

## APPENDIX 2 – Annex 2.3(b)

# Southampton City Council

## INVESTMENT STRATEGY

2020/21 – 2023/24

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|       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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|       | <b><u>SECTION 1 – INTRODUCTION</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 1.1   | <b>Background</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 1.1.1 | <p>The Authority invests its money for three broad purposes:</p> <ul style="list-style-type: none"> <li>• because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),</li> <li>• to support local public services by lending to or buying shares in other organisations (service investments), and</li> <li>• to earn investment income (known as commercial investments where this is the main purpose).</li> </ul> <p>This investment strategy meets the requirements of statutory investment guidance issued by the government in January 2018, and focuses on the second and third of these categories.</p> |
|       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|       | <b><u>SECTION 2 - TREASURY MANAGEMENT INVESTMENTS</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 2.1   | <b>Background</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 2.1.1 | <p>The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure [and collects local taxes on behalf of other local authorities and central government]. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to be £45M at the end of 2020/21 financial year.</p>                                                                                                            |
| 2.1.2 | <p>The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 2.1.3 | <p>Full details of the Authority’s policies and its plan for 2020/21 for treasury management investments are covered in a separate document, the treasury management strategy, which was approved by Governance committee on 10<sup>th</sup> February 2020. See link below:</p> <p><a href="http://www.southampton.gov.uk/modernGov/documents/s43815/Enc.%201%20Treasury%20Management%20Strategy%202020-21.docx.pdf">http://www.southampton.gov.uk/modernGov/documents/s43815/Enc.%201%20Treasury%20Management%20Strategy%202020-21.docx.pdf</a></p>                                                                                                                                                                                |
|       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|       | <b><u>SECTION 3 - SERVICE INVESTMENTS: LOANS</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 3.1   | <b>Background</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 3.1.1 | <p>The Council is able to lend money to its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 3.2   | <b>Loan Limits</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 3.2.1 | <p>The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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|                               | Authority, upper limits on the outstanding loans to each category of borrower have been set as in Table 1.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                              |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |
|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------------------|------------------------------|--------------|---|------|-----------|---|------|-------------------------------|---|-------|-----------|---|------|
| <b>3.2.2</b>                  | <p><b>Table 1 – Loans for service purposes £M</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Category of Borrower</th> <th style="text-align: center;">31.03.2019<br/>Net showing<br/>in accounts</th> <th style="text-align: center;">2020/21<br/>Approved<br/>Limit</th> </tr> </thead> <tbody> <tr> <td>Subsidiaries</td> <td style="text-align: center;">-</td> <td style="text-align: center;">2.00</td> </tr> <tr> <td>Suppliers</td> <td style="text-align: center;">-</td> <td style="text-align: center;">2.00</td> </tr> <tr> <td>Other Public Sector<br/>Bodies</td> <td style="text-align: center;">-</td> <td style="text-align: center;">20.00</td> </tr> <tr> <td>Charities</td> <td style="text-align: center;">-</td> <td style="text-align: center;">0.50</td> </tr> </tbody> </table>                                                                                                                                                                                                                                                                                                             | Category of Borrower         | 31.03.2019<br>Net showing<br>in accounts | 2020/21<br>Approved<br>Limit | Subsidiaries | - | 2.00 | Suppliers | - | 2.00 | Other Public Sector<br>Bodies | - | 20.00 | Charities | - | 0.50 |
| Category of Borrower          | 31.03.2019<br>Net showing<br>in accounts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 2020/21<br>Approved<br>Limit |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |
| Subsidiaries                  | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2.00                         |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |
| Suppliers                     | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2.00                         |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |
| Other Public Sector<br>Bodies | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 20.00                        |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |
| Charities                     | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 0.50                         |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |
| 3.2.3                         | Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                              |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |
| <b>3.3</b>                    | <b>Potential Loan Criteria</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                              |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |
| 3.3.1                         | <p>The Council does not currently have any material loans but loans to subsidiaries may be considered, as part of a wider strategy for local economic growth, even though they may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity. Such loans will be considered when all of the following criteria are satisfied:</p> <ul style="list-style-type: none"> <li>• The loan is given towards expenditure which would, if incurred by the Council, be capital expenditure;</li> <li>• The purpose for which the loan is given is consistent with the Council's corporate / strategic objectives and priorities;</li> <li>• Due diligence is carried out that confirms the Council's legal powers to make the loan, and that assesses the risk of loss over the loan term;</li> <li>• A formal loan agreement is put in place which stipulates the loan period, repayment terms and loan rate (which will be set at a level that seeks to mitigate any perceived risks of a loss being charged to the General Fund, and takes appropriate account of state aid rules) and any other terms that will protect the Council from loss.</li> </ul> |                              |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |
|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                              |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |
|                               | <b><u>SECTION 4 - SERVICE INVESTMENTS: SHARES</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                              |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |
| 4.1                           | <b>Background</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                              |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |
| 4.1.1                         | The Council is able to invest in the shares of its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                              |                                          |                              |              |   |      |           |   |      |                               |   |       |           |   |      |

