# Treasury Management and Investment Sub-Committee Agenda

## 20 October 2020 at 7pm

### Remote Meeting

### Membership

Councillor C.K. Davidson (Chair)

### and Councillors

M.W. Bracken, D.J.R. Clark, P.H. Clark, J. Galley, A.B. Sosin and R.T. Whitehead

Local people are welcome to attend this meeting, where your elected Councillors take decisions affecting YOU and your City. There will also be an opportunity to ask your Councillors questions or make a statement. These have to be submitted in advance and details are on the agenda page. If you would like to find out more, please telephone Daniel Bird
in the Democracy Team on Chelmsford (01245) 606523
email Daniel.bird@chelmsford.gov.uk

# Treasury Management and Investment Sub Committee

# 20 October 2020

# AGENDA

## 1. Apologies for Absence and substitutions

## 2. Minutes

To consider the minutes of the meeting held on 22 June 2020

## 3. Declaration of Interests

All Members are reminded that they must disclose any interests they know they have in items of business on the meeting's agenda and that they must do so at this point on the agenda or as soon as they become aware of the interest. If the interest is a Disclosable Pecuniary Interest they are also obliged to notify the Monitoring Officer within 28 days of the meeting.

## 4. Public Question Time

Any member of the public may ask a question or make a statement at this point in the meeting. Each person has two minutes and a maximum of 15 minutes is allotted to public questions/statements, which must be about matters for which the Committee is responsible.

The Chair may disallow a question if it is offensive, substantially the same as another question or requires disclosure of exempt or confidential information. If the question cannot be answered at the meeting a written response will be provided after the meeting.

Any member of the public who wishes to submit a question or statement to this meeting should email it to committees@chelmsford.gov.uk 24 hours before the start time of the meeting. All valid questions and statements will be published with the agenda on the website at least six hours before the start time and will be responded to at the meeting. Those who have submitted a valid question or statement will be entitled to put it in person at the meeting, provided they have indicated that they wish to do so and have submitted an email address to which an invitation to join the meeting and participate in it can be sent.

## 5. Treasury Management Mid-Year Review 2020-21

## 6. Urgent Business

To consider any other matter which, in the opinion of the Chair, should be considered by reason of special circumstances (to be specified) as a matter of urgency.

## Part II (Exempt Items)

To consider whether the public (including the press) should be excluded from the meeting during consideration of the following agenda items on the grounds that they involve the likely disclosure of exempt information specified in the appropriate paragraph or paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972 indicated in the Agenda item

## 7. Non- Treasury Investments – Monitoring and Strategy Development

Category: Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Public interest statement: It is not in the public interest to release details of this report at present, on the grounds that the report contains information that is commercially sensitive and to place the information in the public realm will be detrimental to the negotiations to be undertaken by the Council.

**MINUTES**

of the

**TREASURY MANAGEMENT AND INVESTMENT SUB COMMITTEE**

held on 22 June 2020 at 7.00pm

Present:

Councillor C.K. Davidson (Chair)

Councillors M.W. Bracken, D.J.R. Clark. P.H. Clark, J. Galley. A.B. Sosin, R.T Whitehead

## 1. Apologies for Absence and Substitutions

No apologies for absence were received.

## 2. Minutes

The minutes of the meeting held on 16 December 2019 were agreed as a correct record and signed by the Chair, with one typographical amendment to the final paragraph of Item 5.

## 3. Declaration of Interests

All Members were reminded to declare any Disclosable Pecuniary interests or other registerable interests where appropriate in any items of business on the meeting's agenda. None were made.

## 4. Public Question Time

No questions were asked or statements made.

## 5. Treasury Management Outturn Report 2019/20

The Sub-Committee considered a draft report to the Cabinet on 8 July 2020, regarding the Treasury Management Outturn for 2019/20. It was noted that under statue and the CIPFA code on Treasury Management, members were required to receive a report on the Treasury Management activities that took place on 2019/20.

The report contained a review of the overall Treasury Management functions including rates of return on investments in 2019/20. It was noted that during the year Treasury Management had operated within the Council's Policies and Prudential indicators, apart from one breach resulting in a negligible risk as reported to a previous meeting.

It was noted by the Committee that due to Covid-19 the CCLA fund had been impacted and would have a lower income as a result. Officers informed the Committee though that its return would still be much higher than a cash investment. The Committee also noted the structural changes to the UK economy, including home working and online shopping, factors such as these would all be considered when looking at the CCLA fund. The Committee was informed that due to Covid-19 the Council were now looking at shorter term investments, in respect of cash flow being uncertain and these were often instant access funds. In summary, the Committee noted that the income would be below budgeted value in 2020-21 and would continue to be monitored.

In response to questions and comments from the Sub-Committee, officers noted that;

- The impact of structural changes to the UK Economy were under consideration and relevant advice was being regularly sought from the Council's Treasury advisers, Arlingclose.
- Further information on recent rent income would be available soon as it is paid quarterly on the CCLA fund and this would be considered.
- A new emphasis on shorter term accounts was being adopted but that did not mean funds such as the CCLA one needed to be sold. It was noted that liquidity was still available elsewhere
- Arlingclose were used to look at credit limits and assessments of credit worth.
- The limits on investments in other local authorities had been lowered and it was not the intention that these limits were ever used in full, the Council operated well under those limits.
- All funds, including the CCLA property fund were under regular review with Arlingclose and for now good returns were still being achieved. Some fluctuations were expected and they would continue to be monitored closely.
- At the next meeting in October, officers would present the latest information on the CCLA property fund and other investments.

