

# Public Document Pack

**INVESTMENT BOARD held at COUNCIL CHAMBER - COUNCIL OFFICES,  
LONDON ROAD, SAFFRON WALDEN, CB11 4ER, on WEDNESDAY, 23  
OCTOBER 2019 at 4.00 pm**

Present: Councillors G Bagnall, P Fairhurst, N Hargreaves, A Khan,  
P Lavelle, G LeCount, J Lodge, R Pavitt, N Reeve, G Sell and  
J De Vries

Officers in attendance: A Bochel (Democratic Services Officer), A Webb (Director -  
Finance and Corporate Services) and N Wittman (Assistant  
Director - ICT and Facilities)

Also present: Councillors A Dean, A Gerard and B Light  
D Brett

## IB1 **ELECTION OF A CHAIR**

AGREED to appoint Councillor Lodge as the Chair of the  
Investment Board for the meeting on 23 October 2019.

## IB2 **PUBLIC SPEAKING**

Daniel Brett spoke to the Investment Board. A summary of his statement is  
appended to these minutes.

In response to this statement, Councillor Lodge said there would be some  
escalation in rates, but it would not be by 100 points. Councils cannot borrow to  
invest in equities. The Investment Protocol included in the agenda pack was an  
exemplar document and was not the Council's own strategy.

## IB3 **APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillor Criscione.

## IB4 **ACTIONS FROM THE LAST MEETING**

Members noted the actions from the previous meeting. Some actions would be  
discussed later in the agenda.

## IB5 **TERMS OF REFERENCE**

Members discussed whether to include the terms of reference of the Investment  
Board in the Commercial Strategy. The terms of reference would need to be  
approved by Cabinet, as would any changes, while changes to the Commercial  
Strategy would need to be approved by Council.

Members noted it was important for the terms of reference to include the Board's status, purpose and outcomes, and how governance would be implemented and monitored.

Councillor Dean said he was concerned that the terms of reference only required a quorum of 7 out of its twelve members. His preference would be for a quorum of 5 or 6 out of a board of 7 members.

Councillor Light said the Board was exclusively male and while she respected the talent on the Board, it would be positive for it to be more diverse.

## **IB6 PURBECK HOUSE**

The Director – Finance and Corporate Services said the purchase of Purbeck House was progressing. A company had been set up, a bank account was in the process of being set up, and lawyers were currently completing due diligence. Everything was on track to finish by early November. A decision needed to be made about whether the third executive director would be a councillor.

In response to a Member question, the Director – Finance and Corporate Services said the capacity of officers was a challenge and would need to be addressed by the Chief Executive at some point.

In response to a Member question, the Director – Finance and Corporate Services said the Council had a risk register and its companies had a separate risk register. The minutes of the Aspire Board were sent to Cabinet, but officers could look to expand the distribution list.

## **IB7 IMPLICATIONS OF THE PWLB 1% RATE INCREASE**

The Director – Finance and Corporate Services summarised the effect of the decision by the PWLB to announce a 1% rise in the cost of new borrowing with immediate effect. Whilst the decision would have a material impact on the income from new investments, it actually opened up a new funding stream as since the announcement, the Council had been approached by a number of brokers offering to undercut PWLB rates by 20 to 40 basis points (0.2% - 0.4%) depending upon the term and risk. The Council had expressed interest with the brokers.

In response to a Member question, the Director – Finance and Corporate Services said when the Council took out a loan with Phoenix, the tenders were whittled down through interviews with the Executive Directors and the Portfolio Holder – Finance and Administration.

In response to a Member question, the Director – Finance and Corporate Services said the Board would be able to scrutinise the tender process to ensure they were content with the outcome before making recommendations to Cabinet.

**IB8 COMMERCIAL STRATEGY**

The Director – Finance and Corporate Services gave a summary of the report which brought forward possible revisions to the strategy. The purpose of the strategy was to identify a shortfall in the Medium Term Financial Strategy and find a way to deal with this shortfall.

Members noted the importance of a strategy which could be easily communicated to and understood by the public.

Members discussed whether there would be a benefit to a Member holding a position as a director of the Aspire companies.

AGREED to Officers being the Executive Directors of the wholly owned companies and for named Councillors to have nominated observer status at the board meetings of the Aspire companies.

Councillor Sell said the Board ought to consider the option of working with other councils on investments.

**IB9 INVESTMENT PROTOCOL**

The Director – Finance and Corporate Services said the Investment Protocol that had been included in the agenda pack was an example protocol. He would need to do further work on this and bring it back to the next meeting.

**IB10 DATE OF THE NEXT MEETING**

It was agreed to fix a time for the next meeting at a future date.

**IB11 EXCLUSION OF PUBLIC AND PRESS**

RESOLVED to exclude the public and press for the following items on the grounds that they contained exempt information within the meaning of s.1 etc

**IB12 INVESTMENT OPPORTUNITY 1**

The Director – Finance and Corporate Services gave a summary of the report. He said he would be in touch with the company by Friday 1 November with a proposal. The offer was currently off-book, so had not been offered to anyone else.

In response to a Member question, the Director – Finance and Corporate Services said the Council was being offered the opportunity because it would be a long term investor and add value to the business.

The Committee noted the opportunity.

IB13 **INVESTMENT OPPORTUNITY 2**

The Director – Finance and Corporate Services summarised the report. He said the opportunity was off-book.

In response to a Member question, the Director – Finance and Corporate Services said the cost of due diligence on the opportunity would be roughly £10,000 - £15,000.

The Committee noted the opportunity.

The meeting ended at 6.00pm.

# Minute Item 2

Daniel Brett spoke on the Treasury's decision to increase Public Works Loan Board interest rates. He said this should give the Council pause for thought over whether it should maintain this model of investment strategy. While the PWLB rates still offered good value to local authorities, the recent hike should warn the Council that they may increase in the future. Alternatives were increasing the lending rate to its subsidiaries by a similar amount or raising capital by selling equity in Aspire CRP.

While it was good that the Council has recognised the need to diversify the portfolio outside this district, the planned asset allocation was exclusively oriented to one asset class: real estate. This was not responsible. UDC should consider allocations to equities – possibly balanced by investment in lower risk securities – as well as a broader range of alternative assets in order to get the best return for the district.

Such a strategy needed greater agility than a working group can offer and professional expertise that Council officers did not possess. It was necessary to give responsibility to professional asset managers.

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