

## **Appendix 4**

This appendix seeks to set out an investment strategy for the Common Good Fund, and addresses two areas:

1. Tenanted Non Residential Properties
2. Funds received on disposal of assets

### **1. Tenanted Non Residential Properties Investment Strategy**

An investment strategy with regard to Common Good properties has been included within the Council's Property Asset Management Plan, which was approved at Finance & Resources Committee on 4<sup>th</sup> October 2012.

Primarily, the recommendation is for the Council to retain and actively manage the assets contained within the Common Good portfolio, thus generating revenue income.

Income targets have been set for the next 3 years and are as follows:

Financial Year	Rental Income Target
2012/13	£2,654,216
2013/14	£2,710,063
2014/15	£2,715,163

The Common Good properties are classed as Tenanted Non-Residential Properties (TNRP) and form part of the ongoing TNRP review which is due to be completed by December 2013. This means that all assets will have been reviewed and provides the council with a base position and clear direction for all asset types.

## **2. Funds received on disposal of assets**

If the Council wished to dispose of land or assets held by the Common Good fund, then they are bound by Section 75 of the Local Government (Scotland) Act 1973 which states that they shall not dispose of land 'for consideration less than the best that can reasonably be obtained'.

As an example, the Common Good Fund could dispose of an asset for £11 million.

This receipt could then be split to provide:

- a) A renewals fund; and
- b) A capital receipts investment fund.

The purpose of renewals fund would be to enhance assets or provide investment to maximise future returns. In this example, the value of the renewals fund would be in the order of £1 million.

The capital receipts investment fund would be the balance of the monies – in this example £10 million – and would be placed on deposit with the Council at 0.5% below PWLB borrowing rates, thereby providing a higher return for the Common Good fund than it would currently get but also incentivising the Council to borrow from a source other than the PWLB.

Based on the above it is therefore recommended that should any substantial receipt be achieved then a renewals fund and a capital receipts investment fund be established.