

Agenda Item No:	<b>8</b>	
Committee:	<b>OVERVIEW AND SCRUTINY</b>	
Date:	<b>March 2022</b>	
Report Title:	<b>INVESTMENT BOARD ANNUAL REPORT</b>	

## **1 Purpose / Summary**

- 1.1 To provide an update to the Overview and Scrutiny Panel of the work of the Investment Board from April 2021 to March 2022

## **2 Key issues**

- 2.1 The Commercial and Investment Strategy was approved by Full Council on 9<sup>th</sup> January 2020.
- 2.2 At the same meeting Full Council also agreed to establish a Local Authority Trading Company (LATCo) for the purpose of facilitating the delivery of the agreed strategy and noted the proposed intention that the Investment Board will be able to utilise reserves and/or borrow sums up to a combined maximum of £25 million in order to deliver the objectives of the Strategy.
- 2.3 Following on from this approval the creation of the Investment Board and the delegation of functions was approved by Cabinet on 16<sup>th</sup> January 2020.
- 2.4 The business case for the creation of the LATCo was approved by Cabinet on 9<sup>th</sup> June 2020 and Fenland Future Ltd was incorporated on 10<sup>th</sup> June 2020.
- 2.5 The Investment Board has met regularly throughout the period and details of these meetings are contained in the report whilst respecting the confidential nature of some of the items discussed.
- 2.6 Fenland Future Ltd held its inaugural board meeting on 8<sup>th</sup> December 2020 and a first draft business plan has been circulated to the Investment Board for discussion and approval. The final business plan will be formally presented to the Investment Board in March 2022.
- 2.7 The annual report on Investment Board activity was presented to and noted by Cabinet on 22<sup>nd</sup> March 2022.

## **3 Recommendations**

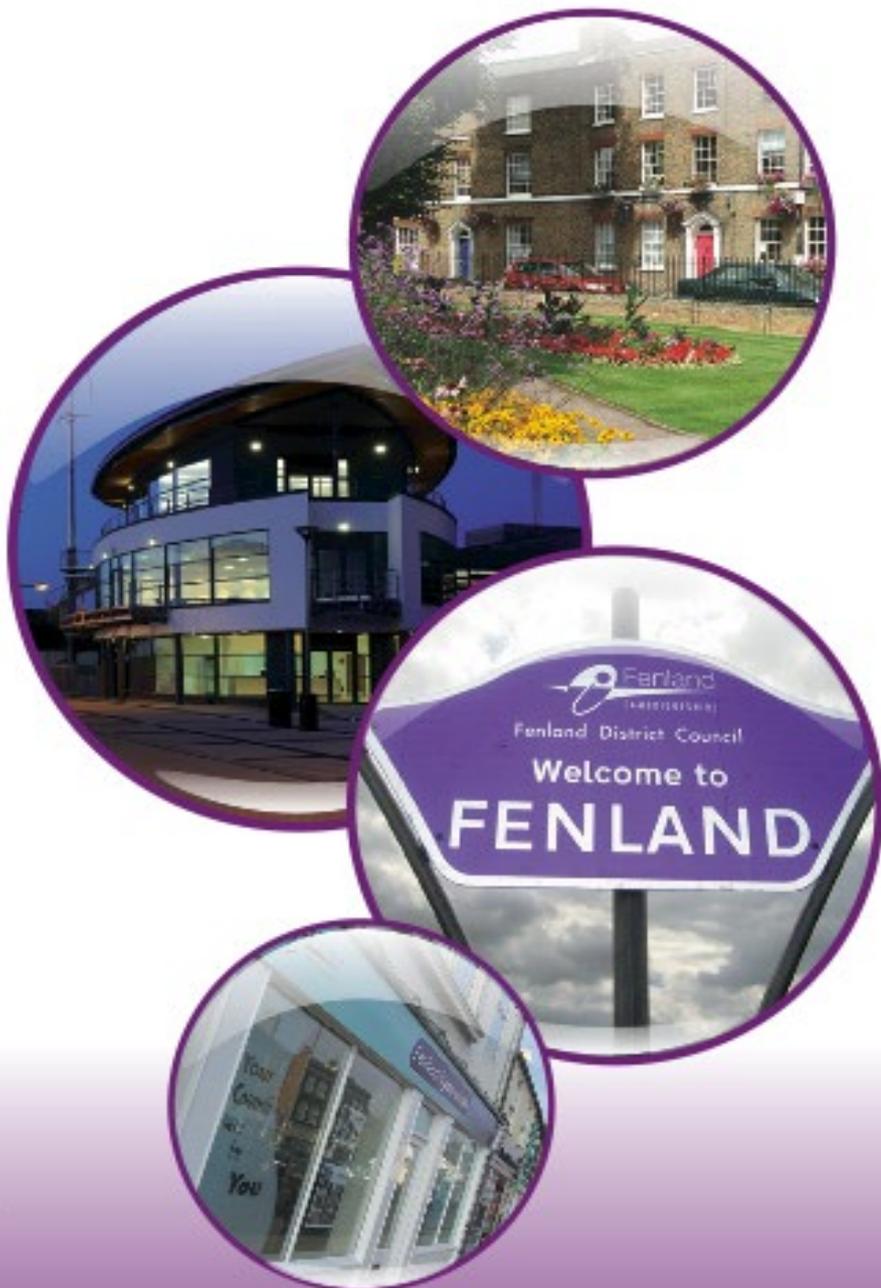
It is recommended that the Overview and Scrutiny Panel note the annual report from the Investment Board.

