



THE INVESTMENT STRATEGY (NON-TREASURY) for 2026/27

1 Background Information

- 1.1 For this strategy, “Investment” means all financial assets and also non-financial assets held primarily to generate income.
- 1.2 This Investment Strategy is produced in accordance with HM Treasury guidance on local government investments and the Prudential Code which requires the production of an Annual Investment Strategy for non-treasury management investments to include risk indicators allowing the level of risk to be assessed.
- 1.3 The council’s Investment Strategy is undertaken within the following context:
 - The level of the council’s non-treasury investments, has for some time, been one of the highest of all district authorities.
 - The income generated from non-treasury investments is significant to the council and supports the cost of services.
- 1.4 The council invests its money for three purposes:
 - Because it has surplus cash from its day-to-day activities or cash that it holds pending the council’s spending plans (known as treasury management investments).
 - To support local public services by lending to other organisations (known as service-based investments).
 - To earn investment income (known as commercial investments where this is the main purpose).
- 1.5 The council’s treasury management investments are detailed in the council’s Treasury Management Strategy and are therefore not covered in this strategy.

2 Total Non-Treasury Investment Exposure

- 2.1 The council's total exposure to non-treasury investments is estimated to be £334M as at 31/03/2026 and is forecast to fluctuate during the MTFS period to 2029/30 as set out below in table 1:

Table 1 – Non-Treasury Investments

	Estimate 31/03/2026 £M	Estimate 31/03/2027 £M	Estimate 31/03/2028 £M	Estimate 31/03/2029 £M	Estimate 31/03/2030 £M
Investment Property					
Existing Investment Property	292.66	292.66	292.66	292.66	292.66
Property Investment Strategy	9.44	11.66	13.51	13.61	13.71
Service Based Investments					
Manydown Loan Notes	28.46	28.13	28.04	27.79	29.51
Service Based Loans	3.03	2.88	2.82	2.67	2.55
	333.59	335.33	337.03	336.73	338.43

- 2.2 The government guidance requires the council to indicate how the investments are funded, although local authorities do not normally associate individual sources of funding to specific investments. None of the above investments have been funded from external borrowing whilst internal resources, primarily from capital receipts, have represented the key source of financing these investments.
- 2.3 The Prudential Code cites amounts of non-treasury investments and the financing of these as a key indicator of the level of risk a council is taking because borrowing to invest is deemed to be extremely high risk to a council's resources, budgets and continuing service delivery. As noted in section 13 of the Capital Investment Strategy, the holding of commercial properties by councils is now actively discouraged, with restrictions put in place accessing PWLB borrowing for this purpose, and by the explicit provisions of CIPFA's Prudential Code which prohibit borrowing primarily for income yield.
- 2.4 This council builds into its contracts for the letting of properties protection mechanisms to limit the risk of losses that may otherwise arise from properties becoming vacated. In addition, due diligence is applied to the process of bringing in new tenants to ensure they are financially stable.
- 2.5 In relation to service-based loans, the potential for credit losses is assessed annually in accordance with IFRS 9. However, given the nature of these loans and the security provided by associated property and assets, the scope for credit loss is considered immaterial.

3 Expected Rates of Return Indicator

3.1 This indicator shows the investment income receivable as a proportion of the sum invested for the non-treasury investments and can be seen in table 2.

Table 2 – Average Returns on Non-Treasury Investments

	2024/25 Actual %	2025/26 Forecast %	2026/27 Forecast %
Investment Property			
Existing Investment Property (excl. land at Manydown)	6.57%	6.61%	6.85%
Property Investment Strategy *	7.52%	8.70%	8.75%
*The expected level of return is between 4 & 7% (blended average 5.5%)			
Service Based Investments			
Manydown Loan Notes	11.59%	7.15%	7.89%
Service-Based Loans	0.00%	0.00%	0.00%

3.2 The reduction in respect of the Manydown loan notes reflects the composition of loan arrangements and terms following the land acquisition which took place during 2024/25.

