

## MID SUFFOLK DISTRICT COUNCIL

<b>TO:</b> Council	<b>REPORT NUMBER:</b> <b>MC/18/33</b>
<b>FROM:</b> Councillor Gerard Brewster - Chair of MSDC Suffolk Holdings Ltd	<b>DATE OF MEETING:</b> 19 December 2018
<b>OFFICER:</b> Emily Atack – Managing Director CIFCO & Gateway 14	<b>KEY DECISION REF NO.</b> CNL23

### Performance Overview of Mid Suffolk District Council (Suffolk Holdings) Holding Company

#### 1. PURPOSE OF REPORT

- 1.1 To provides Elected Members with an update across the Council's investment portfolio and commercial activities for the period April 2018 to December 2018.

#### 2. OPTIONS CONSIDERED

- 2.1 This report is for noting only and as such there are no options to be considered.

#### 3. RECOMMENDATION

- 3.1 To note the contents of this report

#### REASON FOR DECISION

To provide an update to Council.

#### 4. KEY INFORMATION

##### CIFCO CAPITAL LTD

- 4.1 2018/19 Business Plan approved by CIFCO Board on 19th April and was unanimously approved by both BDC and MSDC Holding Companies on 25th April, with approval by the two shareholding Councils in July.
- 4.2 CIFCO held its first Annual General Meeting in August 2018.
- 4.3 A tender exercise has been concluded to appoint a managing agent for the portfolio and included 3 parties; Workman, MJ Mapp and Aston Rose. Interviews were held in August 2018 and Workman was subsequently recommended and appointed subject to contract. The contract is currently with Birketts for review, following input from JLL, CIFCO and the Managing Director. Workman continue to provide property management services on an interim basis.
- 4.4 In the last 6 months 2 further acquisitions have been purchased, both of which sit within the industrial sector; 1 of which is a local asset within Ipswich.

- 4.5 To date 8 assets have been acquired with the fund just over 70% invested, at circa £35m. This provides the council with a 10% equity value of £1.766m
- 4.6 This will bring a net revenue to Mid Suffolk District Council of £549,000 in 2018/19 financial year. This equates to payment for circa 16 grade 4 staff.
- 4.7 Emily Atack was successfully appointed to the role of Managing Director to the companies with effect from 16th August 2018.

#### **GATEWAY 14 LTD**

- 4.8 The acquisition of the site completed in August 2018. The site has the benefit of an outline planning consent for B1, B2 and B8 uses together with a detailed planning consent for the first phase of infrastructure including an access road and drainage lagoon.
- 4.9 Gateway 14 Limited are now considering the most appropriate way to bring the site forward and have appointed GVA to assist with the marketing and delivery plan for the site.
- 4.10 Master planners have also been appointed to prepare a plan of the site showing a range of plot sizes suitable for B1, B2 and B8 uses. This plan will be used to inform phasing of the site, discharge of some planning conditions, cost planning and for marketing purposes.
- 4.11 In addition, cost consultants have been appointed to prepare more detailed costing for the infrastructure and necessary enabling works.
- 4.12 It is anticipated that the site will be brought to market towards the end of the year once all of the pre-marketing activities have been completed.
- 4.13 The site will be marketed to occupiers and delivery partners. Gateway 14 Ltd have been approached by several occupiers in advance of formal marketing commencing, who are keen to discuss opportunities on site. Conversations have commenced with interested parties of both local and national occupiers with potential requirements.
- 4.14 Gateway 14 Ltd are also required to maintain and keep the land secured now that it is within their ownership. This includes erecting fencing and landscaping works. A short-term farm tenancy has been granted on the site to minimise the costs of security and maintenance.
- 4.15 The site adjacent to Gateway 14, known locally as Stowmarket East (or Phase 2) is now being offered for sale as a whole. The site comprises approximately 54 acres (22 hectares) and benefits from a resolution to grant outline planning consent for up to 530,000 sq ft of employment uses.

#### **5. Future Key Activities**

##### **CIFCO CAPITAL LTD**

- 5.1 Three further assets are currently under offer with the associated legal and non-legal due diligence ongoing. Completion on these acquisitions is anticipated for late December early January and will see the portfolio circa £48m invested.

- 5.2 Full investment was originally anticipated to be achieved by January 2019, however the market over the summer period was notably quiet in terms of opportunities being bought to market. Three further assets are currently under offer with the associated legal and non-legal due diligence ongoing. Completion of these acquisitions is anticipated for late December early January and will see the portfolio circa £48m invested. We are confident that we will be fully invested before the end of March 2019.
- 5.3 A review of the current Investment Strategy is due to take place in January which will subsequently inform the annual review of the Business Plan for 2019/20.

#### **GATEWAY 14 LTD**

- 5.4 Production of a final master plan following further input from engineers in terms of infrastructure and plateau works and utilities advice. A final masterplan with indicative costs is expected in February 2019.
- 5.5 Development of a communications strategy and detailed project plan.
- 5.6 Engagement with planners, potential investors and potential occupiers will continue.
- 5.7 Marketing to invite formal expressions of interest is anticipated to commence in February 2019.
- 5.8 Appointment of an additional Councillor to the board of directors.
- 5.9 The Managing Director and finance team are progressing the funding documents for the purchase loan and subject to agreement at Cabinet the working capital facility.

#### **6. LINKS TO JOINT STRATEGIC PLAN**

- 6.1 Property investment to generate income and regenerate local areas
- 6.2 Financially sustainable Councils

#### **7. FINANCIAL IMPLICATIONS**

There are no direct financial implications of this report which is for noting purposes only

#### **8. LEGAL IMPLICATIONS**

- 8.1 There are not direct legal implications of this report, however it is appropriate for governance purposes for the companies to report performance and risk updates.

#### **9. RISK MANAGEMENT**

This report is most closely linked with the Council's Significant Business Risk Nos. 4a and 4e.

Risk Description	Likelihood	Impact	Mitigation Measures
<b>4a)</b> If the Capital Investment Fund (CIF) does not generate forecast investment returns, we may be unable to meet the income projections for the Councils	2	3	CIFCO has now invested approximately 70% of the fund and is on track to complete the investment by April 2019 in line with its business plan. CIFCO activity continues to be closely monitored, together with market conditions and any changes or prospective changes in government legislation.
<b>4e)</b> Gateway 14 Ltd fails to bring forward the development of site. Income and Capital projections and economic outcomes may not be delivered.	2	3	Appropriate treasury management advice being applied. Gateway 14 Ltd has engaged a knowledgeable and experienced Board of Director to enable the delivery of the scheme and is being supported by market leading experts in preparing a delivery strategy for the site

## 10. CONSULTATIONS

- 10.1 This report is for information purposes, no formal consultation has been undertaken in respect of this report, however the directors of the holding companies' are provided with regular updates.

## 11. EQUALITY ANALYSIS

Equality Impact Assessment (EIA) not required.

## 12. ENVIRONMENTAL IMPLICATIONS

- 12.1 There are no direct environmental implications for this report.

## 13. BACKGROUND DOCUMENTS

- 13.1 BMSINVEST: Performance, Risk and Governance Update – 24<sup>th</sup> April 2018  
 CIFCO Business Plan 2018/19 (Confidential Document)