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RESOLVED that the Treasury Management Outturn Report for 2019/20 before the Sub-Committee be endorsed and recommended to Cabinet for approval.

*(7.05pm to 7.35pm)*

## 6. Non-Treasury Investment Strategy – Monitoring and Strategy Development

The Sub-Committee considered a report asking them to look at their work programme in light of the recent changes to its terms of reference. It was noted that the remit of the Sub-Committee had been expanded in respect of non-cash investments. The Sub-Committee was informed that the report had been designed to facilitate a discussion on what information was required. It was noted that the reporting processes would be the same as those for Treasury Investments, including comments being passed to the Cabinet. The Sub-Committee heard that the future reports should enable them to understand the risk profiles of the Council's other investments and would bring both cash and non-cash investments together for reporting purposes.

It was noted by the Sub-Committee that the Council do not actively seek properties for investments and instead were agile and reacted as opportunities arose. The Sub-Committee was informed that properties would only be purchased within the Council area and should generate immediate income and provide sufficient yield levels. It was also noted that single let properties were preferred due to less complex lease arrangements. The Sub-Committee heard that the portfolio value stood at between £80 and £85 Million and generated £5m of income per year. It was also noted that this did not include properties owned for other purposes such as regeneration or operational. The Sub-Committee also heard that a preference to move away from retail properties had been undertook with a focus on industrial and office properties.

In response to questions and comments from members it was noted that;

- Areas of the property portfolio that weren't solely for investment purposes, were regularly looked at by officers, this included for example operational buildings and parks. The Sub-Committee heard that these assets are held for the delivery of services for the Council and they were reviewed on a four-year basis, due to be completed later this year.
- The Council does not currently hold externally sourced debt secured against property assets.
- Business cases on specific investment opportunities would continue to be considered by the Cabinet. The Sub-Committee would be looking on a strategic basis rather than specific investments. This was in line with how the Council operated cash investment decisions.
- The non-investment properties owned by the Council were something the Sub-Committee could look at on an overview basis and a list of these could be prepared for a future meeting.

RESOLVED that;

1. the Sub-Committee agree the programme of work set out in the report and;

2. At the next meeting the sub-committee will receive an overview of properties not used solely as investment opportunities.

*(7.36pm to 8.05pm)*

## 7. Urgent Business

There were no matters of urgent business to discuss.

The meeting closed at 8.06pm.

Chair

# Chelmsford City Council Treasury Management and Investment Sub-Committee

## 20 October 2020

## Treasury Management Mid-Year Review 2020/21

Report by:
Director of Financial Services

Officer Contact:
Phil Reeves, Accountancy Services Manager, phil.reeves@chelmsford.gov.uk, 01245 606562

### Purpose

To inform members of the Treasury Management (TM) activities undertaken in the first part of 2020/21, report on compliance with the approved TM Strategy and consider whether any changes to the Strategy are required.

### Options

1. Accept the recommendations contained within the report
2. Recommend changes to the way by which the Council's investments are to be managed

### Recommendations

Recommend the Treasury Management Mid-Year Review report to Cabinet and that no changes are made to Treasury Management Strategy

1. Background

1.1. Full Council has overall responsibility for Treasury Strategy but delegates to the Treasury Management and Investment Sub-committee responsibility to monitor and recommend changes to strategy. The Director of Financial Services is delegated responsibility to manage operational TM activities within the approved strategy.

1.2. The attached draft Cabinet report complies with the CIPFA Code of Practice and covers the following:

- A review of the Council's investments at 31/08/2020 and
- Identification of any proposed changes

1.3. Members of the sub-committee are able to amend the contents of the attached report and thereby recommend to Cabinet and then Full Council changes to how the Council invests its money.

## List of appendices:

Draft Cabinet Report and Appendices

## Background papers:

None

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## Corporate Implications

Legal/Constitutional: None

Financial: As detailed in report.

Potential impact on climate change and the environment: The Council's Climate and Ecological Emergency Action Plan as agreed at Cabinet 28th January 2020 included review of the Council's investment strategy in light of the Climate and Ecological Emergency Declaration.

Contribution toward achieving a net zero carbon position by 2030: As above

Personnel: None

Risk Management: All treasury management activity requires a careful consideration of risk and reward.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

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**Consultees:** None

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## Relevant Policies and Strategies:

Treasury Management Strategy 2020/21

# Chelmsford City Council Cabinet

## 17th November 2020

## Treasury Management Mid-Year Review 2020/21

Report by:
Cabinet Member for a Fairer Chelmsford

Officer Contact:
Phil Reeves, Accountancy Services Manager, 01245 606562, phil.reeves@chelmsford.gov.uk

## Purpose

To inform members of the Treasury Management (TM) activities undertaken in the first part of 2020/21, report on compliance with the approved TM Strategy and consider whether any changes to the Strategy are required ahead of the full, annual review later in the financial year.