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| 4.1.2                                                      | One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. The Council does not currently have any material investment in shares nor is there any intention to do so at present. If this changed the Council would undertake a risk assessment before entering purchase and would establish appropriate Prudential Indicators.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                   |                           |                     |                           |                     |                                |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------|---------------------|---------------------------|---------------------|--------------------------------|--|--------------------------------|---------------|-------------------|---------------------------|-------------------|---------------------------|----------------|------------|------|------|--------|------|--------|------|------|------------|-------|-------|--------|-------|--------|--------|-------|------------|------|------|--------|------|--------|------|------|--|--------------|--------------|---------------|--------------|---------------|---------------|--------------|
| <b><u>SECTION 5 - COMMERCIAL INVESTMENTS: PROPERTY</u></b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                   |                           |                     |                           |                     |                                |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
| 5.1                                                        | <b>Background</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                   |                           |                     |                           |                     |                                |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
| 5.1.1                                                      | The Council is able to invest in local, regional and UK commercial and residential property with the intention of making a profit that will be spent on local public services. Between 2016 and 2017, SCC implemented a strategy to invest in commercial properties with the expected return on investment being used to fund council services, known as the Property investment fund (PIF). To date the authority has purchased 3 properties, details are shown in table 2 below.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                   |                           |                     |                           |                     |                                |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
| 5.1.2                                                      | <p><i>Table 2: Property Investment Fund £M</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Property</th> <th colspan="3">31.03.2019 actual</th> <th colspan="3">31.03.2020 Expected</th> <th rowspan="2">Outstanding Debt<br/>31.03.2020</th> </tr> <tr> <th>Purchase Cost</th> <th>Value in Accounts</th> <th>Cumulative Gain or (Loss)</th> <th>Value in Accounts</th> <th>Cumulative Gain or (Loss)</th> <th>Change In Year</th> </tr> </thead> <tbody> <tr> <td>Property 1</td> <td style="text-align: right;">6.47</td> <td style="text-align: right;">6.27</td> <td style="text-align: right;">(0.20)</td> <td style="text-align: right;">6.30</td> <td style="text-align: right;">(0.17)</td> <td style="text-align: right;">0.03</td> <td style="text-align: right;">5.93</td> </tr> <tr> <td>Property 2</td> <td style="text-align: right;">14.69</td> <td style="text-align: right;">13.87</td> <td style="text-align: right;">(0.82)</td> <td style="text-align: right;">12.36</td> <td style="text-align: right;">(2.33)</td> <td style="text-align: right;">(1.51)</td> <td style="text-align: right;">13.56</td> </tr> <tr> <td>Property 3</td> <td style="text-align: right;">8.53</td> <td style="text-align: right;">8.17</td> <td style="text-align: right;">(0.36)</td> <td style="text-align: right;">8.39</td> <td style="text-align: right;">(0.14)</td> <td style="text-align: right;">0.22</td> <td style="text-align: right;">7.94</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>29.69</b></td> <td style="text-align: right;"><b>28.31</b></td> <td style="text-align: right;"><b>(1.38)</b></td> <td style="text-align: right;"><b>27.05</b></td> <td style="text-align: right;"><b>(2.64)</b></td> <td style="text-align: right;"><b>(1.26)</b></td> <td style="text-align: right;"><b>27.43</b></td> </tr> </tbody> </table> | Property          | 31.03.2019 actual         |                     |                           | 31.03.2020 Expected |                                |  | Outstanding Debt<br>31.03.2020 | Purchase Cost | Value in Accounts | Cumulative Gain or (Loss) | Value in Accounts | Cumulative Gain or (Loss) | Change In Year | Property 1 | 6.47 | 6.27 | (0.20) | 6.30 | (0.17) | 0.03 | 5.93 | Property 2 | 14.69 | 13.87 | (0.82) | 12.36 | (2.33) | (1.51) | 13.56 | Property 3 | 8.53 | 8.17 | (0.36) | 8.39 | (0.14) | 0.22 | 7.94 |  | <b>29.69</b> | <b>28.31</b> | <b>(1.38)</b> | <b>27.05</b> | <b>(2.64)</b> | <b>(1.26)</b> | <b>27.43</b> |
| Property                                                   | 31.03.2019 actual                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                   |                           | 31.03.2020 Expected |                           |                     | Outstanding Debt<br>31.03.2020 |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
|                                                            | Purchase Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Value in Accounts | Cumulative Gain or (Loss) | Value in Accounts   | Cumulative Gain or (Loss) | Change In Year      |                                |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
| Property 1                                                 | 6.47                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 6.27              | (0.20)                    | 6.30                | (0.17)                    | 0.03                | 5.93                           |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
| Property 2                                                 | 14.69                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 13.87             | (0.82)                    | 12.36               | (2.33)                    | (1.51)              | 13.56                          |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
| Property 3                                                 | 8.53                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 8.17              | (0.36)                    | 8.39                | (0.14)                    | 0.22                | 7.94                           |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
|                                                            | <b>29.69</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <b>28.31</b>      | <b>(1.38)</b>             | <b>27.05</b>        | <b>(2.64)</b>             | <b>(1.26)</b>       | <b>27.43</b>                   |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
| 5.1.3                                                      | <p>In addition to the properties purchased under PIF, the council holds an extensive historic property portfolio.</p> <p>Information relating to purchase price and any associated debt is not held, as this is not required by local authority legislation. The fair value of these properties at the 31 March 2019 was £106.6M an increase of £9.5M from the year before. The Valuation and Estates section are responsible for the ongoing management and monitoring of the portfolio (including PIF) and for 2018/19 net income was for the total portfolio was £8.0M a return of 5.9%.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                   |                           |                     |                           |                     |                                |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
| 5.1.4                                                      | In November 2019 Council approved the addition of £200M to the capital programme to explore the opportunities available for further property investment. Following an update of the Property Investment Strategy, it is expected that purchases will commence in 2020/21.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                   |                           |                     |                           |                     |                                |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
| 5.2                                                        | <b>Security</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                   |                           |                     |                           |                     |                                |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |
| 5.2.1                                                      | In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than the amount of debt currently outstanding for the asset. As can be seen from the table above the fair value assessment of these properties at the 31 March 2019 was below the purchase price, this was primarily due to cost associated with the purchase rather than a fall in the value of the assets. In line with the MRP policy in place at the time                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                   |                           |                     |                           |                     |                                |  |                                |               |                   |                           |                   |                           |                |            |      |      |        |      |        |      |      |            |       |       |        |       |        |        |       |            |      |      |        |      |        |      |      |  |              |              |               |              |               |               |              |

