

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

Minutes of the meeting of the **JOINT OVERVIEW AND SCRUTINY COMMITTEE** held in the King Edmund Chamber - Endeavour House, 8 Russell Road, Ipswich on Monday, 1 July 2019

PRESENT:

Councillors:	Sue Ayres	James Caston
	Jane Gould	Kathryn Grandon
	Lavinia Hadingham	Alastair McCraw (Chair)
	Mary McLaren	Andrew Mellen
	Dave Muller	Adrian Osborne
	Keith Scarff	Keith Welham

In attendance:

Councillors: David Busby
John Hinton

Chris Haworth – Chair of CIFCO Capital Ltd
Mark Sargeantson – Chair of CIFCO Capital Ltd
Rick Meyer - Director-elect CIFCO Capital Ltd
Nigel Golder - Director- Strategic Asset Management, JLL (Advisers to CIFCO Capital Ltd
Neville Pritchard - Director- Capital Markets, JLL
Officers: Strategic Director (JS)
Assistant Director - Assets and Investments (EA)
Deputy Monitoring Officer and Corporate Manager-Democratic Services (JR)
Senior Acting Governance Support Officer (HH)

1 APOLOGIES FOR ABSENCE

1.1 None.

2 DECLARATION OF INTERESTS

2.1 There were no declarations of interests.

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

3.1 None received.

4 QUESTIONS BY THE PUBLIC

4.1 None received.

5 QUESTIONS BY COUNCILLORS

5.1 None received.

6 JOS/19/1 CAPITAL INVESTMENT FUND COMPANY ('CIFCO CAPITAL LTD') BUSINESS TRADING AND PERFORMANCE REPORT 2018/19

6.1 The Assistant Director for Assets and Investments introduced the Board Members and Advisors:

Name	Position
Chris Haworth	Chair CIFCO Capital Ltd
Mark Sargeantson	Chair CIFCO Capital Ltd
Rick Meyer	Director-elect CIFCO Capital Ltd
Nigel Golder	Director - Strategic Asset Management, JLL (Advisers to CIFCO Capital Ltd)
Neville Pritchard	Director - Capital Markets, JLL

6.2 Chris Haworth, Chair of CIFCO Capital Ltd. provided the first part of the presentation which covered a summary of the current portfolio, the purpose of the CIFCO Business Plan, and Key Performance Indicators.

6.3 Neville Pritchard, Director – Capital Market, Jones La Salle Ltd (JLL) then detailed the current market for business properties. He stated that currently there was £65 billion transaction in the housing market, which had been slowed down by Brexit, but was now slowly increasing again as the market gained confidence.

6.4 Industrial properties performed best, as industrial units were used for a multitude of purposes including mail order distributions units.

6.5 Office suites also performed well in the market, and the view was to focus on office units and industrial property. A good location applied to tenants and in combination with a long lease, would make industrial units prospective assets to increase the property portfolios.

6.6 Nigel Golder, Director- Strategic Asset Management, JLL (Advisers to CIFCO Capital Ltd) then continued the presentation, including investment strategy and sector targets.

6.7 The Assistant Director for Assets and Investments presented the Council's capital and revenue in relation to CIFCO.

6.8 Councillor Grandon asked why CIFCO invested in the high street retail market, when it was performing less favourable and if national retailers negotiated individual rental agreements for their branches.

6.9 Neville Pritchard responded that the property in question was mostly food orientated store.

These kind of stores perform better than the other high street stores. The unit also had the potential to be divided into smaller units, should the current tenant serve notice. It was agreed that food stores were a strong asset to have in the property portfolio.

- 6.10 Councillor McCraw reminded Members that risk management had been undertaken and that that this part for the business set-up had been scrutinised last year.
- 6.11 Councillor Caston enquired if carparks were included in the respective properties with car parks and it was confirmed that in principle most of the carparks were included.
- 6.12 Councillor Scarff was concerned that the increase in councils investing in business properties were inflating the business property market.
- 6.13 Neville Pritchard responded that the investments that councils made were only a small portion of the investment market, around £3 billions of the £65 billion invested in the property market.
- 6.14 Mark Sargeantson added when CIFCO was bidding for a property the purchase had to fulfil certain criteria otherwise CIFCO would withdraw from the process.
- 6.15 Councillor Welham enquired how optimistic the Director were in negotiating rent increase as there currently was breakdown in rents in the high street retail sector.
- 6.16 Nigel Golder explained that every six- months CIFCO had face to face with the occupiers of the properties to anticipate outcome of rent negotiations.
- 6.17 Part of the management of the portfolio was to look at assets to add value and currently there was no need to sell any properties. However, should this become a need the funds would be reinvested in other properties.
- 6.18 Councillor Mellen asked how the Directors anticipated the effect of Brexit and the rise of the No-deal Brexit.
- 6.19 Neville Pritchard responded that fundamentally there was a limited supply of good properties and that eventually business would be affected by Brexit. Some occupiers are concerned about the effects of Brexit, which had slowed the market down. However, overall there the market had been confident during the past eighteen months, but matters were likely to improve once it became known how Brexit would be attained.
- 6.20 The Chair asked if the covenants and fundamental income would be affected by Brexit and the effects this might have on the market. Nigel Golder responded that the fundamental income stream was predicted to be steady for the next five years.

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

By a unanimous vote

It was Resolved: -

That under section 100(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act in the paragraph registered against the item.

8 PART 2 APPENDIX A - DRAFT CIFCO CAPITAL LTD BUSINESS PLAN 2019/20 (CONFIDENTIAL)

The business of the meeting was concluded at 3.15 pm.

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Chair