## Options

1. Accept the recommendations contained within the report
2. Recommend changes to the way by which the Council's investments are to be managed

## Preferred option and reasons

Recommend the report to Council without amendment for consideration and thereby meet statutory obligations

## Recommendations

That Cabinet note the contents of this report and requests that Full Council approve that no changes to the 2020/21 Treasury Strategy are required.

## 1. Background

1.1. The Council has cash to invest arising from its revenue activities, capital balances and the collection of Council Tax & Business Rates. The Council can fund its capital programme from borrowing. The activities around the management of Council cash and external borrowing are known as Treasury Management.

1.2. Under statute and the CIPFA Code of Practice on Treasury Management ("the Code"), members are required to receive reports on the Council's Treasury Management (TM) activities. The report in Appendix 1 complies with the CIPFA Code of Practice and relevant Government regulations.

1.3. Full Council has overall responsibility for Treasury Strategy but delegates to the Treasury Management and Investment Sub-committee responsibility to monitor and recommend changes to strategy. The Director of Financial Services is delegated responsibility to manage operational TM activities within the approved strategy.

1.4. Members of the Treasury Management & Investment Sub-Committee have reviewed the contents of the report and recommended that the Cabinet notes it's contents and seek Council approval for it.

## 2. Executive Summary

- No breaches of Treasury Management Strategy occurred
- Interest Rates have fallen and are expected to remain low resulting in projected income being below budget
- The Council continues to remain internally borrowed to fund its capital investment but may have to undertake external borrowing within the next year.
- Council investments are now focused on short duration deposits and Money Market Funds (instant access)
- Use of external investment funds for long-term investments has been reviewed and no new investments or disposal are considered appropriate at this time
- It is proposed that the use of external investment funds for long-term investment is kept as an available option within the Treasury Strategy and that the decisions to use such investments remain within the delegation to the Director of Financial Services
- No change to Strategy is recommended for 2020/21

## 3. Conclusion

3.1. Cabinet is asked to accept the review the of Treasury Management Activity for the period to the end of September as endorsed by the Treasury Management and Investment Sub-committee. No changes to the 2020/21 Treasury Management Strategy are recommended.

## List of appendices:

Appendix 1 – Review of Treasury Management Activity

Appendix 2 – Review of CCLA property fund

## Background papers:

Nil

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## Corporate Implications

Legal/Constitutional: The report meets statutory obligations on reporting Treasury Management Activity

Financial: As detailed in the report

Potential impact on climate change and the environment:

Any fund managers will be required to consider ESG (Environmental, Social and Governance) factors in their investment process. All the fund managers would be expected to have signed up to the UN Principles for Responsible Investment (PRI). PRI argues that active participation in ESG and exercising shareholder rights on this basis can help to improve the performance of companies which may otherwise not address such concerns and so being an engaged corporate stakeholder is a more effective way to bring about change in corporate behaviour on ethical issues.

Further requirements from those identified above are not practical given the limited ability to directly influence any immediate change in the financial markets.

Contribution toward achieving a net zero carbon position by 2030:

N/A

Personnel:

N/A

Risk Management:

The report is part of the Council's approach to managing risks arising from Treasury Management

Equality and Diversity:

N/A

Health and Safety:

N/A

Digital:

N/A

Other:

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## Consultees:

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## Relevant Policies and Strategies:

Treasury Management Strategy 2020/21

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1. Treasury Management Activity during the period 1st April 2020 – 31st August 2020

This report complies with the CIPFA Code by identifying the Council's investments and external borrowings as at 31/08/2020 and compares treasury activity to approved strategy.

## 2 Liquidity Management and borrowing

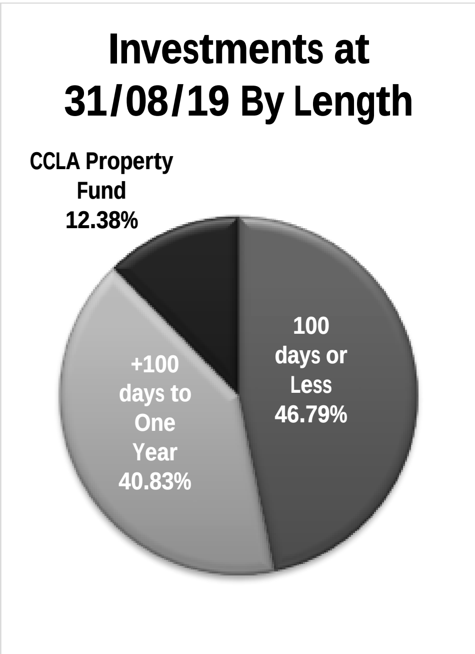
2.1 The Council has continued to keep a large proportion of its portfolio available for instant access and notice accounts. This reflects the uncertain cashflow of the Council due to income losses from Covid-19 (mainly Business rates and Sales, Fees and Charges). To assist in managing liquidity, the Council set the following target in its Treasury Management Strategy.

