



Uttlesford District Council

Chief Executive: Dawn French

Investment Board

Date: Tuesday, 18th August, 2020

Time: 5.00 pm

Venue: Zoom

Chairman: TBD

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

Independent

Members: C Crick and R White

AGENDA PART 1

1 Election of a Chair

To elect a Chair of the Investment Board.

2 Apologies for Absence and Declarations of Interest

To receive any apologies for absence and declarations of interest.

3 Minutes of the previous meeting

4 - 9

To consider the minutes of the previous meeting.

4 Exclusion of public and press

Consideration of reports containing exempt information within the meaning of section 100I and paragraph 3 part 1 Schedule 12A Local Government Act 1972.

PART 2

Exclusion of Public and Press

5	Investment Opportunity 11	10 - 20
	To consider Investment Opportunity 11.	
6	Credit Rating and Funding	21 - 22
	To receive an update on credit rating and funding.	
7	Quarterly Meeting - Market information and valuation	23 - 24
	To receive an update on market information and valuation.	
8	Update on Approved Acquisitions	25 - 28
	To receive an update on approved acquisitions.	

For information about this meeting please contact Democratic Services

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Agenda Item 3

INVESTMENT BOARD held at ZOOM on THURSDAY, 11 JUNE 2020 at 2.00 pm

Present: Councillor J Lodge (Chair)
Councillors G Bagnall, C Criscione, N Hargreaves, A Khan,
P Lavelle, G LeCount, R Pavitt, N Reeve, G Sell and J De Vries

Indep. Members: C Crick and R White

Officers in attendance: D French (Chief Executive), C Gibson (Democratic Services Officer), A Webb (Director - Finance and Corporate Services) and N Wittman (Assistant Director - ICT and Facilities).

IB1 ELECTION OF A CHAIR

Councillor Lodge said that the intention remained that an Independent Member would at some point take over as Investment Board Chair. In the meantime nominations were invited for Chair of this meeting.

AGREED to appoint Councillor Lodge as the Chair of the Investment Board.

IB2 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

There were no apologies for absence. Councillor Criscione declared that one of the companies detailed in Agenda Item 7 was a competitor of his employer.

IB3 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 27 February 2020 were approved and would be signed by the Chair as a correct record at the next opportunity.

IB4 INTRODUCTION OF THE TWO INDEPENDENT MEMBERS

The two Independent Members of the Investment Board were introduced together with all parties present.

IB5 EXCLUSION OF PUBLIC AND PRESS

AGREED that under section 1001 of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 part 1 of Schedule 12A of the Act.

IB6

UPDATE ON THE INVESTMENT MARKET BY JASON WINFIELD, INTERNATIONAL PARTNER AT CUSHMAN AND WAKEFIELD

Jason Winfield provided an update on the Investment Market. He expressed his views on how the various sectors were performing at the present time and their future outlook. He answered various questions from Members and outlined the current review by HM Treasury of the Public Works Loan Board (PWLB).

The Chief Executive confirmed that the role of the Investment Board was to consider investments within the current financial situation in Local Government, particularly bearing in mind likely new roles and responsibilities during the Covid-19 outbreak. The Board should provide advice and guidance and was not a decision making body. She stated that the Local Government Association had made it clear that investments made had to be focussed on “regeneration of place”.

Meeting adjourned at 3.33pm and reconvened at 3.42pm.

IB7

UPDATE ON APPROVED ACQUISITIONS

The Director – Finance and Corporate Services gave a summary of the report, which updated Members on progress made on four approved acquisitions. He outlined additional pieces of financial due diligence checks that were being undertaken in the light of Covid-19 and the possibility of revised valuations.

The Director – Finance and Corporate Services responded to various questions from Members, with input from Jason Winfield. In response to a procedural question from Councillor Bagnall about the possibility of revised valuations, the Director – Finance and Corporate Services said that any decision to proceed rested with the Leader, the Finance Portfolio holder and him. There would be no scope to go above a previously agreed valuation but there was facility to negotiate a lower valuation.

IB8

PUBLIC WORKS LOAN BOARD (PWLB) CONSULTATION AND IMPLICATIONS

The Director – Finance and Corporate Services gave a summary of the report, which updated Members on the HM Treasury review of the PWLB that had a view to stopping councils from borrowing for yield. He stated that the Council was being penalised for the poor governance and process of other councils. The Council was viewed as being in the top 10% of local authorities in the country for having a structured governance process, using expert agents and lawyers and in targeting quality covenants rather than yield. He drew the attention of Members to Appendix B of the report that provided a draft response to the consultation that closes at the end of July 2020. He said that much of this information had previously been covered in Agenda Item 6.

IB9

INVESTMENT OPPORTUNITY 5 - ROTHERHAM

The Director – Finance and Corporate Services gave a summary of the report, which detailed an investment opportunities that would be outside of the 2020/21 budget process but would form part of the Medium Term Financial Strategy solution ongoing.

The Director – Finance and Corporate Services summarised the advantages of Investment Opportunity 5. The Council had an opportunity to acquire the freehold of an existing building for £5,500,000 with an annual rent of £414,030, giving a yield of 7.03%. Estimated fees were £417,500.

It was proposed that the funding would be on the same basis as other recent Council investments through £4,734,000 (80%) interest only borrowing and £1,183,500 (20%) fixed payment loan for 40 years. The total cost of financing was £191,475 per annum and that would give, in a full year, a net income of £222,555 for the Council. In 2020/21 the net rental income was expected to be £110,000.

The risks had been identified and were debated by Members. Concerns were expressed about investments in the Rotherham area, the essential fact that the property freehold, not the leasehold, had to be purchased, the low risk cladding and the end of lease property value. Members recognised that there was a very good yield on the investment.

