

**INVESTMENT BOARD held on ZOOM on THURSDAY, 11 NOVEMBER 2021
at 6.00 pm**

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

Officers in attendance: P Holt (Chief Executive), C Gibson (Democratic Services Officer) and A Webb (Director - Finance and Corporate Services).

IB11 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from R White (Independent Member) and for lateness from Councillor De Vries.

IB12 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 27 July 2021 were approved.

IB13 UDC PROPERTY PORTFOLIO Q1 2021/22 REPORT

In light of the Q2 2021/22 report also being on the agenda, the Director – Finance and Corporate Services gave a brief summary of the Property Portfolio Q1 2021/22 report that set out the quarterly performance for the Council.

He said that the Nucleus negative sum was based on an assumption that the building would operate at a loss for the next eight years.

IB14 UDC PROPERTY PORTFOLIO Q2 2021/22 REPORT

The Director – Finance and Corporate Services gave a summary of the Property Portfolio Q1 2021/22 report that set out the quarterly performance for the Council.

He said that Chesterford Research Park was fully let with the exception of two small rooms in the garden cottages. He highlighted the latest increase in the valuation of the park to over £170m and confirmed that all rent and service charge payments had been received. He updated Members on the properties at Takeley and Livingstone. He confirmed that there had been a change of insurer in respect of the Waitrose Distribution Centre and that all insurance payments were now up to date. He said that B&Q at Stane Retail Park was now open, and that Aldi expected to open early in December 2021. The Distribution Centre at Gloucester was aiming to be operational by the end of November 2021 and there would be no loss of income due to three weeks slippage. Works at the MOOG HQ, Tewkesbury were progressing well. He referred Members to the total asset

valuation at the end of September 2021 as £221.5m and explained that the value of the MOOG HQ at Tewkesbury would be significantly increasing.

The Director – Finance and Corporate Services provided an update to Members on possible future acquisitions. He corrected an error on page 84 in that the figure should be £163.5m and said that there had been no changes made to the risk register.

Councillor De Vries joined the meeting at 6.35 pm.

In response to various questions, the Director – Finance and Corporate Services:

- clarified that the “Net Yield” figure shown on page 89 of 4.76% was the figure before borrowing costs were taken out and should probably just be called “Yield”.
- said that the increased valuation figure for Chesterford Research Park reflected an increased demand for life science research and there was clearly a high demand at the research park.
- explained the mixed borrowing strategy being utilised over different time periods.
- said that everything was currently on hold in the light of the Prudential Code consultation and proposed changes to Minimum Revenue Provision and possible debt caps.

The Chair thanked the Director – Finance and Corporate Services for his report and said that the investments were currently reflecting a healthy position.

IB15

PRUDENTIAL CODE CONSULTATION AND PROPOSED CHANGES TO MINIMUM REVENUE PROVISION AND POSSIBLE DEBT CAPS

The Chair introduced the item and referred to an excellent Members’ briefing having been given by the Chief Executive and the Director – Finance and Corporate Services earlier that week.

The Chief Executive said that there was nothing new to report since the Members’ briefing but there was likely to be within the next few weeks. He referred to the recommendations to Cabinet in the report and the likely change of brief to the Investment Board moving forward, in that it was more likely to relate to managing an asset portfolio over a longer period of time, with the net yield inevitably reducing.

In response to various questions, the Chief Executive and the Director – Finance and Corporate Services:

- explained the roles being played by the Government and CIPFA in this consultation and what has caused the need for this consultation to take place. CIPFA was fundamentally opposed to commercial development by Councils.
- said that introductory supportive conversations had taken place with the MP for Saffron Walden, who was also the Minister of State for Levelling Up Communities.

- said that the Prudential Code and the Minimum Revenue Provision would apply to anything that UDC had an interest in and there would be a clear need to comply.

Councillor Lavelle left the meeting at 7.07 pm.

Councillor Hargreaves gave his support to the proposed wording to CIPFA as detailed in paragraph 12 of the report. No objections were expressed by Members.

The Director – Financial and Corporate Services that the wording “financial appraisal” related to each individual asset. He said that his team were currently undertaking various modelling activities but that ultimately it would be the responsibility of external auditors to interpret the Prudential Code

Councillor Pavitt left the meeting at 7.23 pm.

Members encouraged officers to continue to talk to the Saffron Walden MP on this issue.

The Chair outlined the reasons why the Council had taken forward investments, primarily to look for income to maintain services at sufficient levels. He raised a question on behalf of Councillor Evans relating to the possibilities of utilising leaseback schemes.

The Director – Finance and Corporate Services said he would not rule it out but that there should not be “workaround” schemes and that the Prudential Code was a “catch-all”.

Councillor De Vries left the meeting at 7.34 pm.

Members debated the merits of either putting forward a joint statement by Group Leaders or a motion to Council on this issue.

The Chief Executive agreed that he would work with the Director – Finance and Corporate Services that could create a narrative for all groups to agree on and that they would take soundings, particularly in terms of the timing of any actions.

Members showed no dissent to the Chief Executive’s comments about the brief of the Investment Board needing to change as it moved forwards.

Councillor Criscione said that the Investment Board should meet quarterly, and the Chair supported this view.

No dissent was shown to the recommendations detailed in paragraph 2 of the report.

AGREED that Members of the Investment Board recommend to Cabinet to: -

- a. Agree the response to the CIPFA consultation as set out in Appendix One; and
- b. Note the position in respect of Minimum Revenue Provision (MRP) and possible debt caps; and
- c. Confirm that there will be no additional investment portfolio acquisitions until the changes to financial rules, MRP and caps have been clarified.

The Chair confirmed that the Independent Member had been brought up to speed on these issues. He thanked the Chief Executive, the Director – Finance and Corporate Services and his team for all their good works.

The meeting closed at 7:50 pm.