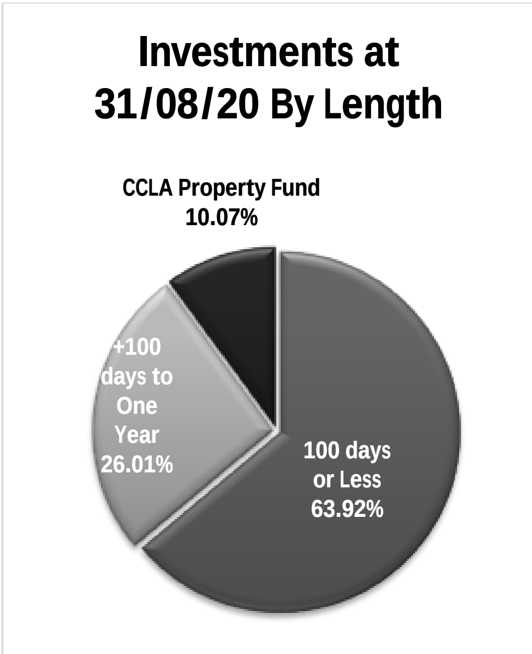
**A minimum of £10m of all investments must be invested for periods of 100 days or Less**

**Outcome: The target was achieved, and officers will continue keep the average durations of investments short**

Investments at:

| | 31/08/2019 | | 31/08/2020 | |
|---|---|---|---|---|
| | £s | % | £s | % |
| 100 days or Less | 25,210,600 | 46.79% | 39,316,382 | 63.92% |
| +100 days to One Year | 22,000,000 | 40.83% | 16,000,000 | 26.01% |
| Longer Than One Year | Nil | 0.00% | Nil | 0.00% |
| CCLA Property Fund | 6,671,200 | 12.38% | 6,194,303 | 10.07% |
| | 53,881,800 | 100% | 61,510,685 | 100% |

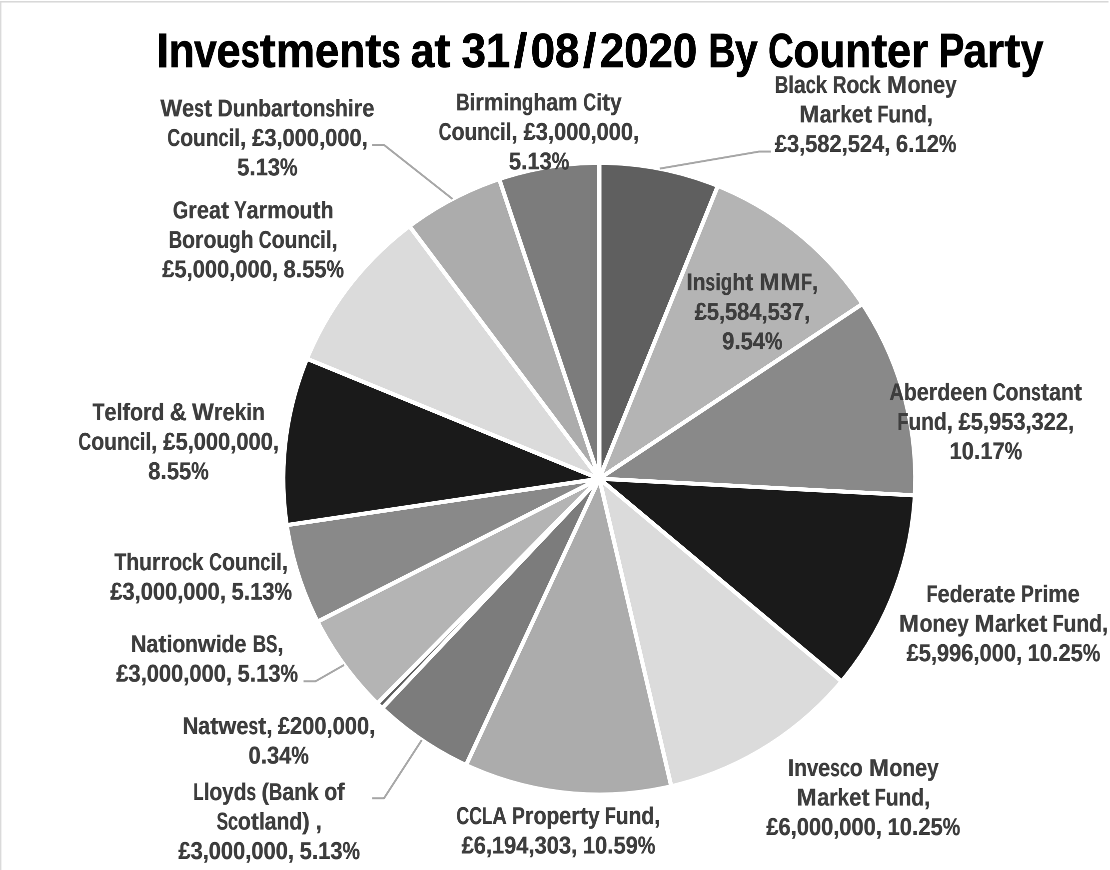


2.2 The Council's Treasury strategy set the following
**The Upper Limit for total sums invested in the money market deposits for more than 364 days is £10m for 2020/21**

**Outcome: The limit has not been exceeded.**

2.3 **No breaches of Counter party limits have occurred**. The investments held by the Council are noted below




The Council's investments with local authorities and Nationwide Building Society are all fixed maturity dates and of a duration of less than one year. The investments with Lloyds and HSBC banks are 90 and 30 day notice accounts, on which officers will be giving notice to provide additional Council liquidity. The other investments are all instant access.

