

Business Case

F/R.7.129 - Pooled property fund investment (CCLA)

Project Overview

Project Title	F/R.7.129 - Pooled property fund investment (CCLA)		
Project Code	TR001528	Business Planning Reference	F/R.7.129
Business Planning Brief Description	Investment in the CCLA Local Authorities Property Fund to generate a revenue return.		
Senior Responsible Officer	Tom Kelly, Head of Finance		

Project Approach

Background

Why do we need to undertake this project?

The Council has ambitious targets for income from its commercial investments. Critical to the success of our investment portfolio will be to create a diversified investment portfolio that aligns to the inward economic objectives.

In February 2019, Commercial & Investments Committee agreed for an investment of up to £16.5million into the CCLA Property Fund. Investment in this pooled property fund offered important diversity in investment, a proven track record of yield and return to other local government bodies, as well as accounting advantages.

The Council invested £11million in this fund and is forecasting a net return of £330k/year based on a conservative estimate of previous returns. This is however only an estimate of future growth based on evidence from the past so should be treated with caution. Future growth will depend on how property markets and the fund assets perform.

The Treasury Management Strategy states that we are able to invest up to £20m in this fund. As such, consideration is being given to investing up to a further £3m of capital into this fund as part of a diversified and strategic portfolio, with a potential further return of £90k.

What would happen if we did not complete this project?

The initial £11million investment has already been made into the fund but the timescales meant that it was not aligned to the business planning process and therefore the original £330k return was not included within the 2019-20 plan. This business case is therefore allocating the full £420k into the business plan from 2020/21 onwards.

Approach

Aims / Objectives

It is anticipated this fund will yield a return of £420k/year.

Project Overview - What are we doing

Investment of £11million has been made in the CCLA pooled property investment fund, with the potential for a further £3million of investment.

What assumptions have you made?
The £420k/year return is estimated based on returns that have been realised in previous years.
What constraints does the project face?
None

Delivery Options
Has an options and feasibility study been undertaken?
This investment contributes to our commercial ambitions and investment in the CCLA Fund is considered important diversification of our investment portfolio.

Scope / Interdependencies
Scope
What is within scope?
Medium to long term investment. It is anticipated that this investment should be retained for at least 3-5 years.
What is outside of scope?
Short term investment

Project Dependencies
Title

Cost and Savings
The Council invested £11million in this fund, with potential for a further £3million of investment and is forecasting a net return of £420k/year based on a conservative estimate of previous returns.
See accompanying financial information in Table 3

Non Financial Benefits
Non Financial Benefits Summary
None
Title
Return on investment

Risks
Title
Whilst the fund has historically yielded favourable returns, these returns cannot be guaranteed and, whilst the risks of this fund are low, they are subject to variations in the property market.

Project Impact
Equality Impact Assessment
Who will be affected by this proposal?
No direct impact on residents/ service user groups

What positive impacts are anticipated from this proposal?
Return on investment
What negative impacts are anticipated from this proposal?
Opportunity cost of not using this funding for other investments
Are there other impacts which are more neutral?
None

Disproportionate impacts on specific groups with protected characteristics
Details of Disproportionate Impacts on protected characteristics and how these will be addressed
No direct impact on residents/ service user groups

Business Case

F/R.7.127 County Farms - Commercial uses

Project Overview			
Project Title	F/R.7.127 County Farms - Commercial uses		
Project Code	TR001551	Business Planning Reference	
Business Planning Brief Description	To assess the potential viability for increasing the revenue and capital returns from our County Farms Estate (CFE). This will include, but not limited to: Viability of converting buildings to non-agricultural uses to create additional revenue from the CFE. Develop a strategy for maximizing the release of capital receipts.		
Senior Responsible Officer	Hugo Mallaby		

Project Approach
Background
Why do we need to undertake this project?
The Council has an ambitious commercial strategy. Understanding our commercial opportunities from the CFE is fundamental to creating and informing our future strategy for revenue generation and to create a balanced revenue producing portfolio where viable. This work will also be important in providing increased resilience to tenants (where development ties in with diversification ideas) that will protect the overall income from the estate.
What would happen if we did not complete this project?
We would be unable to fully realise the capital and/or opportunity of the CFE. The CFE's total revenue may come under greater pressure, given the current uncertainties in the agricultural sector.

Approach
Aims / Objectives
To understand better where the potential opportunities lie on the estate to increase diversified revenue streams – either by working with tenants to create suitable on-farm diversifications or, where appropriate, to let directly to the market. The approach will be determined by each site's potential, the desire for on-farm diversification by tenants and the Council's requirements for income generation, based on a managed risk approach. To assess the viability of a new distribution hub on CFE land adjoining the A14 near Swavesey.
Project Overview - What are we doing
We have instructed external consultants to complete a desktop analysis of all farm buildings and to present a list of those sites most suitable for development. This list will then be used to inform our strategic direction for optimising revenue generation across the organisation and our assets. The Distribution Hub is at the inception stage at present. A full business case will be presented as the project develops.
What assumptions have you made?
The sites must be potentially viable from a planning and finance perspective.

What constraints does the project face?

Potential planning issues – particularly re highways in some parts of the County and for the distribution hub particularly as the site adjoins the A14.

Delivery Options**Has an options and feasibility study been undertaken?**

The first stage of this has been instructed through external consultants.

Scope / Interdependencies**Scope****What is within scope?**

All farm buildings on the CFE currently used for agriculture.
CFE land at Swavesey adjoining the A14

What is outside of scope?

Existing buildings currently used for commercial non-agricultural uses and CFE farmhouses.

Project Dependencies**Title****Cost and Savings**

As a result of this proposal, it is anticipated that additional income of £500k over three years (£75k in 2020-21) will be generated.

See accompanying financial information in Table 3

Non Financial Benefits**Non Financial Benefits Summary**

The non-financial benefits of a proposal will be specific to the proposal itself. Typically, such proposals could reduce length of commute, provide alternative sites for businesses outside Cambridge (so helping to reduce traffic in Cambridge) and facilitate growth of SMEs and start-up businesses throughout the County.

Title**Risks****Title****Project Impact****Equality Impact Assessment****Who will be affected by this proposal?**

The level of impact on communities will vary on a site by site basis and will be addressed within the individual proposals being considered.

What positive impacts are anticipated from this proposal?

Local businesses may see more trade from converted sites; potentially staff/occupiers could move to the area and help rural schools and businesses survive/thrive; potential for greater age diversity in rural areas.

Potential additional employment opportunities
What negative impacts are anticipated from this proposal? Any decision to increase revenue generation or release capital receipts will be presented to Commercial and Investment Committee accompanied by a full business case analysis outlining any potential impacts specific to the proposal.
Are there other impacts which are more neutral? All proposals will be presented to Commercial and Investment Committee. The impact of these proposals will vary and will be considered within its evaluations.
Disproportionate impacts on specific groups with protected characteristics
Details of Disproportionate Impacts on protected characteristics and how these will be addressed Not known at this stage.

