

Public Document Pack



SUPPLEMENTARY AGENDA 1

Dear Councillor

EXTRAORDINARY COUNCIL - WEDNESDAY, 21ST MARCH, 2018

I am now able to enclose, for consideration at next Wednesday, 21st March, 2018 meeting of the Extraordinary Council, the following reports that were unavailable when the agenda was printed.

| Agenda No | Item |
|------------------|-------------|
|------------------|-------------|

- | | |
|----|---|
| 3. | <u>Housing Repairs and Maintenance</u> (Pages 3 - 10) |
| 4. | <u>Joint Venture Procurement</u> (Pages 11 - 36) |
| 5. | <u>Wholly Owned Company</u> (Pages 37 - 62) |

Yours sincerely

Chief Executive

Encs

21 March 2018

Extra Ordinary Council

Housing Repairs and Maintenance functions

Report of: *Steve Summers, Chief Operations Officer*

Wards Affected: *All*

This report is: *Public (Appendix – Exempt)*

1. Executive Summary

- 1.1 The purpose of this report is to seek approval for a delegation of authority to Brentwood Borough Council to enter into agreements with Basildon Borough Council under Section 101(5) of the Local Government Act 1972, in relation to the delegation of Housing Repairs and Maintenance functions.
- 1.2 This approval will formalise the partnership between Brentwood Borough Council and Basildon Borough Council – supporting the Councils partnership aspirations to deliver quality front and back office services in partnership.
- 1.3 In order for the proposed collaboration to achieve maximum success, it is recommended that Extra Ordinary Council grants the approval for the Council to enter a sharing agreement contract for Housing Services only for the scope of the Repairs and Maintenance functions.

2. Recommendation

- 2.1 Approves that the Council enter a new sharing agreement for provision of the Housing Repairs and Maintenance responsibilities with Basildon Borough Council on the basis set out in Appendix A of this report.**
- 2.2 That delegated authority be given to the Section 151 Officer, in consultation with the Leader of the Council as appropriate, to agree and formally enter the agreement once negotiations have been completed.**

3. Introduction and Background

- 3.1 As the pressure on local government resources increases the need to develop new efficient and innovative approaches to service delivery has intensified. In the past local authorities have managed the demands on their resource and budgets by reducing costs to deliver savings through approaches that include departmental restructuring; reductions in contingency budgets and non-essential internal costs and the improved procurement of goods and services.
- 3.2 With local authorities having achieved most of these 'easy to deliver' savings and efficiencies, attention has now turned to delivering efficiencies and maximising economies of scale through more formal shared working arrangements. These include the development of partnerships with other local authorities, other public sector organisations or the private sector. It is within this context that the potential for developing a shared service partnership with Basildon Borough Council was first considered.

4. Issue, Options and Analysis of Options

- 4.1 There is a requirement for a major investment in the repairs and maintenance services to ensure the authority meets its minimum statutory requirements for compliancy related matters and improved delivery of a key council service.
- 4.2 In addition this issue has been identified by the ongoing Housing Transformation Project and the 2017 Audit Report, highlighting the matter as a high risk of concern.
- 4.3 Therefore the Council is looking for a housing managed Repairs and Maintenance service to meet the gaps in expertise and contract support in various areas of the service. This is in order to:
- Achieve 'quick wins' on identified contracts
 - Plan long-term contract strategies that involve obtaining value for money and effective partnership working with Service Providers
 - Contract management

- Decrease void property letting times
- Ensure compliance

4.4 In order to achieve the wider benefits for the Council and local communities, the benefits of the shared services arrangement enable the following:

- Supports the Council's MTFP budget target.
- Provides a sustainable model to preserve service levels.
- Demanding value for money from our Housing Service.
- Illustrates Brentwood's reputation and leadership amongst Essex Authorities by being innovative and progressive.
- Effectively compete within the Shared Service market.
- Maximise opportunities for further income generation and cost recovery.
- Develop the Council's commercial competence through gaining buy-ins and resources.
- Provide a model of longevity to deliver an ongoing income stream.
- Drive continuous improvement in the delivery of a cost-effective, efficient service that meet users' needs and expectations.
- Public sector value and experience 'By public sector for public sector'.
- All income generated from such shared service arrangements are paid back to the benefit of the wider public purse.
- Ability to reduce costs through innovation designed for the communities.
- A partnership approach rather than outsourcing.
- Provide a mechanism for Councils to retain their identity.
- Create a model for future partnerships.

