ANNEX 2

HGP PORTFOLIO: OPTIONS CONSIDERED, AND REJECTED

Additional Investment

- To deliver a meaningful uplift in revenue, additional investment would need to be on a large scale; say £300m+. Focusing on managing the outputs of the Asset and Place Strategy offers a higher value opportunity, and will consume less capital than this option.
- With an overall portfolio of, say £750m, the Council would be exposed to high levels of financial risk for only small percentage movements in the value of the underlying assets: e.g. a 1% reduction in asset values would more than eliminate a full year of revenue.
- It is doubtful that there would be an available supply of the required quality of assets at a price/yield which would meet the Council's requirements – even if it chose to invest further.
- Scarce Council property expertise would be diverted from addressing the higher value opportunities available in its wider non-investment property estate.

Divest

- Income of £5m pa would be lost.
- Although almost all of the investments are performing in line with expectations, because of the historic treatment of acquisition costs (i.e. to capitalise them) many investments are held at a value below their initial total cost. To sell now would crystallise losses which could probably be avoided in the medium term.
- Current market conditions in a number of sectors (and especially retail parks/high street retail) do not favour large scale disposals. This is not to say that the market may not weaken further before strengthening – but the Council is well placed to hold assets until that happens. It is not currently – nor likely to be – in a financial position which demands disposals.