

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

Minutes of the meeting of the **JOINT OVERVIEW AND SCRUTINY COMMITTEE** held in the PLAYERS SUITE - IPSWICH TOWN FOOTBALL CLUB on Thursday, 28 June 2018

PRESENT:

Councillors:	James Caston	Bryn Hurren
	Alastair McCraw	Lesley Mayes
	John Field	Adrian Osborne
	Lavinia Hadingham	Keith Welham
	John Hinton*	Kevin Welsby

*Denotes a substitute

In attendance:

Councillors	Gerard Brewster
	David Busby
	Derek Davis
	Nick Ridley

Also attending	Chris Haworth – Chair of the Board - CIFCO
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Officers	Chief Executive (AC)
	Strategic Director (JS)
	Development Consultant (IW)
	Corporate Manager – Law and Governance (JR)
	Business Support Manager (JB)
	Governance Support Officer (HH)

1 APOLOGIES AND SUBSTITUTES

Apologies were received from Councillors Sue Ayres, Simon Barrett, Elizabeth Gibson-Harries, Derek Osborne, Fenella Swan and Stephen Williams.

Councillor John Hinton was substituting for Councillor Simon Barrett.

2 DECLARATION OF INTERESTS

There were no declarations of interests.

3 TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME

None received.

4 JOS/18/1 CAPITAL INVESTMENT FUND COMPANY ('CIFCO CAPITAL LTD') BUSINESS TRADING AND PERFORMANCE REPORT 2017/18

- 4.1 Councillor Brewster, Chair of MSDC (Suffolk Holdings) Ltd. introduced the report and said that CIFCO had been trading for one year and that the Business Plan presented today had been approved by the Board of CIFCO. The Business Plan was to be presented to both Councils in July.
- 4.2 Ian Winslet, Development Consultant, informed Members that the reporting and risk structure had been presented to both Cabinets in October 2017. He referred to the tabled papers, which detailed 'The General Lines of Reporting' and 'BMS Invest – Performance and Risk Reporting Strategy'.
- 4.3 Each Council owned 100% shares in their Holding Companies, which each held 50% of the shareholding in CIFCO Capital Ltd (CIFCO). Each year both Councils approved the Business Plan and Investment Strategy for CIFCO.
- 4.4 In response to Members' questions, he said that CIFCO could not make any purchases without the approval of the Holding Companies and that the two Boards of the Holding Companies meet jointly every month.
- 4.5 A Quarterly Risk Panel was attended by the Chairs of the Holding Companies, the Development Consultant, the Managers of BMS Invest and the Corporate Manager – Internal Audit.
- 4.6 Mr Winslet detailed the reporting structure, which included two annual reports in September and December presented to the Boards of the Holding Companies. These reports were confirmed by the Cabinets and included auditing and risk analysis. An independent risk review was also conducted annually.
- 4.7 Members then asked questions in relation to Report JOS/18/1 and Councillor Caston enquired if there was sufficient funding for an independent risk review and who was involved in assessing the risk processes.
- 4.8 It was explained that risk review was an integral part of the organisational process. The Corporate Manager – Internal Audit also had his own team conducting risk assessments. The Board of Director for CIFCO included experts from the investment sector and Jones Lang LaSalle Ltd (JLL) had a clear idea of the risk in the sector.
- 4.9 Chris Haworth, the Chair of the Board of CIFCO, said he had 40 years of experience in the commercial market and was familiar with the reporting structure for CIFCO and he felt that it was working well. JLL had enormous experience in the Market and provided market evidence and background.
- 4.10 Councillor Brewster agreed with the Chair of the Board of CIFCO and said that both the review and the reporting was good. At the monthly meeting questions were raised and discussed for both risk and investments.
- 4.11 Councillor Ridley, one of the Babergh Non-executive Member of the CIFCO Board, Councillor Haley being the other representative for Mid Suffolk, said that JLL had been involved from the beginning and provided sound advice.

He continued that both the Non-executive Members monitored the advice received from JLL. He reminded Members that CIFCO was a proper property investment company and that the long-term investment was beneficial for both Councils to increase the income.

- 4.12 Councillor Busby said he had been against the project in the beginning but had been impressed by the process and the professional approach throughout the Company's existence. Each proposal for investment was considered very carefully.
- 4.13 Councillor Field asked questions in relation to the reported increase in closure in the retail sector. He wanted to know if this was a risk for the Councils' investments, as they were heavily involved in this sector.
- 4.14 The Chair of the Board – CIFCO admitted that the retail sector was going through a challenging time, but that the retail sector had its strengths and was currently evolving. The current investments had been carefully chosen. However, it was not the intention to invest any further in the retail sector, but that future investments were to be in the office and industrial sector.
- 4.15 Members were advised on the split of the portfolio and that the Board received weekly updates from JLL. Each opportunity was considered carefully before an informed decision was taken.
- 4.16 The mitigation strategy to secure income was based on the evaluation of each asset. The investment had to represent both a strong covenant and a strong position for renting.
- 4.17 Questions were raised in relation to the tenants of the properties, their specific retail sectors and inherent turnover risks the three investment categories and what effect Brexit might have on the investment.
- 4.18 The Chair of the Board – CIFCO responded that to spread the risk factor the investments were spread over three categories; Core, Core Plus and Opportunistic investments. Currently the Company had only invested in the Core category, which meant that the properties were in more valuable locations to ensure a return on the investments. He also pointed out that some investment opportunities had been rejected because they had been too expensive.
- 4.19 Councillor Ridley explained that investments in the local market had been considered and there had been opportunities with good covenant, however the rent would have been too high to achieve a good return and was therefore not considered a sound business opportunity.
- 4.20 It was agreed by all that it was difficult to predict what effect Brexit would have on the property market, but Members were reassured that Brexit was taken into consideration in the investment discussion.

5 RESOLUTION TO EXCLUDE THE PUBLIC (WHICH TERM INCLUDES THE PRESS)

The resolution was proposed and seconded.

By a unanimous vote

It was RESOLVED: -

That pursuant to Part 1 of Schedule 12AA of the Local Government Act 1972 the public be excluded from the meeting for the business specified below on the grounds that if the public were present during this item, it is likely that there would be the disclosure of them of exempt information as indicated against the item.

The Committee was also satisfied that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

6 JOS/18/2 CIFCO CAPITAL LTD BUSINESS AND INVESTMENT PLAN 2018 -19

Report JOS/18/2 was discussed by the Committee.

The business of the meeting was concluded at 1.50 pm.

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Chair (& date)