2.4 **The Council has not undertaken any external borrowing in the year to date.** The funding of the approved Capital programme requires borrowing but that has been internal borrowing which reduces the amount the Council has to invest. The Council operates two borrowing limits, the Authorised (maximum limit) which cannot be exceeded without Council agreement and an Operational boundary (which provides an expected level of external debt). The current limits are noted below

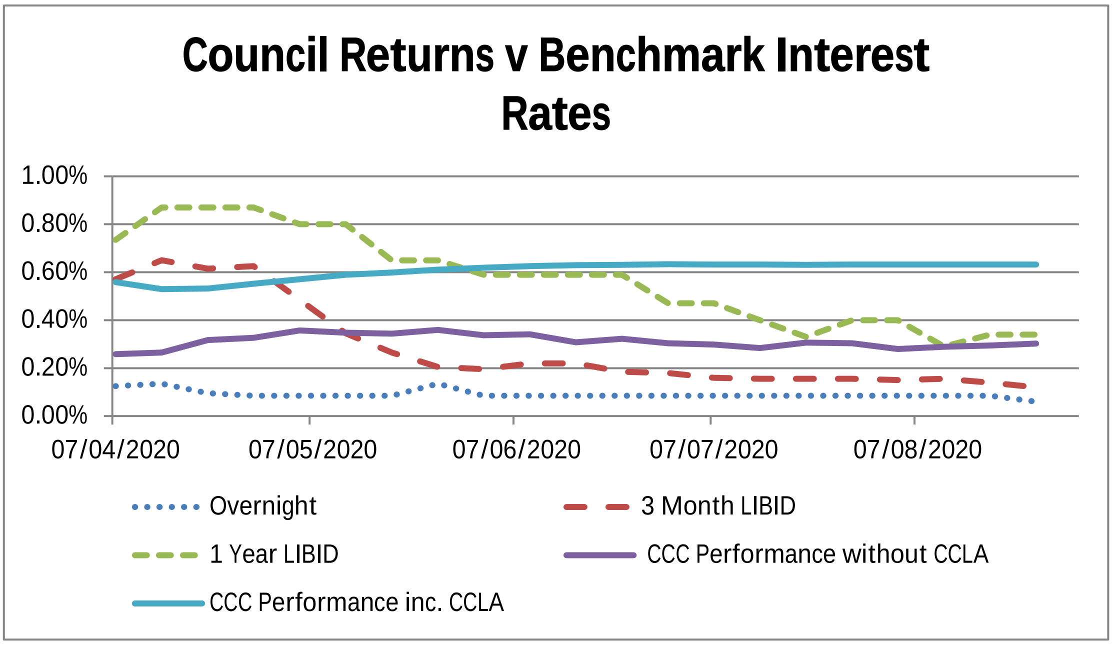
| | **Limit** |
|---|---|
| **Authorised Limit of Borrowing** | **£35m** |
| **Operational Boundary of Borrowing** | **£25m** |

2.5 The impact of Covid 19 has been to reduce significantly customer receipts and business rate income. Some of these losses are to be made good by Government but this complicates the cashflow projections (as it is unclear when Government funding will arrive).
The Council cash balances will fall as the year progresses due to the normal outflow of Council Tax to other precepting bodies and capital programme spend. It is possible but not certain that short-term external borrowing may occur in 2020/21 and during 2021/22 there may be a need for long-term external borrowing. This is not surprising given Full Council has committed to funding capital investment through borrowing and has already funded expenditure by using internal borrowing.
The issues for Treasury Management & Investment Sub-committee will be; is there compliance with the borrowing limits and then is borrowing being undertaken in the most cost-effective manner ?.

3. **Rate of Return**

3.1 The Bank of England Base rate stands at 0.1%. One-month local authority loans are 0.02% and one year 0.28%.

3.2 Money market interest rates have fallen since the beginning of Covid19 outbreak. The Council returns are shown below




3.3 The Council's rate of return in 2020/21 has been heavily distorted by the holding over £30m of Government Business support grants which the Council had to pay out as quickly as possible. The cash was kept in short-notice access accounts and so lowered the overall average rate of return, as shorted-date investments pay less interest. As the money has been spent average returns briefly increased.

3.4 The Council had an average yield on its portfolio of 0.62% at 31st August 2020. This compares to budgeted rate of 1.2%. The rates paid in the money markets are shown in the graph above and are clearly well below the budgeted rate. The Council will not achieve its budget for investment income this year.

3.5 Interest rates could fall further. There has been discussion of negative interest rates where effectively the Council pays the bank (or similar) to hold its cash. This has already occurred for short-term investments at the Deposit Management Office where Local Authorities deposit funds with the Government. In event of negative interest rates the Council would have to hold cash for liquidity purposes so would incur costs. The sole source of investment income would be the CCLA property fund. This is because all of the Council's investments except for the CCLA are linked to money-market rates in some way.

## 4 Investing in External Funds

4.1 The Council within its Treasury Management Strategy has permitted the use of external investment funds (under certain constraints). The Director of Financial Services is authorised to determine if the use of investment funds is appropriate and monitor any use. Currently the Council does use:

- Money Market Funds (MMF), Credit rating for the funds AAA+. The Council uses MMF with same day access to investments. The unit price of these funds is intended to remain constant and would only vary in exceptional circumstances. The funds are highly regulated. These funds invest in short-dated financial instruments and spread their investments thereby limiting exposure to single counter parties. The Council would find it very difficult to manage its liquidity without their use. The current level of returns are under 0.1% per year.

