

Commercial Investment Strategy Indicators

The Treasury Management Strategy for 2017/18 includes three indicators specific to the Commercial Investment Strategy (CIS);

1. Interest cover ratio

This ratio determines the amount of total net income from property investments after operating costs and any applicable taxes, compared with the interest expense of the debt. Interest payments for the Fareham loan starts in 2018/19, hence we are unable to determine the interest cover ratio until that time.

2. Target income returns

The targeted returns of the property portfolio is 6%, all property purchases are exceeding this target. With the highest being Stonehill at 9.2% and lowest being Shawlands at 7.0%.

3. Loan to value ratio

This ratio determines the amount of total debt compared to the total value of the underlying property asset. Fareham is currently the only CIS asset where a PWLB loan was partly used to acquire it. If the value of the asset drops below the amount of the loan principal outstanding then the Council will be required to make an MRP contribution. Fareham's loan to value is 92.2% which gives the Council a 7.8% headroom before a MRP contribution is needed.

	Purchase Cost	Income	Return on Purchase Cost %	Loan to Value
	£000	£000		%
			Paragraph 14	Paragraph 15
2015-16 Purchases				
CCLA Property Shares	2,500	(112)	4.5	n/a
Unit 3 Stonehill, Huntingdon	1,358	(125)	9.2	n/a
2016-17 Purchases				
CCLA Property Shares	1,500	(68)	4.5	n/a
Wilbury Way, Hitchin	2,313	(175)	7.6	n/a
Shawlands Retail Park, Sudbury	6,890	(483)	7.0	n/a
2017-18 Purchases				
1400 & 1500 Parkway, Fareham	5,747	(420)	7.3	92.2
Note: The income shown is full year this may not be the actual rent received in the first year of purchase, where the Council has only held the asset for a part year. CCLA Property Share income is assumed at 4.5% yield				