

# BABERGH & MID SUFFOLK JOINT OVERVIEW & SCRUTINY COMMITTEE – 28 JUNE 2021

## EXECUTIVE SUMMARY

### CAPITAL INVESTMENT FUND COMPANY ('CIFCO CAPITAL LTD') BUSINESS TRADING AND PERFORMANCE REPORT 2020/21

#### 1. PURPOSE OF REPORT

- 1.1 To consider the trading activity for CIFCO Capital Ltd (CIFCO) for 2020/21 and the Business Plan for 2021/22. The finalised report and Business Plan will be presented to both Councils at their July meetings and the Joint Overview & Scrutiny Committee is tasked with reviewing both the draft report and the Business Plan in advance of Councils' consideration.
- 1.2 The Joint Overview & Scrutiny Committee is asked to consider the following:
  - Does the current performance of CIFCO deliver good value to the Councils?
  - Are the KPIs appropriate measures of performance?
  - Is the business plan robust and appropriate for the next 12 months?
  - Is there sufficient confidence in the management of CIFCO?

#### 2. EXECUTIVE SUMMARY

- The Councils' investment in CIFCO is now completed, with final sums being drawn down in March 2021 by CIFCO enabling the completion of 2 further properties during 21/22 and to provide funds for future capital investments in the assets.
- Focus and purpose of CIFCO is to continue to generate income and add value where possible- change in KPIs as a consequence to reflect the current full investment status and increased emphasis on sustainability.
- CIFCO portfolio provides a diverse portfolio of assets and tenants to mitigate over exposure to individual tenants and sectors.
- Since 2018, the CIFCO portfolio has diversified away from retail assets towards a greater emphasis on industrial assets.
- CIFCO Rental Income is £5m per annum
- Rent Collection has held up well in the face of the pandemic– total arrears currently equate to 4.6% of rent roll (£233k against £5m rent roll).
- Tenant Administrations has resulted in £240k bad debt being written off this year.
- CIFCO made full debt repayments during 20/21 despite challenges of COVID
- Mid Suffolk received net income during 20/21 of £1,018,000 (equivalent to 16.7% of its Council Tax Income)
- Babergh received net income of £1,274,000 during 20/21 (equivalent to 22.06% of its Council Tax Income)
- Total net income received by the Councils to date £5,487,000 since inception 2017.

- CIFCO Final Draft Accounts will be available for the full Council meetings in July
  
- CIFCO Indicative Draft 20/21 Accounts show a Pre-Tax loss of c.£4.4m comprising £2m of acquisition costs and a downward adjustment in value of £2.4m primarily relating to those assets most impacted by COVID. These losses would only be realised if assets are sold at the current time.
- As part of prudent financial planning in response to COVID, CIFCO is looking to defer between 6 and 13% of debt repayments to the Councils over the next 3 years. All sums will be paid in full and accrued in Councils' accounts. Additional interest will be paid in relation to the delayed repayments.
- Despite COVID administrations, the quality of portfolio has led to most vacant properties being relet and VOIDs remain low at circa 3% of the portfolio.
- Capital Investments of circa £800,000 planned during 21/22 to add value, improve sustainability and improve re-letting opportunities.
- Some Information from the business plan is included within the body of the Council report and as such many of the tables are duplicated.