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|       | <p>the difference of £1.79M was charged to revenue in 2017/18. During 2018/19 there was an increase in fair value of £0.41M.</p> <p>Debt repayments are now being made on the annuity basis and debt will reduce by £0.24M per annum.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 5.2.2 | <p>Table 2 also shows that the value of Property 2 is expected to drop in 2019/20 due to the recent downturn in the retail sector. This means that the fair value will likely fall below the outstanding debt by £1.20M. As this is outside of the current policy consideration will need to be given to the future of the asset, bearing in mind that a disposal would be likely to incur a financial loss to the Council. Whilst the property is still providing a positive income yield, the Council will closely monitor the situation and report any concern through the relevant committees.</p>                                                                                                                                                                                                                                                         |
| 5.3   | <p><b>Risk Assessment</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 5.3.1 | <p>The council assess the risk of loss before purchasing investment property and monitors both the fair value and the return on the assets to assess the benefits of either retaining or disposing of the assets.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 5.3.2 | <p>Budgeted income for investment income allows for voids and maintenance costs, but in addition the council has set aside an earmarked reserve of £200k to cover unforeseen void and maintenance costs. To ensure the reserve is maintained at the correct level balances are reviewed as part of budget monitoring and individual property balances are monitored to ensure they continue to provide the correct level of risk management.</p>                                                                                                                                                                                                                                                                                                                                                                                                               |
| 5.4   | <p><b>Liquidity</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 5.4.1 | <p>Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. Therefore, in order to assess liquidity, the Council monitors the income stream attached to property purchases, a much more liquid asset, comparing budgets to forecasts and actuals. Since purchasing the PIF properties actual income has and continues to be in line with the budgeted figure and there are no current indicators to suggest that the forecast future income will not be achieved. If there is any change this would be reported as part of the monthly revenue monitoring process.</p>                                                                                                                                                     |
|       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|       | <p><b><u>SECTION 6 - CAPACITY AND SKILLS</u></b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 6.1   | <p><b>Elected members and statutory officers</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 6.1.1 | <p>CIPFA's Code of Practice requires the CFO to ensure that all Members tasked with TM responsibilities, including scrutiny of the TM function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Treasury training is offered to all members annually, which is undertaken by our advisors, Arlingclose.</p> <p>Further training is also provided if the need arises, for example there was a change in leadership and the makeup of Governance committee changed during 2018, so as part of Members induction Arlingclose provided an introduction to treasury training session. We would also arrange additional training if there was to be a material change in the Treasury Strategy, explaining the reasoning behind it, so that Members understand what they are being asked to approve.</p> |

