

## Investment Activities

The council invests for three broad purposes:

- because it has surplus cash as a result of the reserves it holds and its day-to-day activities such as when income is received in advance of expenditure (known as **treasury management investments** – further detail including associated limits and indicators is reported in CAB3538);
- to support local public services by undertaking regeneration projects, by lending to, and by buying shares in other organisations (**service investments**); and
- to earn investment income (**commercial investments**).

### Service Investments: Loans

**Contribution:** The council considers lending money to its subsidiaries, housing associations, and other entities to support local public services and stimulate local economic growth. The council currently has outstanding loans with Housing Associations which help to meet its objective of providing affordable housing and preventing homelessness. It has no subsidiaries currently but is setting up a wholly owned Housing Company.

**Security:** 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 council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2025 actual			2026/27
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	-	-	-	1m
Housing associations	0.09m	0.05m	0.04m	1m
Other entities*	-	-	-	1m
<b>TOTAL</b>	<b>0.09m</b>	<b>0.05m</b>	<b>0.04m</b>	<b>3m</b>

\*loans to other entities will be considered on a case-by-case basis by the Treasury Investment Group (TIG). Further information on TIG is provided in CAB3538

Accounting standards require the council to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the council's statement of accounts are shown net of this loss allowance. However, the council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments. Included in loans to housing associations are £35,000 of loans which have an allowance of the full amount; these loans are in respect of asset purchases for the provision of temporary accommodation to prevent homelessness and are only repayable in the event the asset is sold or its use changes.

**Risk assessment:** The council assesses the risk of loss before entering into and whilst holding service loans by considering any loans on a case-by-case basis. This includes, where appropriate, completion of a business case, assessing the purpose of the loan, the entity to which the loan is made, the use of credit ratings, and the procurement of external advice.

### **Service Investments: Shares**

The council does not actively consider the purchase of direct shares for Treasury Management purposes. It has, however, set up Venta Living, a wholly owned subsidiary in which the council holds £150,000 in shares.

### **Commercial Investments: Property**

**Contribution:** The council owns an investment property portfolio (assets held solely for rental income or capital appreciation) which was valued at £68.7m as at 31 March 2025 and generated gross income of £4.2m and net income after costs of £2.7m in 2024/25. This income helps contribute to the Council Strategy priorities.

In 2025/26 the council has disposed of 3 investment properties (as at 31 December 2025) for a total of £0.9m. Two properties were part of the partnered home purchase scheme (PHP), in which homebuyers could purchase shares of properties in the private market, when homeowners decided to purchase the remaining shares owned by the council. The third property was 27 Eastgate Street.

Table 2: Property held for investment purposes in £ millions

<b>1 April 2024</b>	<b>69.7</b>
Acquisitions	0.0
Enhancements	0.0
Disposals	(0.2)
Gains/(losses) in fair value	(0.6)
Transfers (to)/from PPE (operational assets)*	(0.2)
<b>31 March 2025</b>	<b>68.7</b>
<b>Budgeted</b>	
Acquisitions	0.0
Enhancements	0.0
Disposals	(0.9)
Gains/(losses) in fair value**	-
Transfers (to)/from PPE (operational assets)*	0.0
<b>31 March 2026</b>	<b>67.8</b>

\*an investment property is held for rental income and/or capital appreciation; when the continued purpose of holding the asset changes to meeting a service objective it is transferred to Property Plant & Equipment or vice versa

\*\*valuations are carried out at the balance sheet date and so it is not possible to forecast future changes in fair value

The Council has a mixed investment property portfolio with the largest single element being in the retail sector. This is primarily due to historic holdings on Winchester's High Street with some assets being held by the Council and its predecessor organisations for over a hundred years.

Table 3: Investment properties by type

As at 31 March 2025	Retail	Offices	Industrial	Residential / Garages	Other	Total
Value £000s	26,631	9,805	7,136	24,177	986	<b>68,735</b>

**Security:** Investment property values are subject to fluctuation and so, in some years, the Council may make a loss in fair value. However, the Council is not reliant on capital receipts from the sale of its investment property assets and so any short- or medium-term loss is unrealised.

**Risk assessment:** The Council generates significant income from its portfolio and, in order to ensure continued revenue streams, the portfolio is kept under rolling review as part of the Asset Challenge programme and, where appropriate, assets

are identified for sale. The Council does not plan to purchase new investment properties. It has, however, used prudential borrowing (also known as Capital Financing Requirement (CFR)) to undertake the refurbishment of property in its existing portfolio to enable it to continue to generate rental income. When any such refurbishment is planned, it is subject to a business case and approval in accordance with the governance arrangements outlined in the Capital Strategy. As at 31 March 2025, the Council had £10.2m of CFR in relation to investment properties.

