

INVESTMENT BOARD held at ZOOM, on TUESDAY, 22 DECEMBER 2020 at 4.00 pm

Present: 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

Indep.
Member: R White

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

IB23 ELECTION OF A CHAIR

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

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

IB24 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor Criscione.

Apologies for lateness were received from Councillor LeCount.

There were no declarations of interest.

IB25 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 18 August 2020 were approved and would be signed by the Chair as a correct record at the next opportunity.

IB26 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.

Councillor LeCount and Councillor De Vries entered the meeting at 16:15.

IB27

DRAFT QUARTERLY UPDATE REPORT

The Director – Finance and Corporate Services gave a summary of the draft Uttlesford Property Portfolio Q2 Report for the period 1 June – 30 September 2020. He said that in February 2020, the Council had adopted the Commercial Strategy and had allocated £300,000,000 for commercial investment, including that already committed. To date £213,623,374 had been committed with an option for a further £48,400,000 giving a total allocation of £262,023,374 that left £37,976,626 remaining to invest. The net yield of the committed portfolio was 4.82% and this increased to 4.83% when the option items were included. The yield reflected the risk appetite of the Council and the desire for well-known/established brands as tenants.

Members asked questions about various schemes outlined within the draft Property Portfolio report.

Members received the draft Uttlesford Property Portfolio Q2 Report.

Councillor De Vries left the meeting at 16:35

IB28

INVESTMENT OPPORTUNITY 12

The Director – Finance and Corporate Services gave a summary of the report, which detailed an investment opportunity that would be built into the 2021/22 budget and modelled into the new Medium Term Financial Strategy (MTFS) that would be prepared as part of the 2021/22 budget setting process.

The Director – Finance and Corporate Services summarised the advantages of Investment Opportunity 12. The Council had an opportunity to acquire a forward funding deal for a headquarters building including warehouse and research space in an established location. On building completion the tenant would sign a 35 year lease with no break clauses and a tenant option for a 15 year extension. The build was scheduled to start in January 2021 and would take 19 months to complete.

The developer had an option agreement on the site that expired on 31 January 2021 and both they and the tenant were keen to find a funding partner.

He said that the Council had had a bid (conditional on formal Council approval) for the freehold investment accepted at £35,000,000 which when the purchaser's costs of £934,500 had been added gave a total investment of £35,934,500. With rental income of £1,558,000 p.a. this would give a yield of 4.34%.

It was suggested that a contingency sum of £2,065,500 be allowed in the approval for additional costs associated with a new build. Any such costs would be reflected in increased rent to continue to provide a 4.34% return on investment. As this was a forward funding deal, the Council would on day one purchase the land at a cost of circa £8,000,000 and would then pay the remaining balance, in monthly sums based on performance and signed off by the Council's Quantity Surveyor over the life of the build.

It was proposed that the funding would be on the same basis as other recent Council investments through £28,000,000 (80%) interest only borrowing and £7,000,000 (20%) fixed repayment loan for 40 years. The total cost of financing once long term and fixed was £334,980 per annum.

The risks had been identified and were debated by Members.

Concerns were expressed about the credit rating of the guarantor. The Director – Finance and Corporate Services agreed for a review of the credit rating of the parent company providing the guarantee to be undertaken ahead of the request for Council approval.

Due to the company’s involvement in the defence market, members debated the need to balance the importance of expanding the Council’s property portfolio with the ethics risks of the investment. During discussion, it was noted that Cllr Khan agreed to work with officers and the Chair, to discuss ideas for the development of an Ethical Investment Policy.

Members called for a recorded vote to be taken. The vote on the recommendations was as follows:

For	Against	Abstain
Cllr Bagnall		Cllr Khan
Cllr Hargreaves		Cllr Sell
Cllr Lavelle		
Cllr Le Count		
Cllr Lodge		
Cllr Pavitt		
Cllr Reeve		

AGREED to recommend to Cabinet that:

- a. The purchase as set out in this report is agreed up to the sum of £38,000,000; and
- b. The funding should be split 80% interest only and 20% repayment funding.
- c. The purchase costs of £934,500 as set out in paragraph 29 are capitalised.
- d. The purchase is made as a direct investment by Uttlesford District Council on the basis that the investment is to generate funds to underpin core service delivery; the Council is not undertaking the investment for yield.
- e. A review of the credit rating of the parent company providing the guarantee is undertaken ahead of the request for Council approval.

The Chair thanked officers and the Committee for their work over the year.

The meeting closed at 6:02pm