## APPENDIX 2 – Annex 2.3(b)

|                                        | For Officers the Council adopts a continuous performance and development programme to ensure staff are regularly appraised and any training needs addressed. Relevant staff also attend regular training sessions, seminars and workshops which ensure their knowledge is up to date. Details of training received are maintained as part of the performance and development process.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                  |                                |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------------------|-------------|-------------|-------------|-----------------------------------|------------|------------|------------|------------------------------------|-------------|-------------|--------------|-----------------------|-------------|-------------|--------------|
| 6.2                                    | <b>Commercial deals</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                  |                                |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
| 6.2.1                                  | <p>Future commercial investments will be subject to a detailed business case and need the relevant approvals. The Council has a robust process in place for property investment and therefore has a separate Property Investment Strategy. It sets out the scoring criteria each investment will be subjected to, including financial checks on potential tenants to evidence their financial stability and risk level. An independent valuation will also be conducted to obtain a level of assurance that the price quoted and the rent charged were in line with the expected market rate. Once all criteria is met final agreement is required by the S151 officer, Head of Property, the Cabinet Member for Resources and the Leader of the Council.</p> <p>The Council has an experienced in-house estates and valuation team, who will manage the process and the day-to-day management of any investments. The use of external experts will be employed where specialist knowledge is required in the acquisition, disposal or performance management of commercial property.</p>                                                                                                                                                                                                                          |                                  |                                |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
|                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                  |                                |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
|                                        | <b><u>SECTION 7 - INVESTMENT INDICATORS</u></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                  |                                |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
| 7.1                                    | <b>Background</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                  |                                |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
| 7.1.1                                  | The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                  |                                |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
| 7.2                                    | <b>Total Risk Exposure</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                  |                                |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
| 7.2.1                                  | This indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                  |                                |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
| 7.2.2                                  | <p><i>Table 3: Total investment exposure £M</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><b>Total Investment Exposure</b></th> <th style="text-align: center;"><b>31.03.2019<br/>Actual</b></th> <th style="text-align: center;"><b>31.03.2020<br/>Forecast</b></th> <th style="text-align: center;"><b>31.03.2021<br/>Forecast</b></th> </tr> </thead> <tbody> <tr> <td><b>Treasury management investments</b></td> <td style="text-align: center;"><b>70.0</b></td> <td style="text-align: center;"><b>45.0</b></td> <td style="text-align: center;"><b>50.0</b></td> </tr> <tr> <td><b>Service investments: Loans</b></td> <td style="text-align: center;"><b>0.0</b></td> <td style="text-align: center;"><b>0.0</b></td> <td style="text-align: center;"><b>0.0</b></td> </tr> <tr> <td><b>Commercial Investments: PIF</b></td> <td style="text-align: center;"><b>27.7</b></td> <td style="text-align: center;"><b>27.4</b></td> <td style="text-align: center;"><b>227.1</b></td> </tr> <tr> <td style="text-align: right;"><b>TOTAL EXPOSURE</b></td> <td style="text-align: center;"><b>97.7</b></td> <td style="text-align: center;"><b>72.4</b></td> <td style="text-align: center;"><b>277.1</b></td> </tr> </tbody> </table> | <b>Total Investment Exposure</b> | <b>31.03.2019<br/>Actual</b>   | <b>31.03.2020<br/>Forecast</b> | <b>31.03.2021<br/>Forecast</b> | <b>Treasury management investments</b> | <b>70.0</b> | <b>45.0</b> | <b>50.0</b> | <b>Service investments: Loans</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>Commercial Investments: PIF</b> | <b>27.7</b> | <b>27.4</b> | <b>227.1</b> | <b>TOTAL EXPOSURE</b> | <b>97.7</b> | <b>72.4</b> | <b>277.1</b> |
| <b>Total Investment Exposure</b>       | <b>31.03.2019<br/>Actual</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>31.03.2020<br/>Forecast</b>   | <b>31.03.2021<br/>Forecast</b> |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
| <b>Treasury management investments</b> | <b>70.0</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>45.0</b>                      | <b>50.0</b>                    |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
| <b>Service investments: Loans</b>      | <b>0.0</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>0.0</b>                       | <b>0.0</b>                     |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
| <b>Commercial Investments: PIF</b>     | <b>27.7</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>27.4</b>                      | <b>227.1</b>                   |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
| <b>TOTAL EXPOSURE</b>                  | <b>97.7</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>72.4</b>                      | <b>277.1</b>                   |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
| 7.3                                    | <b>How Investments are Funded</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                  |                                |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |
| 7.3.1                                  | Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                  |                                |                                |                                |                                        |             |             |             |                                   |            |            |            |                                    |             |             |              |                       |             |             |              |