**Liquidity:** 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. The Council is not reliant on the sale of investment property for short-term liquidity purposes.

### **Proportionality**

The income the Council generates from its investment activities helps it deliver its objectives. The table below details the proportion of investment income as a proportion of gross service expenditure (which includes one-offs). In order to set the budget and include realistic forecasts in the Medium-Term Financial Plan, prudent estimates of Treasury Management income are included which reflect forecast capital expenditure and reserve balances, and the Council's investment property portfolio is actively managed as detailed elsewhere in the Capital Strategy.

*Table 4: Proportionality of Investments*

	2024/25 Actual £000	2025/26 Forecast £000	2026/27 Budget £000	2027/28 Budget £000	2028/29 Budget £000
Gross service expenditure	38,997	44,915	47,108	47,406	43,862
Investment income*	5,077	3,709	3,498	3,449	3,149
Proportion	13.0%	8.3%	7.4%	7.3%	7.2%

*\*Investment income includes income from treasury investments and investment properties.*

### **Investment Indicators**

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.

**Total risk exposure:** The first indicator shows the Authority's total investments and therefore its exposure to potential investment losses. The Council seeks to minimise

its risk of loss and how it achieves this is detailed in the Capital Investment Strategy and the Treasury Management Strategy (CAB3538).

*Table 5: Total investment exposure in £millions*

Total investment exposure	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast
Treasury management investments	16.2m	10.0m	10.0m
Service investments: Loans	0.1m	0.1m	0.1m
Service investments: Shares	0.2m	0.2m	0.2m
Commercial investments: Property	68.7m	67.8m	68.0m
<b>TOTAL EXPOSURE</b>	<b>85.2m</b>	<b>78.1m</b>	<b>78.3m</b>

**How investments are funded:** The following table details which investments are funded by external borrowing. The Council's borrowing need (known as its Capital Financing Requirement or CFR) reflects capital expenditure that hasn't been financed from other sources – CFR increases with additional unfinanced capital expenditure and reduces with annual provisions from revenue (known as Minimum Revenue Provision or MRP) over the life of each asset. The Council is able to internally borrow a proportion of its borrowing need due, for example, to the usable reserves it holds, and income received in advance, but will borrow externally when its need exceeds cash balances available. External borrowing in the forecast period is expected to be HRA related and not in respect of the investment types below.

*Table 6: Investments funded by external borrowing in £millions*

Investments funded by external borrowing	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast
Treasury management investments	0.0m	0.0m	0.0m
Service investments: Loans	0.0m	0.0m	0.0m
Service investments: Shares	0.0m	0.0m	0.0m
Commercial investments: Property	0.0m	0.0m	0.0m
<b>TOTAL FUNDED BY EXTERNAL BORROWING</b>	<b>0.0m</b>	<b>0.0m</b>	<b>0.0m</b>

**Rate of return received (%):** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a

proportion of the sum invested. 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.

Table 7: Investment rate of return (net of costs) %

Investments net rate of return	2024/25 Actual	2025/26 Forecast	2026/27 Forecast
Treasury management investments	4.7%	4.0%	3.5%
Service investments: Loans	0.0%	0.0%	0.0%
Service investments: Shares	0.0%	0.0%	0.0%
Commercial investments: Property	3.9%	3.3%	3.4%
<b>ALL INVESTMENTS*</b>	4.0%	3.4%	3.4%

\*weighted average return

**Capital financing requirement (CFR) to total fixed assets value:** Capital Financing requirement represents the total borrowing need of the Council. This indicator shows the CFR as a percentage of total fixed assets and forecasts assume the full delivery of the capital programme. The Council is able to internally borrow an element of its need and actual external borrowing stood at £154.5m at 31 March 2025. Further detail on borrowing is included in the Treasury Management Strategy (CAB3538)

Table 8: Capital Financing Requirement to total fixed assets value

Capital Financing Requirement to total fixed assets value	2024/25 Actual	2025/26 Forecast*	2026/27 Forecast*
General Fund - total fixed assets (£m)	205.4	210.3	218.2
<b>Outstanding CFR (%)</b>	34.3%	33.0%	33.2%
Housing Revenue Account - total fixed assets (£m)	592.3	605.6	621.5
<b>Outstanding CFR (%)</b>	35.9%	35.1%	34.2%

\*excludes future changes in valuation