3.3 The returns above do not include valuation gains and losses.

4 Investment Property

4.1 The council has a substantial Investment Property Portfolio valued at over £300M in the previous financial year's accounts (Balance Sheet date as at 31 March 2025). A summary of the portfolio is shown in table 3, below.

Table 3 – Investment Property Portfolio

Investment Property	Value 31/03/2025 £M
Daneshill Industrial Estate	66.59
Houndsmill Industrial Estate	47.23
Viables	46.75
Basing View	43.61
Winchester Road	3.48
Lister Road	5.15
Property Investment Strategy Acquisitions	9.44
Manydown Land	12.30
The Malls	11.00
Festival Place	8.15
West Ham Leisure Park	5.97
St Andrews Medical Centre	4.12
Other Investment Property	38.31
	302.10

- 4.2 For the council's historically long-held investment properties within its portfolio it is not possible to identify the initial sums invested. Therefore, a reliable indication of the actual returns from these properties is not available. As a proxy, it is possible to calculate a simple return based on the value of the properties in the balance sheet and the income generated and this is shown in table 2.
- 4.3 Due to the size of its commercial property holdings, Basingstoke and Deane has a vastly different property portfolio compared to most other councils. For this reason, the council resources a dedicated Property Services function. The service is responsible for property management and strategy, property services and property investment, providing governance support, a regular reporting mechanism for Members of the council and updates to the council's Strategic Asset Management Plan. Given the non-liquid nature of commercial properties, the substantial input is afforded to the council's Strategic Asset Management Plan to ensure that the council's assets remain sustainable and fit for purpose.
- 4.4 Appropriate specialist independent external professional advice is also provided to the council in making complex property decisions. Jones Lang La Salle (JLL) were appointed for this by the council in September 2020 as its property advisors.
- 4.5 The delivery of professional valuations, additional advice and feedback on the council's property assets is provided by Montagu Evans LLP. This brings additional resilience, flexibility and expertise to the management of the council's property portfolio.

Property Investment Strategy 2026/27 to 2028/29

- 4.6 The Strategic Asset Management Plan for 2026/27 to 2028/29, to be approved by Council in February 2026, builds on the work of the previous plan, continuing the active asset management of the portfolio.
- 4.7 The Property Investment Strategy, forms part of the Strategic Asset Management Plan 2026/27 to 2028/29. Whilst the overall aim of this strategy is to maintain the current overall level of property investment, the council, assisted by its property advisors (JLL), has identified a number of opportunities to generate improved long-term sustainable revenue by both working its existing capital asset base (for example through disposals or re-gearing of leases) or by making new property investments from the capital sums generated by the former activity. In addition, funds may be directed toward enhancing the longevity and economic life of existing investment properties, and facilitating regeneration projects that unlock development opportunities, safeguard or enhance land values, promote land sales, and deliver longer term financial yields and measurable social value. This approach ensures receipts remain safeguarding reinvestment for growth and community.