## APPENDIX 2 – Annex 2.3(b)

|                                         | the Authority's investments are funded by usable reserves and income received in advance of expenditure.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                       |                         |                            |                         |                            |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------------|----------------------------|-------------------------|----------------------------|-------------------------|----------------------------|----------|-------------------|-------------|-------------|-------------|-------------------|-------------|-----------------------------------------|-------------|-------------------|-------------|-------------|-------------|-------------------------------------|-----------------------------------|-------------|-------------|------------|--|------------|--|
| 7.3.2                                   | <p><i>Table 4: Investments funded by borrowing and loan to value ratio</i></p> <table border="1"> <thead> <tr> <th><i>Investment funded by borrowing</i></th> <th><i>2018/19 Actual</i></th> <th><i>Loan to Value Ratio</i></th> <th><i>2019/20 Forecast</i></th> <th><i>Loan to Value Ratio</i></th> <th><i>2020/21 Forecast</i></th> <th><i>Loan to Value Ratio</i></th> </tr> <tr> <td></td> <td style="text-align: center;"><i>£M</i></td> <td style="text-align: center;"><i>%</i></td> <td style="text-align: center;"><i>£M</i></td> <td style="text-align: center;"><i>%</i></td> <td style="text-align: center;"><i>£M</i></td> <td style="text-align: center;"><i>%</i></td> </tr> </thead> <tbody> <tr> <td><b>Commercial Investments: Property</b></td> <td style="text-align: center;"><b>27.7</b></td> <td style="text-align: center;"><b>99</b></td> <td style="text-align: center;"><b>27.4</b></td> <td style="text-align: center;"><b>99</b></td> <td style="text-align: center;"><b>27.1</b></td> <td style="text-align: center;"><b>100</b></td> </tr> <tr> <td><b>Service investments: Loans</b></td> <td style="text-align: center;"><b>0.0</b></td> <td></td> <td style="text-align: center;"><b>0.0</b></td> <td></td> <td style="text-align: center;"><b>0.0</b></td> <td></td> </tr> </tbody> </table> <p>The maximum loan to value indicator is set at 100% if the fair value of the asset was to fall below the outstanding loan value then this would be reported to Council and the authority would look to take steps to assess the viability of holding the investment.</p> | <i>Investment funded by borrowing</i> | <i>2018/19 Actual</i>   | <i>Loan to Value Ratio</i> | <i>2019/20 Forecast</i> | <i>Loan to Value Ratio</i> | <i>2020/21 Forecast</i> | <i>Loan to Value Ratio</i> |          | <i>£M</i>         | <i>%</i>    | <i>£M</i>   | <i>%</i>    | <i>£M</i>         | <i>%</i>    | <b>Commercial Investments: Property</b> | <b>27.7</b> | <b>99</b>         | <b>27.4</b> | <b>99</b>   | <b>27.1</b> | <b>100</b>                          | <b>Service investments: Loans</b> | <b>0.0</b>  |             | <b>0.0</b> |  | <b>0.0</b> |  |
| <i>Investment funded by borrowing</i>   | <i>2018/19 Actual</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <i>Loan to Value Ratio</i>            | <i>2019/20 Forecast</i> | <i>Loan to Value Ratio</i> | <i>2020/21 Forecast</i> | <i>Loan to Value Ratio</i> |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |
|                                         | <i>£M</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <i>%</i>                              | <i>£M</i>               | <i>%</i>                   | <i>£M</i>               | <i>%</i>                   |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |
| <b>Commercial Investments: Property</b> | <b>27.7</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>99</b>                             | <b>27.4</b>             | <b>99</b>                  | <b>27.1</b>             | <b>100</b>                 |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |
| <b>Service investments: Loans</b>       | <b>0.0</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                       | <b>0.0</b>              |                            | <b>0.0</b>              |                            |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |
| 7.4                                     | <b>Rate of return received</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                       |                         |                            |                         |                            |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |
| 7.4.1                                   | This indicator shows the investment income received less the associated costs, including the cost of borrowing, as a proportion of the debt outstanding. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                       |                         |                            |                         |                            |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |
| 7.4.2                                   | <p><i>Table 5: Investment rate of return (net of all costs)</i></p> <table border="1"> <thead> <tr> <th><i>Investment net rate of return</i></th> <th><i>2018/19 Actual</i></th> <th><i>2019/20 Forecast</i></th> <th><i>2020/21 Forecast</i></th> </tr> <tr> <td></td> <td style="text-align: center;"><i>%</i></td> <td style="text-align: center;"><i>%</i></td> <td style="text-align: center;"><i>%</i></td> </tr> </thead> <tbody> <tr> <td><i>Property 1</i></td> <td style="text-align: center;"><b>2.25</b></td> <td style="text-align: center;"><b>2.27</b></td> <td style="text-align: center;"><b>2.30</b></td> </tr> <tr> <td><i>Property 2</i></td> <td style="text-align: center;"><b>2.14</b></td> <td style="text-align: center;"><b>2.16</b></td> <td style="text-align: center;"><b>2.18</b></td> </tr> <tr> <td><i>Property 3</i></td> <td style="text-align: center;"><b>0.78</b></td> <td style="text-align: center;"><b>1.37</b></td> <td style="text-align: center;"><b>1.38</b></td> </tr> <tr> <td><b>Total Average Rate of Return</b></td> <td style="text-align: center;"><b>1.77</b></td> <td style="text-align: center;"><b>1.95</b></td> <td style="text-align: center;"><b>1.98</b></td> </tr> </tbody> </table>                                                                                                                                                                                                                                                                                                                                                            | <i>Investment net rate of return</i>  | <i>2018/19 Actual</i>   | <i>2019/20 Forecast</i>    | <i>2020/21 Forecast</i> |                            | <i>%</i>                | <i>%</i>                   | <i>%</i> | <i>Property 1</i> | <b>2.25</b> | <b>2.27</b> | <b>2.30</b> | <i>Property 2</i> | <b>2.14</b> | <b>2.16</b>                             | <b>2.18</b> | <i>Property 3</i> | <b>0.78</b> | <b>1.37</b> | <b>1.38</b> | <b>Total Average Rate of Return</b> | <b>1.77</b>                       | <b>1.95</b> | <b>1.98</b> |            |  |            |  |
| <i>Investment net rate of return</i>    | <i>2018/19 Actual</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <i>2019/20 Forecast</i>               | <i>2020/21 Forecast</i> |                            |                         |                            |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |
|                                         | <i>%</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <i>%</i>                              | <i>%</i>                |                            |                         |                            |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |
| <i>Property 1</i>                       | <b>2.25</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>2.27</b>                           | <b>2.30</b>             |                            |                         |                            |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |
| <i>Property 2</i>                       | <b>2.14</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>2.16</b>                           | <b>2.18</b>             |                            |                         |                            |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |
| <i>Property 3</i>                       | <b>0.78</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>1.37</b>                           | <b>1.38</b>             |                            |                         |                            |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |
| <b>Total Average Rate of Return</b>     | <b>1.77</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>1.95</b>                           | <b>1.98</b>             |                            |                         |                            |                         |                            |          |                   |             |             |             |                   |             |                                         |             |                   |             |             |             |                                     |                                   |             |             |            |  |            |  |