<b>Wards Affected</b>	All
<b>Forward Plan Ref</b>	Not applicable
<b>Portfolio Holder(s)</b>	<p>Cllr Chris Boden – Leader, Finance Portfolio Holder and Chairman of the Investment Board</p> <p>Cllr Steve Tierney – Transformation and Comms Portfolio Holder and Investment Board Member</p> <p>Cllr Ian Benney – Economic Growth Portfolio Holder and Investment Board Member</p>
<b>Report Originator(s)</b>	<p>Paul Medd – Chief Executive</p> <p>Peter Catchpole – Corporate Director &amp; Chief Finance Officer</p> <p>Amy Brown - Head of Legal and Governance and Acting Monitoring Officer</p>
<b>Contact Officer(s)</b>	<p>Paul Medd – Chief Executive</p> <p>Peter Catchpole – Corporate Director &amp; Chief Finance Officer</p> <p>Amy Brown - Head of Legal and Governance and Acting Monitoring Officer</p>
<b>Background Paper(s)</b>	<p>Investment Board minutes</p> <p>Commercial and Investment Strategy</p>

Appendix: Annual report

Report of the Investment Board

April 2021 - March 2022



## **1 What is the Investment Board?**

- 1.1 The Investment Board was created on 16<sup>th</sup> January 2020 to help drive forward the Council's Commercial and Investment Strategy which was approved by Full Council on 9<sup>th</sup> January 2020. The Investment Board is a sub-committee of Cabinet designed to be more "fleet of foot" in order to be able to respond to opportunities in an agile and commercial manner.

## **2 Purpose of the Investment Board**

- 2.1 The Investment Board is responsible for implementing the Commercial and Investment Strategy including oversight of the Council's companies and partnerships.
- 2.2 The Investment Board will act as a decision-making body in relation to the functions delegated to it and will report to Cabinet in relation to the exercise of those functions.
- 2.3 Support and advice will be provided to the Investment Board by key members of the Corporate Management team.

## **3 Membership and Operation of the Investment Board**

- 3.1 The Investment Board will comprise a maximum of two Cabinet Members (one of whom should be the portfolio holder for finance if that position is not held by the Leader) in addition to the Leader who will determine their appointment annually.
- 3.2 The Investment Board shall meet on a basis agreed by itself with a minimum of 3 meetings per year.
- 3.2 The quorum shall be the Leader in the presence of a minimum of;
  - a. one other Cabinet Member;
  - b. one senior advisory officer (or their appointed deputy)

An invitation to attend must have been provided to the Chair of O&S at least 5 clear days in advance of the meeting taking place. This notice period may be waived if the Chair of O&S or their nominated deputy so agrees.

An invitation to attend must also have been provided to the section 151 officer and the Monitoring Officer (or their nominated deputies) which will normally be at least 5 clear days in advance of the meeting taking place.

- 3.3 The provisions relating to substitution set out at paragraph 28 of the Standing Orders shall apply to meetings of the Investment Board save that the Leader and Cabinet Members may only be substituted by Cabinet Members [and the Chair of O&S may only be substituted by the Vice Chairman]. Such substitutions to be notified to Council as part of the annual nomination process.

3.4 The Cabinet Procedure Rules shall apply to meetings of the Investment Board save in respect of paragraphs 1.6, 1.8, 2.2 (second paragraph), 2.3(g) and (h) and paragraph 2.5(d) which shall be disapplied.

