

INVESTMENT BOARD held at ZOOM on TUESDAY, 18 AUGUST 2020 at 5.00 pm

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

Indep. Member: R White

Officers in attendance: C Gibson (Democratic Services Officer) and A Webb (Director - Finance and Corporate Services).

IB15 ELECTION OF A CHAIR

Councillor Lodge nominated Councillor Reeve, as the Portfolio holder, as Chair. The nomination was seconded by Councillor LeCount.

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

Councillor Sell asked whether the intention remained that an Independent Member would at some point take over as Investment Board Chair.

The Chair indicated that this was not guaranteed and that the matter would be carried forward for future discussion.

IB16 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillors Criscione and Pavitt and Independent Member C Crick. There were no declarations of interest.

IB17 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 11 June 2020 were approved and would be signed by the Chair as a correct record at the next opportunity.

IB18 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.

IB19 INVESTMENT OPPORTUNITY 11

The Director – Finance and Corporate Services gave a summary of the report, which detailed an investment opportunity that would be built into the 2020/21 revised budget and modelled into the new Medium Term Financial Strategy (MTFS) that would be prepared as part of the revised budget setting process.

The Director – Finance and Corporate Services summarised the advantages of Investment Opportunity 11. The Council had an opportunity to acquire an existing logistics building in an established prime distribution location. The site had been developed in 2012 and the tenant had signed a 30 year lease with no break clauses. The Director – Finance and Corporate Services said that the building was in immaculate condition. The agreed price for the investment was £55,000,000 which when the purchaser's costs of £3,627,500 had been added gave a total investment of £58,627,500. With rental income of £2,465,000 p.a. this would give a yield of 4.2%.

He said that there were very tight timescale deadlines of 2 September for exchange and 16 September for completion but that this investment opportunity would provide additional income to the Council of around £1,000,000 this financial year after borrowing costs.

It was proposed that the funding would be on the same basis as other recent Council investments through £46,902,000 (80%) interest only borrowing and £11,725,500 (20%) fixed repayment loan for 40 years. The total cost of financing once long term and fixed was £1,340,093 per annum.

The risks had been identified and were debated by Members.

Concerns were expressed about the location of the logistics building, the future plans of the current tenant, the price of the investment when weighed against the yield and the possibility of changes to interest rates.

The Director – Finance and Corporate Services said that Cushman & Wakefield were satisfied that the price was reasonable given the credit rating of the tenant, the term remaining on the lease and the location, and he said that the investment should be considered when looking at the Portfolio as a whole.

The Independent Member supported the purchase of this type of unit provided that it was for no more than the stated price of £55,000,000. There was no dissent and it was:

AGREED to recommend to Cabinet that:

1. The purchase as set out in this report is agreed up to the sum of £60,000,000; and
2. The funding should be split 80% interest only and 20% repayment funding.
3. The purchase costs of £3,627,500 as set out in paragraph 27 are capitalised.

4. The purchase is made as a direct investment by Uttlesford District Council.

Councillor Bagnall gave his apologies and left the meeting at 6.05pm.

IB20 CREDIT RATING AND FUNDING

The Director – Finance and Corporate Services gave a summary of the report, which updated Members on current and potential future funding options for the portfolio. He said that following a discussion with the Independent Members, Officers had revisited the option of issuing a bond. He said that there would be a need to obtain a credit rating which would aid a bond issue.

During a brief discussion the Independent Member supported the idea of obtaining a credit rating and said that he could suggest someone to contact.

The Chair noted the report and said that this would be revisited by Officers once the revised MTFS had been approved by Council.

IB21 QUARTERLY MEETING - MARKET INFORMATION AND VALUATION

The Director – Finance and Corporate Services gave a summary of the report, which provided an option for quarterly market and valuation reporting for consideration. He said that initial thoughts of the format were for a quarterly market update and an annual valuation; outside of these valuations provision of ad hoc valuations on particular assets for potential sales, as well as indications for potential purchases or scenarios. The current quarterly reporting methodology with Chesterford Research Park was seen to be a benchmark and this format would be shared with Members. The cost of this type of service was likely to be around £30,000.

Members spoke in support of this way forward and provided guidance in that it was seen as being helpful, independent and providing value for money. Councillor Khan said that this would strengthen governance arrangements and requested the use of simple dashboards and simple narratives. The Independent Member stated that this was an extremely good idea and that an annual valuation was needed anyway.

The Director – Finance and Corporate Services said that he would be initially looking for a one year contract and that he would be in a position to put arrangements in place in the next few weeks.

IB22 UPDATE ON APPROVED ACQUISITIONS

The Director – Finance and Corporate Services gave a summary of the report, which provided an update on the assets approved for acquisition. A further verbal update was given in that the Council was looking to negotiate a price reduction on one scheme where minor works agreed prior to completion had not

been undertaken by the vendor. In addition, one of the listed schemes with a purchase price of £20,150,000 would not now be going ahead. This had left the Portfolio as agreed by the investment Board at circa£274,000,000 with rent per annum just below £13,000,000. This was seen to be quite favourable and moving towards the position that the Council wanted to be.

Members asked questions about various schemes and future schemes. It was recognised that the Council was nearing the financial ceiling. The Director - Finance and Corporate Services stated that he was currently looking for one further investment of around £25,000,000 to achieve the £300,000,000 target portfolio

The Chair noted the report.

The meeting closed at 6.45pm.