- CCLA Property Fund, Unrated Fund. This investment fund is open only to Local Authority investors. It currently has 250 investors. The fund has 78 properties and £1.15bn value. The Council invested at cost of £5m and its current value is £6.2m. The yield is currently around 4% which reflects the fund is paying lower than the normal income due to Covid-19. Income should be around 4.7%, the lower yield reflects that the fund is collecting around 85% of rent due currently. The fund expects income to recover more fully in 2021/22. Appendix 2 contains more details on the fund and its outlook. Current interest rates and returns suggest that redemption from the fund would create additional annual revenue shortfall in the range of £222k-£265k.

4.2 Though the Council has authorised the use of external investment funds, the Director of Financial Services does not currently expect to make any new investments given the current economic circumstances.

4.3 This review of the Treasury Management operations does include consideration of the continued use, additional use or removal of the use of fund managers from the strategy. Factors that the committee should consider are:

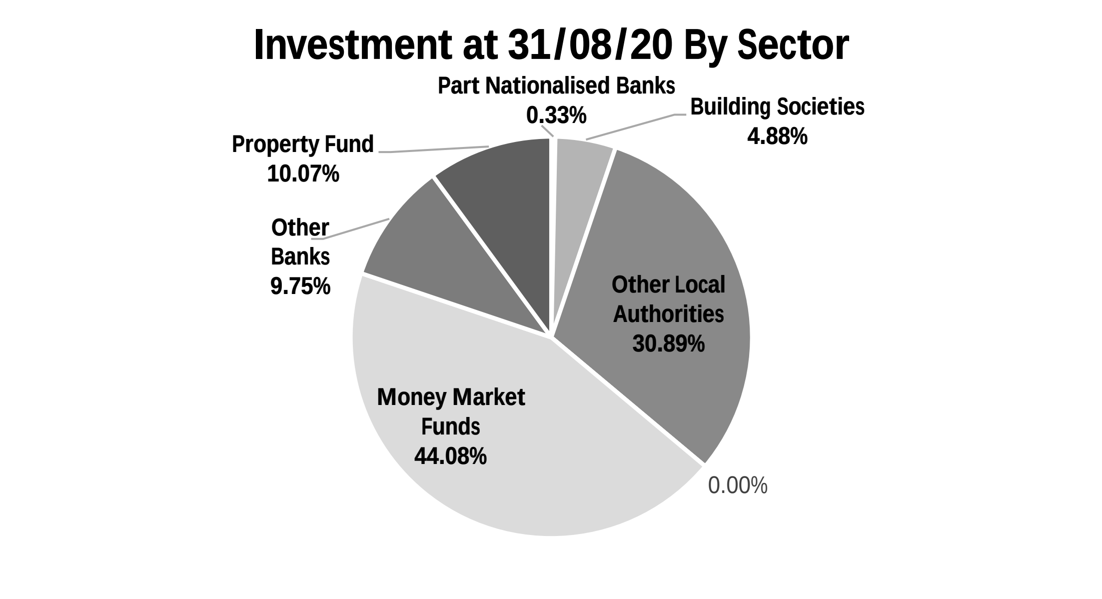
- Fund Managers offer the opportunity to spread risk across a wider number of counter parties and investment assets.
- Fund Managers are experts and bring a wealth of data and skill to selection and management of investments.
- Price volatility and risk of permanent reduction in the value of investments, which could be realised at point of sale. This risk has increased due to potential structural changes accelerated by Covid-19 which lower the future earning potential of Banks' financial instruments, Property and other assets.
- Liquidity Management. The use of external investment funds would actually reduce liquidity as most funds, except MMFs, have to be given advance notice to repay funds. This can be a matter of days or months (CCLA is 90 days). However, the Council can to some extent manage liquidity risk by accessing external borrowing.
- Are Members satisfied with the balance between risk and return?
- The consequences of reducing risk and return. The reduction in treasury risk (return) will come at cost of needing to find savings to balance the overall financial position.

4.4 It is proposed to monitor the CCLA property fund closely but maintain the current level of investment. The loss of income to the revenue budget is greater risk than the potential for loss of long-term capital value. The use of investment funds should be kept as part of the strategy but the Director of Finance does not expect to make any new investments in the current financial year.

## 5.0 Bail-in Risk

5.1 This is the risk that regulators will step in and enforce losses on depositors in order to recapitalise a failing bank or building society, rather than rely on taxpayer bailouts.

5.2 The Council has for the last few years targeted reducing Bail-in Risk but in 2020/21, officers have prioritised keeping investments relatively short in duration, however the overall exposure has not greatly altered as shown below




| Exposure | As at 31st August 2019 | As at 31st August 2019 |
|---|---|---|
| Bail-in risk | 58% | 59% |
| | | |
| Exempt from bail-in (including CCLA) | 42% | 41% |
| **Total** | **100%** | **100%** |

## 6 Conclusion

- No breaches of Treasury Management Strategy occurred
- Interest Rates have fallen and are expected to remain low resulting in projected income being below budget.
- The Council continues to remain internally borrowed to fund its capital investment but may have to undertake external borrowing within the next year.
- Council investments are now focused on short-duration deposits and Money Market Funds (instant access).
- Use of external fund managers for long-term investment has been reviewed and no new investments or disposals are considered appropriate at this time.
- It is proposed that the use of external fund managers for long-term investment is kept as an available option within the Treasury Strategy and that the decisions to use such investments remain within the delegation to the Director of Financial Services.
- No change to Strategy is recommended for 2020/21.