- 4.8 The core aims and objectives of the SAMP will be to achieve one or more of the following objectives:
- Generate improved sustainable revenue streams
 - Diversify the existing asset base to reduce volatility and position for growth
 - Modernise the estate and improve lot size
 - Enhance the overall sustainability credentials of the portfolio towards net zero carbon
 - Stimulate economic regeneration within the Basingstoke area.
- 4.9 With financial return being the main objective, the council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include vacancies, loss of capital value and increasing maintenance costs. The council strikes a balance between security, liquidity and yield based on the contribution the investments make and the council's risk appetite.
- 4.10 The target returns (%) and gross income (£) from these investments are government recommended indicators and are monitored and reported throughout the year along with any costs associated with the investments (currently none) and the net income. The returns from future property investments is expected to be in the range of 4 – 7% with a blended return of 5.5%.
- 4.11 When looking at the security of capital for property investments, MHCLG guidance requires the council to look at the fair value of the property and as long as the value does not fall below the price paid for the property then it is deemed to be secure.
- 4.12 Compared with other investment types, property is comparatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. The council has accepted this liquidity risk because it keeps considerable cash investments, that are highly liquid, within its treasury management investments, to ensure that it can access sums when needed.
- 4.13 Further details on how the risks are managed and the process for ensuring effective due diligence for these investments can be found in the Strategic Asset Management Plan and Annual Property Plan 2026/27 to 2028/29.
- 4.14 The government recommends that benchmarking is undertaken for commercial investments against other Councils and other types of investment. This activity is undertaken by the council's property advisers, JLL. In terms of the governance arrangements for these investments, these are detailed in the Strategic Asset Management Plan 2026/27 to 2028/29 which includes the Property Investment Strategy (PIS), and in the Annual Property Plan (APP). The approved strategy sets out the criteria, and limits on this type of investment and officers are required to operate within these criteria and limits.

- 4.15 Decisions on commercial investments are made by the Director of Regeneration, after consultation with the Chief Finance Officer (S151 Officer) and the Co-Leader and Cabinet Member for Finance and Property, within the limits and criteria set out in the PIS and APP.
- 4.16 Property and most other commercial investments are deemed to be capital expenditure and therefore will also be approved as part of the capital programme.
- 4.17 Half yearly monitoring reports on property investment activity under the Annual Property Plan are presented to the Audit and Accounts Committee.

5 Service Based Loans

- 5.1 The council has a number of loans that it has made for operational purposes to other organisations and individuals. The main loans are £2.30M lent to Sentinel Housing Association (now Vivid Housing Association) as part of an existing house purchase scheme linked to homelessness prevention and £5.05M lent to SERCO (estimated balance outstanding of £0.31M as at 31 March 2026) as part of the arrangements for the waste management service.
- 5.2 The contribution these loans make relate to the direct provision of Council priority services and this is taken into consideration when assessing the risks involved with making these types of loan.
- 5.3 The council's total exposure to this type of loan is forecast to be £3.03M as at 31 March 2026 and all of these loans have been capitalised and have been funded from the council's own resources.
- 5.4 The council makes an annual assessment for expected credit losses in accordance with IFRS 9. In nearly all cases with service-based loans the council has a claim on the underlying assets should the organisation default on the loan, which mean that there is no requirement to set aside allowances for expected credit losses.

6 Investment Performance Monitoring and Reporting

- 6.1 The council has delegated responsibility for the monitoring and scrutiny of its investment strategies and activity to the Audit and Accounts Committee.
- 6.2 The execution and administration of the Property Investment Strategy is delegated to the Director of Regeneration.
- 6.3 Performance of the Council's Property Investment Strategy and associated investments are scrutinised half yearly by the Audit and Accounts Committee and by Cabinet.
- 6.4 Performance of the council's investment property portfolio is reported half yearly to the Audit and Accounts Committee and the income from investment property is monitored and reported as part of the council's revenue budget monitoring.
- 6.5 There is currently no formal monitoring and reporting of the service-based investments.

7 Capacity, Knowledge, Skills and Culture

- 7.1 The council employs professionally qualified and experienced staff in senior positions with responsibility for making commercial and service-based investment decisions.
- 7.2 Prior to all major investments the council will seek independent advice from external advisors and consultants that are specialists in their field as necessary. This approach ensures that the council has access to knowledge and skill commensurate with its risk appetite.
- 7.3 For property investments the council currently uses Jones Lang LaSalle (JLL).
- 7.4 In addition, the council ensures that its members are suitably experienced to undertake the governance responsibilities commensurate to their roles by providing training opportunities (internally and externally provided) and access to workshops either within the council or with its local government partners. Mandatory training sessions are held for members throughout the year, for example, Code of Conduct training and training for the Audit and Accounts Committee.