#### **4 Functions of the Investment Board**

- 4.1 To determine investment appraisals submitted under Part 2 of the Council's Commercial and Investment Strategy together with the most appropriate means of delivery;
- 4.2 To determine business cases submitted under Part 3 of the Council's Commercial and Investment Strategy by the Council's companies and partnerships;
- 4.3 To determine the amount and terms of any investments, loans and assets required for the delivery of proposals approved in accordance with paragraphs (a) and (b) above from the agreed budget allocation;
- 4.4 To produce a report to Cabinet twice a year summarising its activities in accordance with paragraphs (a) to (c) above.
- 4.5 Approve the business plans of the Council's companies and partnerships;
- 4.6 To monitor performance and financial delivery in line with the approved business plans;
- 4.7 To ensure that those companies and partnerships comply with relevant Council policies, strategies and objectives;
- 4.8 To exercise decisions, where delegated by Cabinet, in relation to a company or partnerships' reserved matters;
- 4.9 To oversee the relationships between the Council and the Council's companies and partnerships in accordance with the Council's objectives.
- 4.10 To prepare and present an annual report to the Overview and Scrutiny Committee;
- 4.11 To determine for each individual company or partnership whether the Investment Board recommends to Cabinet the delegation of any functions to the officers of the Council.
- 4.12 All other matters not falling within the remit of the Investment Board functions set out at 4.1 to 4.11 above will be referred to Cabinet for decision.

#### **5 Summary Progress to date**

- 5.1 At a meeting of the Investment Board on 18<sup>th</sup> September 2020 approval was given to take forward to a detailed business case the development of FDC owned land at the Nene waterfront in Wisbech.
- 5.2 At a meeting of the Investment Board on 12<sup>th</sup> January 2021 approval was given to take forward to a detailed business case the development of FDC owned land in Chatteris.

5.3 At a meeting of the Investment Board on 16<sup>th</sup> March 2021 approval was given to acquire a commercial property in Wisbech and this was subsequently completed on 26<sup>th</sup> March 2021.

## 6 Work programme and outcomes

6.1 The Investment Board sat on the meeting dates detailed below and considered the matters also shown in the table below as part of its work for 2021/22:-

Meeting date	Outcome
16 <sup>th</sup> March 2021	<p>A paper on impaired Residential Property Investment was discussed and the Investment Board agreed to:-</p> <ul style="list-style-type: none"> <li>• Maintain a watching brief to identify such opportunities if this direction is followed;</li> <li>• Establish an Outline Business Case process to evaluate any such opportunities;</li> <li>• Request a full business case on each potential acquisition when identified;</li> </ul> <p>To date no such opportunities have been brought forward.</p> <p>The Investment Board agreed to note the confidential verbal update on the Nene Waterfront.</p> <p>The Investment Board agreed to note the confidential verbal update on a further Housing Development opportunity within the district.</p> <p>The Investment Board approved the proposed investment opportunity presented to them under Part Two (Commercial Property Investment) of the Councils' Commercial and Investment Strategy together with the associated budgetary, financial and legal arrangements required to bring that into effect.</p> <p>This commercial property was subsequently acquired in Wisbech and a rental return of £230k per annum is currently being returned, a yield of over 6%.</p>

Meeting date	Outcome
28 <sup>th</sup> June 2021	<p>Councillor Benney was elected as Vice-Chairman of the Investment Board for this municipal year.</p> <p>The Investment Board agreed to note current progress and the indicative timetable within the confidential Nene Waterfront report.</p> <p>The Investment Board agreed to note current progress and the indicative timetable within the confidential housing development opportunity update report.</p> <p>The Investment Board agreed to the recommendations within the confidential Resourcing Considerations report to recruit a full time dedicated resource to drive forward the Fenland Future Ltd business.</p>
16 <sup>th</sup> September 2021	<p>The Investment Board agreed to approve the changes for the recruitment of a fixed term Development Director and delegate authority to Corporate Management Team to process the recruitment as soon as possible. Through a procurement process we have appointed Instinctively Green Ltd (Adam Broadway) to provide interim support and advisory services to FFL. Adam commenced work in December 2021 and is working with the Board of Fenland Future Ltd to drive forward the business.</p> <p>The Investment Board agreed:</p> <ul style="list-style-type: none"> <li>• to note the current progress and indicative timetable within the confidential Nene waterfront report</li> <li>• that incubator units should not be discounted for inclusion in the scheme as long as Fenland Future Limited receive no reduction in overall income from this site.</li> </ul> <p>The Investment Board agreed to note current progress and the indicative timetable within the confidential housing development opportunity update report.</p>

