMP site, Chester House, on Chester Road.

3.4. The Risk Reserve is forecast to have a balance of £4.84m by the end of 2023/24. An assessment of the reserve will be undertaken and, if it is considered prudent to do so, an element of the Reserve could be utilised in year to support any income shortfall.

Risk Reserve 2023/24	2023/24 £000
Reserve balance at start of year	5,464
Contribution to the reserve	988
Support shopping centre for borrowing costs	(965)
GMP Site preliminary costs	(643)
Reserve balance at year end	4,844

Appendix 1

Asset Investment Strategy (AIS) Revenue Budget 2023/24	Gross Income £000	Financing Costs £000	Other Costs £000	Net Income £000	Risk Reserve Contribution to/ (withdrawn) £000	Net Income after Risk Reserve £000
Property Acquisition						
Sonova House, Warrington	(729)	605	16	(109)	21	(88)
The Grafton Centre Altrincham	(642)	504	75	(63)	54	(8)
The Fort, Wigan	(939)	518	27	(394)	215	(179)
Sainsburys Altrincham	(1,523)	1,136	46	(342)	282	(60)
DSG Preston	(1,332)	862	30	(441)	20	(421)
Property Acquisition	(5,166)	3,625	193	(1,348)	592	(756)
Equity Investment						
Stretford Mall	0	359	0	359	(359)	0
Stamford Centre	(371)	978	0	607	(607)	0
Lumina Village	(444)	602	0	158	18	176
Equity Investment	(815)	1,938	0	1,123	(947)	176
Property Development						
Former RBS, Partington	0	0	6	6	0	6
Property Development	0	0	6	6	0	6
Development Debt						
Hale Library	(77)	32	0	(45)	0	(45)
Bruntwood: Lumina Village	(517)	394	0	(122)	354	231
Bruntwood: Shopping Centres	(1,166)	564	0	(602)	0	(602)
Castle Irwell; Phase 2	(373)	79	0	(294)	0	(294)
Network Space, Broadheath	(1,074)	610	0	(465)	0	(465)
Sunlight House	(1,647)	1,099	0	(548)	0	(548)
Pipeline Facility*	(296)	25	0	(271)	0	(271)
Barton Dock Road	(562)	349	0	(213)	0	(213)
CIS Tower	(1,778)	736	0	(1,042)	0	(1,042)
Development Debt	(7,490)	3,888	0	(3,602)	354	(3,248)
Treasury Investment						
Albert Estate	(451)	206	0	(245)	24	(221)
Treasury Investment	(451)	206	0	(245)	24	(221)
AIS Total	(13,922)	9,657	199	(4,066)	23	(4,043)
					Income target	(6,087)
					Variance	2,044

*Debt facility agreed by IMB but agreement not yet finalised

Appendix 2



Trafford Investment
Strategy - January 20: