

Commercial Investment Strategy Indicators

The Treasury Management Strategy for 2018/19 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 St Neots Leisure Centre loan start in 2019/20, hence we are unable to determine its 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 Little End Road at 6.6%.

3. Loan to value ratio

This ratio determines the amount of total debt compared to the total value of the underlying property asset. Fareham and St Neots Leisure Park are currently the only CIS assets where a PWLB loan was partly used to acquire it.

	Purchase Cost	Income	Interest Cover Ratio	Return on Purchase Cost %	Loan to Value
	£000	£000			%
				Para. 14	Para. 15
2015-16 Purchases					
CCLA Property Shares	2,500	(112)	n/a	4.5	n/a
Unit 3 Stonehill, Huntingdon	1,358	(125)	n/a	9.2	n/a
2016-17 Purchases					
CCLA Property Shares	1,500	(68)	n/a	4.5	n/a
Wilbury Way, Hitchin	2,313	(175)	n/a	7.6	n/a
Shawlands Retail Park, Sudbury	6,890	(483)	n/a	7.0	n/a
2017-18 Purchases					
1400 & 1500 Parkway, Fareham	5,747	(420)	3.0	7.3	92.2
2018-19 Purchases					
Little End Road, St Neots	3,254	(215)	n/a	6.6	n/a
St Neots Leisure Park	7,926	(547)	n/a	6.9	92.0
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					