- 4.5 Repairs and maintenance staff will be situated at Brentwood Borough Council locations and the opportunity for future co-location with external contractors will be explored.

5. Reasons for Recommendation

- 5.1 To enable the Council to deliver effective and efficient Housing Services for the benefit of the Council and its customers.

6. Consultation

- 6.1 No formal consultation has been undertaken at this stage.

7. References to Corporate Plan

- 7.1 Delivering an effective and efficient Housing Services will help meet the Modern Council key priority.

8. Implications

Financial Implications

Name & Title: Jacqueline Van Mellaerts, (Section 151 Officer)

Tel & Email 01277 312829/

jacqueline.vanvanmellaerts@brentwood.gov.uk

- 8.1 Our Repairs and Maintenance Service does require additional support and investment in order to maintain service delivery. In light of this, sensible negotiations will be made in order for the HRA to be financially sustainable as well as to obtain the expertise it requires.

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer

Tel & Email 01277 312860/ daniel.toohey@brentwood.gov.uk

- 8.2 Legal Services are available to advise and assist with concluding the terms of the arrangement and to ensure compliance with employment, legislative and constitutional requirements, including the Transfer of Undertakings (Protection of Employment) Regulations 2006.

Other Implications (where significant) – i.e. Health and Safety, Asset Management, Equality and Diversity, Risk Management, Section 17 – Crime & Disorder, Sustainability, ICT.

- 8.3 None

9 Background Papers (include their location and identify whether any are exempt or protected by copyright)
Ordinary Council 1st March 2017

10 Appendices to this report
Appendix A – This appendix is exempt

Report Author Contact Details:

Name: Steve Summers, Chief Operating Officer
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Appendix A

Appendix A contains confidential information and is therefore not publicly available.

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21st March 2018

Extraordinary Council

Procurement of a Joint Venture Partner

Report of: *Chris Leslie – Commercial Manager*

Wards Affected: *All*

This report is: *Public but contains exempt appendices*

1. Executive Summary

- 1.1 This report seeks approval to commence a procurement process under the Public Contracts Regulations 2015 using the Competitive Dialogue procedure to procure a joint venture partner.
- 1.2 A joint venture partner is required to enable the Council to further its asset development programme.

2. Recommendation(s)

- 2.1 **That a Competitive Dialogue Procedure under the Public Contracts Regulations 2015, to procure a joint venture partner commences.**
- 2.2 **That the procurement documentation set out in the appendices be approved.**
- 2.3 **That Delegated Authority is given to the Chief Executive, after consultation with the Leader of the Council, to finalise all documentation required to support the procurement process.**