## CCLA (Local Authorities Property Fund (LAPF))

### Background

Investment objective: The Fund aims to provide investors with a high level of income and long-term capital appreciation.

Investment policy: The Fund is an actively managed, diversified portfolio of UK commercial property. It will principally invest in UK commercial properties, but may invest in other assets. The Fund is aimed at local authorities seeking exposure to UK commercial property for their long-term investments

Independent Governance: The trustee is the Local Authorities' Mutual Investment Trust (LAMIT) a body controlled by members and officers appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund.

**Discrete year total return performance**

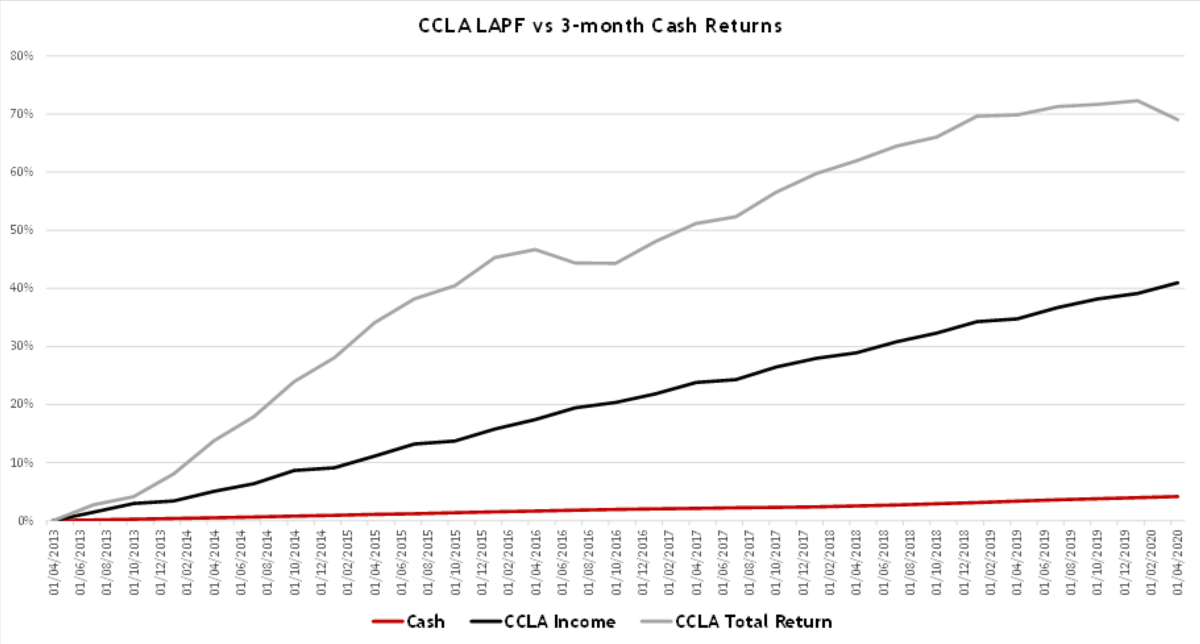
| 12 months to 30 June | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| The Local Authorities' Property Fund | -3.47% | +5.46% | +9.36% | +7.24% | +5.85% |
| Benchmark* | -3.08% | +4.05% | +10.23% | +5.67% | +8.85% |

**Annualised total return performance**

| Performance to 30 June 2020 | 1 year | 3 years | 5 years |
|---|---|---|---|
| The Local Authorities' Property Fund | -3.47% | +3.64% | +4.79% |
| Benchmark | -3.08% | +3.59% | +5.04% |

Net performance shown after management fees and other expenses. Benchmark – MSCI/AREF UK Other Balanced Quarterly Property Fund Index * (estimated for the last quarter). Source: CCLA

The chart below compares the 3 month LIBOR investment to CCLA income and total return over the 7 years.




A comparison: If you had invested the £4,975,125 on 30/04/13 in a three-month cash deposit paying 3-month LIBOR and then rolled this over every three months at the prevailing 3 month LIBOR rate, while reinvesting the income each time, then your cumulative return over the seven years would have been approx. 4.16%. If you had done the same but with 12 month deposits the return would have been 6.76%.

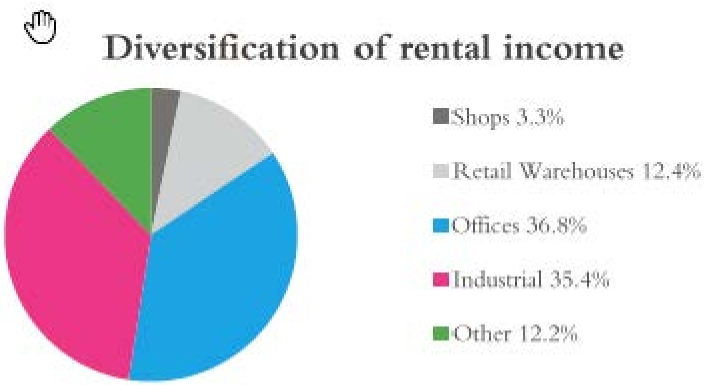
The CCLA over the same time returned a 69% total return but more importantly a 41% income yield.