Meeting date	Outcome
3 <sup>rd</sup> December 2021	<p>The Investment Board agreed to note the current progress and indicative timetable within the confidential Nene waterfront report.</p> <p>The Investment Board agreed to note current progress and the indicative timetable within the confidential housing development opportunity update report.</p> <p>The Investment Board agreed to delegate to the Section 151 Officer in consultation with the Leader to:</p> <ul style="list-style-type: none"> <li>• Conclude the legal purchase by the Council of a property in March that strategically offers a future opportunity to open up access to a Council owned potential development site at the price of £310,000.</li> <li>• The purchase is subject to satisfactory due diligence that has commenced recognising the urgency of the seller's house move chain.</li> </ul> <p>The Investment Board agreed to:</p> <ul style="list-style-type: none"> <li>• Note the financial update on the progress of the Commercial and Investment Strategy; and</li> <li>• Approve the expenditure incurred by Fenland District Council on behalf of Fenland Future Ltd since its adoption in January 2020; and</li> <li>• Give a steer on the funding agreement between FDC and FFL to be discussed at the next FFL Board meeting.</li> </ul> <p>The Investment Board considered a commercial opportunity in Whittlesey via a public auction and agreed to delegate to Members of the Investment Board and the Section 151 Officer to decide whether, subject to necessary due diligence, to make a bid on the opportunity subject to the financial parameters decided at the meeting.</p> <p>Following further due diligence conducted after the meeting it was decided in consultation with the Chair of the Investment Board not to make a bid at this time.</p>

## 7 Finance Update

- 7.1 As part of the Commercial and Investment Strategy a facility of £25m was granted to the Investment Board to finance capital expenditure to be undertaken in accordance with the aims and objectives of the agreed strategy. At the end of March 2022 £4m of this facility has been utilised to fund the acquisition detailed in 7.3 below and 44 Russell Avenue as detailed above. These acquisitions were approved at Investment Board meetings held on 16<sup>th</sup> March 2021 and 3<sup>rd</sup> December 2021 respectively.
- 7.2 Further utilisation will be needed when the funding position of Fenland Future Ltd is fully agreed.
- 7.3 The Commercial Investment in Wisbech has delivered a rental income of £230k for the year to March 2022. As we used our own funds to acquire this asset there is no external cost of capital and the loss of interest foregone on our funds is minimal at present. This acquisition has enhanced the Councils revenue position and has had a positive impact on the MTFS as presented to Full Council in February 2022.

There are also potentially Minimum Revenue Provision (MRP) implications to consider that will impact our revenue position and we will work through these for 2022-2023.

- 7.4 Fenland Future Ltd expenditure and commitments to date are as shown in the table below:-

Detail		Total FFL Costs £	Nene Waterfront £	Chatteris £	FFL Set up Costs £	Consultancy Costs £	FDC Recharges £	Loan Interest £
Dec-20	Set up costs	2,925.00			2,925.00			
Mar-21	Recharges	58,029.30					58,029.30	
May-21	Norr	14,575.08	14,575.08					
Aug-21	Ecology survey	5,000.00	2,500.00	2,500.00				
	Set up costs	975.00			975.00			
Sep-21	Pre Planning consultancy	77,110.00	27,200.00	49,910.00				
	Architectural	21,950.00		21,950.00				
Nov-21	Topographical Survey	950.00		950.00				
Dec-21	Site clearance work	1,924.75	1,924.75					
Jan-22	Planning Advice	10,225.00		10,225.00				
Feb-22	Valuation services	1,750.00		1,750.00				
	Recharges	159,514.43				42,997.50	116,516.93	
<b>Total Paid and Committed</b>		<b>354,928.56</b>	<b>46,199.83</b>	<b>87,285.00</b>	<b>3,900.00</b>	<b>42,997.50</b>	<b>174,546.23</b>	<b>TBC</b>

At present these monies sit as a debtor in the Councils accounts as the only funding agreed so far is the £10,000 for set up costs approved by Cabinet on 9<sup>th</sup> June 2020. It is clear that further funding is now needed and a paper on this will be presented at a future Investment Board as part of the Fenland Future Ltd Business Plan for 2022-23 onwards.

It is also necessary to agree the terms of the funding for the loans provided to Fenland Future Ltd and a draft loan agreement will also form part of those plans.

## **8 Other opportunities**

- 8.1 An opportunities schedule is kept as there were several other investment opportunities presented to the Investment Board throughout the year to 31<sup>st</sup> March 2022. These include but are not limited to a retail opportunity in Chatteris, a business park in Whittlesey, commercial development land in Wisbech and a commercial unit in March. Due diligence was carried out on each opportunity and all were unsuccessful due to a variety of reasons that will help inform future aspirations. A total of £25k was expended on advice and due diligence throughout the year covering issues including PWLB lending constraints and the new Prudential Code.