

INVESTMENT BOARD held at UDC LITTLE CANFIELD DEPOT - HIGH CROSS LANE EAST, LITTLE CANFIELD, DUNMOW, CM6 1TH, on THURSDAY, 16 NOVEMBER 2023 at 6.00 pm

Present: Councillor N Reeve (Chair)
Councillors G Bagnall, J Evans, R Gooding, N Gregory,
D McBirnie and G Sell

Officers in attendance: A Webb (Strategic Director of Finance, Commercialisation and Corporate Services), C Gibson (Democratic Services Officer) and N Wittman (Director of Digital Innovation and Commercialisation)

IB10 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST

Apologies for absence were received from Councillor Hargreaves and Richard White (Independent Member).

There were no declarations of interest.

IB11 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 21 August 2023 were approved.

IB12 FEEDBACK FROM MEMBER DISCUSSION ON THE GOVERNMENT REVIEWS INTO LOCAL AUTHORITY COMMERCIAL INVESTMENTS

The Chair introduced the item and reported back from the Councillors' informal meeting.

He said that appropriate concerns were in place and highlighted four areas of significance:

1. The need to engage a second Independent Member on the Board, preferably from the direct property industry.
2. The need to carefully consider the role of advisors, who are likely to be advising elsewhere too.
3. To perhaps consider the introduction of sliding scale fees for land agents and solicitors.
4. To ensure that governance and advice arrangements are in place for future divestments.

There was then a general discussion. The following issues were raised:

- The benefits gained in not delegating authority in respect of investment decisions unlike that at Thurrock Council.

- The obstacles that had been put in place by the Government in respect of local authority investments; in addition, the lack of clear criteria in place for borrowing at the PWLB.
- The lack of any Scrutiny arrangements at Thurrock Council where there had been no oversight by Members. UDC Investment Board itself had provided the Scrutiny function with the Commercial Strategy being reviewed by Scrutiny Committee.
- The suggestion was put forward of tabulating the differences between UDC and the other two authorities under review. The Chair said that he considered that this would involve a lot of effort for little value.
- The need to ensure that Members fully understand the pros and cons of any future divestments and receive appropriate expert advice and guidance. Divestment could be a slower process than the previous need to react at pace to proposed investments and would only be done at the right time. UDC have previously used the best solicitors and agents available to support their investments and would look to utilise the same expertise in any proposed divestments. The principle of “off-market” valuations was discussed; many land agents talk off the record. Any divestment decisions would be taken through Investment Board and Council and were likely to be taken in early 2024.
- The CIPFA Guidance was highlighted; once per year there had to be a report on investments and if any assets provided positive benefits they should be sold. There were different ways of interpreting these guidelines, but External Audit are also governed by CIPFA Guidance and could provide a challenge.
- The specific uniqueness of Chesterford Research Park was highlighted in respect of the need for further scientific research space in the Cambridge area.
- The previous intention when Investment Board first convened had been to make investments, flip them and then refresh. This was no longer possible. The Chair stated that the priority had been to maximise yield, whilst also considering suitable opportunities in district. The point was made that UDC currently had very good tenants in place.

The Chair summarised the discussion and said that the discussion had reinforced the points made previously at the Councillors’ informal meeting.

IB13 **UDC PROPERTY Q2 REPORT**

The Strategic Director outlined the report. He highlighted that the 35-year lease with MOOG had now been signed and that Stane Retail Park Phase 2 had now been removed from the report. He referred to the current yield on the Portfolio summary (page 9) as being 5.21% and that the assumption was that any future loans to Aspire (CRP) Ltd would be at 7.5% (page 10). The valuation of Chesterford Research Park of £209.5m was clarified, giving a valuation to both investors of £104.75m (page 11).

In response to various questions the Strategic Director undertook to provide further explanation as to the fall in the Mansion House valuation after “the financial crash” from £4.150m in September 2022 to £2.31m in December 2022 (page 12).

The Director of Digital Innovation and Commercialisation gave very positive feedback on her recent visits to MOOG at Tewkesbury and Waitrose at Chorley and said that solar panels were in use at both locations. She said that the intention was to visit all sites at least once per year as owners.

The Strategic Director highlighted the total asset valuation of £276m against the price paid of £247.5m (page 25). He said that valuations were still affected by “the 2022 crash” but that revenue had been the priority, rather than valuations.

In response to further questions, the Strategic Director said that:

- The MOOG valuation was perhaps on the low side but that the valuers had no similar transactions for a 35-year lease to compare to.
- The Skyway House valuation had dropped as office spaces had lost value.
- Quarterly valuations were the industry standard.
- In respect of the borrowing figures (page 26), the weighted average of 4.22% was still below the MTFS assumption of 4.85%; one-year offers had dropped from September rates back to those being offered in the summer, an indication that the market is stabilising.
- £18.5m of loans were shortly due to be renegotiated.
- In respect of net yield figures being affected by differences in interest rates of as little as 0.01%, the Treasury Team were fully focussed on such issues.
- Although the MTFS had been based on an intention to sell one or more assets in the current financial year, the Council does not need to sell.
- He would ask for a report to be prepared to ensure that all insurances in place were sufficient.

The Chair said that in light of the discussion there was no need to take the next item as this had simply provided evidence for the valuations. He said that in summary the position was not as good as hoped for two years ago but that investments were holding up.

The item was noted.

IB14 CBRE Q2 VALUATION REPORT

This item was covered within the previous agenda item.

Meeting closed at 8.15 pm.