## Current position

The past performance of the fund is good, much better than cash-based alternatives, however, it does not necessarily provide the best indication of future performance of the fund or similar property funds.

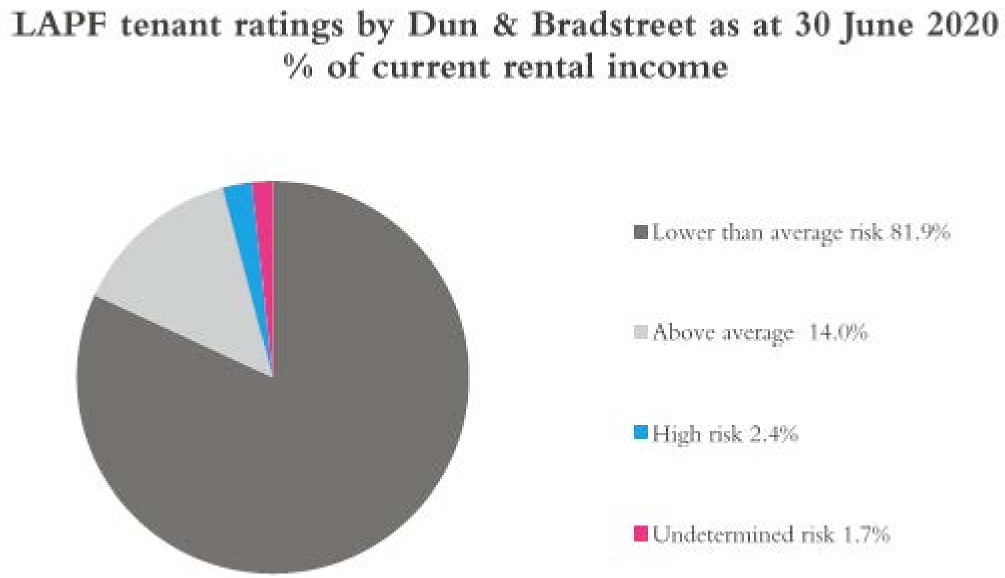
To decide if keeping the investment in place is the best option for the Council, the following points should be considered:

Capital values in the property sector have fallen back but not at an equal rate. The greatest weakness is in retail assets, but hotels also declined and there was pressure too on some offices. In contrast, industrials remained resilient. The market for property did show signs of improvement in June and July according to CCLA. The CCLA fund does have the advantage of being focused on the more resilient types of property, as shown below.

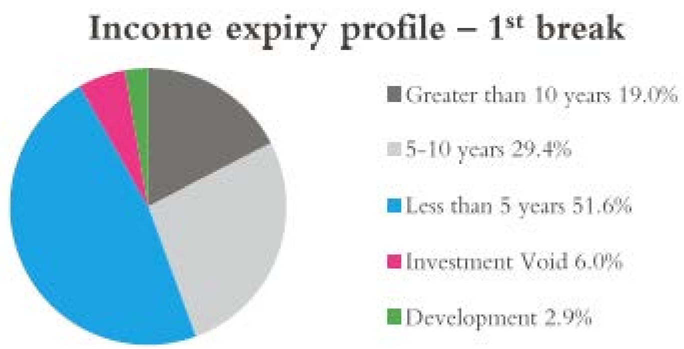


Though diversification of the fund looks successful, structural changes in the UK economy, such as increased home-working could still result in higher long-term voids, lower income and lower capital values. Structural changes are perhaps the largest risk to the CCLA's future returns.

The collection of rent from existing tenants has been good considering the circumstances and for the September rental billing period collection will be close to 100% of what was expected. Analysis of the fund's tenants' credit strength is favourable as shown in the next chart (source CCLA):




Another risk to any property fund's future returns is the managing of lease expiries. The strength of the CCLA management has been the ability to turn these expiries into opportunities to increase rents or re-develop sites for profit. The CCLA approach has been to acquire properties with short leases and optimise renewal or development opportunities. This strength may however be a weakness if it is considered property has simply become a less attractive asset due to the structural economic changes. A profile of the fund's lease expiries is below (source CCLA), showing over 50% of leases expire in 5 years or less



The managers of the CCLA property fund believe that the short lease-life profile is still a considerable strength given the options available to redevelop many sites or re-let them at higher rents.

The CCLA is also rolling out ‘green leases’ to encourage responsible environmental management of energy and water by tenants.

The fund was ‘gated’ meaning investors could not request redemptions during the lockdown but from September investors can withdraw funds. At the time of writing no Council has sought to sell down their investments. The fund now has a 90-day notice period for redemption in line with Government regulations for property funds.

**Conclusion**

Officers believe given the Council’s income could be down by nearly £13m in 2020/21, that the fund offers much needed income at 4 to 4.7% compared to cash deposit rates of 0.02 to 0.3%. The risk of capital volatility or permanent loss is the lesser risk.