The Chair moved on to items IB10, IB11 and IB12 before returning to item IB9 where a recorded vote was taken and it was approved by six votes to five.

AGREED to recommend to Cabinet that:

- a The property purchase as set out in this report is agreed up to the sum of £6,100,000; and
- b The funding should be split 80% interest only and 20% repayment funding.
- c The purchase costs as set out in paragraph 12 are capitalised.
- d The purchases are made as a direct investment by Uttlesford District Council.

IB10

INVESTMENT OPPORTUNITY 7 - GLOUCESTER

The Director – Finance and Corporate Services gave a summary of the report, which detailed an investment opportunity that would be outside of the 2020/21 budget process but would form part of the Medium Term Financial Strategy solution ongoing.

The Director – Finance and Corporate Services summarised the advantages of Investment Opportunity 7. The Council had an opportunity to acquire the freehold and the forward funding agreement for a logistics centre. The total cost of the direct investment would be £38,270,000 with an annual rent of £2,044,000, giving a yield of 5.21%. Estimated fees were £916,510.

It was proposed that the funding would be on the same basis as other recent Council investments through £30,616,000 (80%) interest only borrowing and £7,654,000 (20%) fixed payment loan for 40 years. The total cost of financing was £760,053 per annum and that would give, in a full year, a net income of £1,283,947 for the Council. In 2020/21 the net rental income was expected to be £150,000.

The risks had been identified and were debated by Members. The Council would be able to terminate the deal on 7 December 2020 in the event of the site not getting planning permission. Members recognised that this was an ideal investment opportunity. No objections were recorded.

AGREED to recommend to Cabinet that:

- a The land purchase and forward funding opportunity as set out in this report is agreed up to the sum of £39,500,000; and
- b The funding should be split 80% interest only and 20% repayment funding.
- c The purchase costs as set out in paragraph 11 are capitalised.
- d The purchases are made as a direct investment by Uttlesford District Council.

IB11 **INVESTMENT OPPORTUNITY 6 - BRACKNELL**

The Director – Finance and Corporate Services gave a summary of the report, which detailed an investment opportunity that would be outside of the 2020/21 budget process but would form part of the Medium Term Financial Strategy solution ongoing.

The Director – Finance and Corporate Services summarised the advantages of Investment Opportunity 6. The Council had an opportunity to acquire the freehold of an existing building for £20,100,000 with an annual rent of £1,248,500, giving a yield of 5.75%. Estimated fees were £1,319,825.

It was proposed that the funding would be on the same basis as other recent Council investments through £16,120,000 (80%) interest only borrowing and £4,030,000 (20%) fixed payment loan for 40 years. The total cost of financing was £351,825 per annum and that would give, in a full year, a net income of

£896,675 for the Council. In 2020/21 the net rental income was expected to be £450,000.

The risks had been identified and were debated by Members. Information was supplied in respect of the Bracknell location. Members expressed the need for any agreement to be conditional upon a Parental Company Guarantee being in place.

AGREED to recommend to Cabinet that:

- a The property purchase as set out in this report is agreed up to the sum of £22,000,000; and
- b The funding should be split 80% interest only and 20% repayment funding.
- c The purchase costs as set out in paragraph 11 are capitalised.
- d The purchases are made as a direct investment by Uttlesford District Council.

IB12 **INVESTMENT OPPORTUNITY 8 - MELKSHAM**

The Director – Finance and Corporate Services gave a summary of the report, which detailed an investment opportunity that would be outside of the 2020/21 budget process but would form part of the Medium Term Financial Strategy solution ongoing.

The Director – Finance and Corporate Services summarised the advantages of Investment Opportunity 8. The Council had an opportunity to acquire the freehold and the forward funding agreement for a hotel. The total cost of the direct investment would be £7,572,000 with an annual rent of £367,348, giving a yield of 4.65%. Estimated fees were £199,250.

It was proposed that the funding would be on the same basis as other recent Council investments through £5,920,000 (80%) interest only borrowing and £1,480,000 (20%) fixed payment loan for 40 years. The total cost of financing was £150,635 per annum and that would give, in a full year, a net income of £216,713 for the Council. In 2020/21 the net rental income was expected to be £50,000.

The risks had been identified and were debated by Members. It was noted that the lease would be for 25 years and unusually came with a Parent Company Guarantee. Concerns were expressed that in light of Covid-19 working arrangements would be changing and that this could have a significant effect on the future of some hotels, although the company in question was seen as a good performer in a specific market. It was also stressed that the Council should have diversification within its portfolio. A recorded vote was taken and it was approved by six votes to four with one abstention.

AGREED to recommend to Cabinet that:

- a The land purchase and forward funding opportunity as set out in this report is agreed up to the sum of £8,000,000; and
- b The funding should be split 80% interest only and 20% repayment funding.
- c The purchase costs as set out in paragraph 9 are capitalised.
- d The purchases are made as a direct investment by Uttlesford District Council.

IB13 INVESTMENT OPPORTUNITY 9 - CHESTERFORD RESEARCH PARK

The Director - Finance and Corporate Services gave a summary of the report that set out the current position on additional funding required at Chesterford Research Park. There were no objections.

AGREED to recommend to Cabinet that:

- a Further funding in the sum of £2,600,000 is provided to Aspire (CRP) Ltd for the on-going development at CRP at an interest only loan rate of 4.5% per annum for 37 years. and
- b The funding should be split 80% interest only and 20% repayment funding.

IB14 INVESTMENT OPPORTUNITY 10 - SUPERMARKET PORTFOLIO - FOR INFORMATION NOT DECISION

The Director - Finance and Corporate Services gave a summary of the report that detailed possible investment in a Portfolio of six prime location stores.

Members gave general agreement to investigate this matter further.

The meeting closed at 5.55pm.

Agenda Item 5

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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