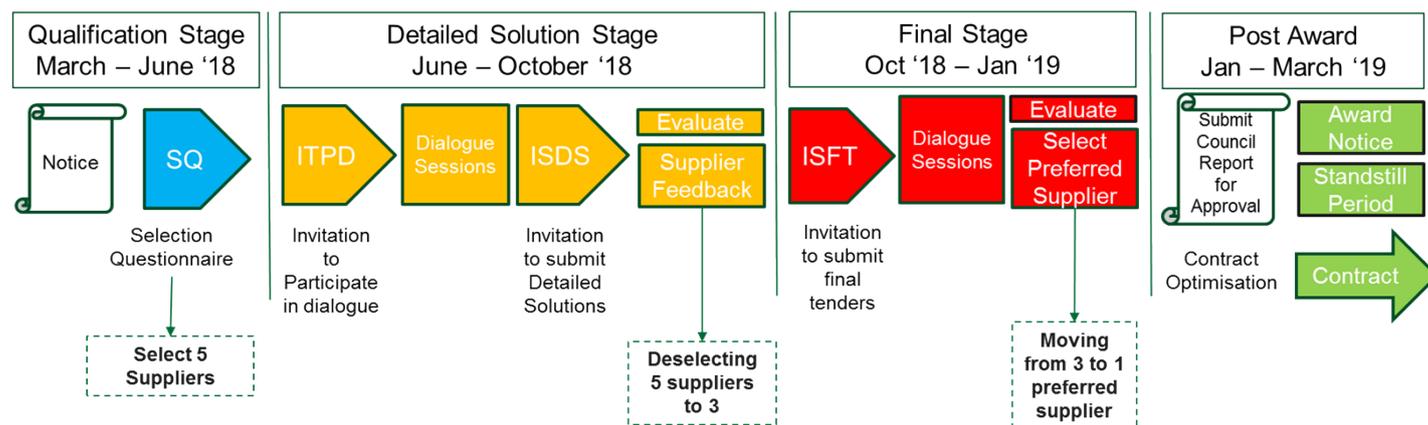
3. Introduction and Background

- 3.1 The Council's Asset Development Programme has now progressed to a point where it is necessary to seek a development partner to enable it to achieve its objectives.
- 3.2 Through utilising specialised consultants, use of soft market testing and reporting to Policy, Projects and Resources Committee it became apparent that a joint venture partner would be the best delivery option.

- 3.3 On 19th September 2017 the Policy, Projects and Resources Committee agreed the joint venture approach, and on the 6th February 2018 the Committee agreed that a decision to formally tender for a partner be brought for decision.
- 3.4 Due to the potential value of the projects that maybe taken forward under a joint venture a full Competitive Dialogue Procedure under the Public Contracts Regulations 2015 is required.
- 4. Procurement Process**
- 4.1 To ensure an effective procurement process the Council has engaged the services of:
- East of England Local Government Association (EELGA)
 - 31ten Consulting (via EELGA)
 - Sharpe Pritchard
 - J C Gill and Co Limited
- 4.2 These consultants are familiar with public sector joint venture partnerships, the Competitive Dialogue Procedure and have been involved in similar procurements before. Their knowledge will be highly beneficial in securing the right partner.
- 4.3 The procurement process is outlined in the following paragraphs:
- 4.4 **Qualification Stage** – This is the first sift of bidders and aims to identify early those who are most likely to be selected as a partner. Bidders will respond to the Selection Questionnaire and be evaluated in accordance with their response (Appendix A). Following this, it is likely that five bidders will be selected to go through to the next stage. Restricting the number to five will provide the Council with a strong selection of partners and keep the assessment resources required at the next stage reasonable. The bidders will also remain engaged knowing the competition has decreased when they progress to the detailed solution stage.
- 4.5 **Detailed Solution Stage** – The successful five bidders will be invited to submit their detailed solutions in accordance with the Council's instructions (Appendix B). Solutions are discussed through dialogue sessions with the Council and then submitted through answering a series of evaluation questions (Appendix C). A shortlist of three bidders will then be drawn up based on how well their solutions meet the Council's requirements, as determined by the scoring methodology outlined in the instructions.

4.6 **Final Stage** – The final three bidders have an opportunity to refine their solutions in line with the Council’s detailed requirements as articulated in the bid documents. Solutions are further discussed through dialogue sessions and then their final bids are submitted. A Preferred Bidder is then selected based on how well their solutions meet the Council’s requirements, as in the detailed solution stage. Full Council will be required to approve the successful partner and a period of contract refinement will take place before the contracts are signed.

4.7 Timescales and the procurement stages are shown in the following diagram.



5. Potential Development Sites

5.1 On 19th September 2017 Policy, Projects and Resources Committee were informed of the assets considered as part of the asset challenge and triage process. These will continue to be the assets used in the procurement process as an example to the market of what sites may come forward to the partnership. The list of properties is shown in Appendix D.

5.2 Of these assets, eight principal properties were selected and used in the market soundings. Since then King Edwards Road has been dropped from the list so the Council can self-develop the site. Due to the positive feedback, prospective partners will be asked to undertake financial modelling based on these seven sites. Additionally, detailed development plans for three of these sites will be required. Restricting the number of assets in this way allows a more focused procurement and prevents an unreasonable amount of time and costs being incurred at risk by bidders, who otherwise might not be inclined to bid.

5.3 The four sites that will not be developed in detail will be costed by the bidders based on a development specification provided by the Council. This will match probable development potential, but if any were to be

developed by the partnership a detailed development plan would need to be prepared and signed off through the partnership arrangements.

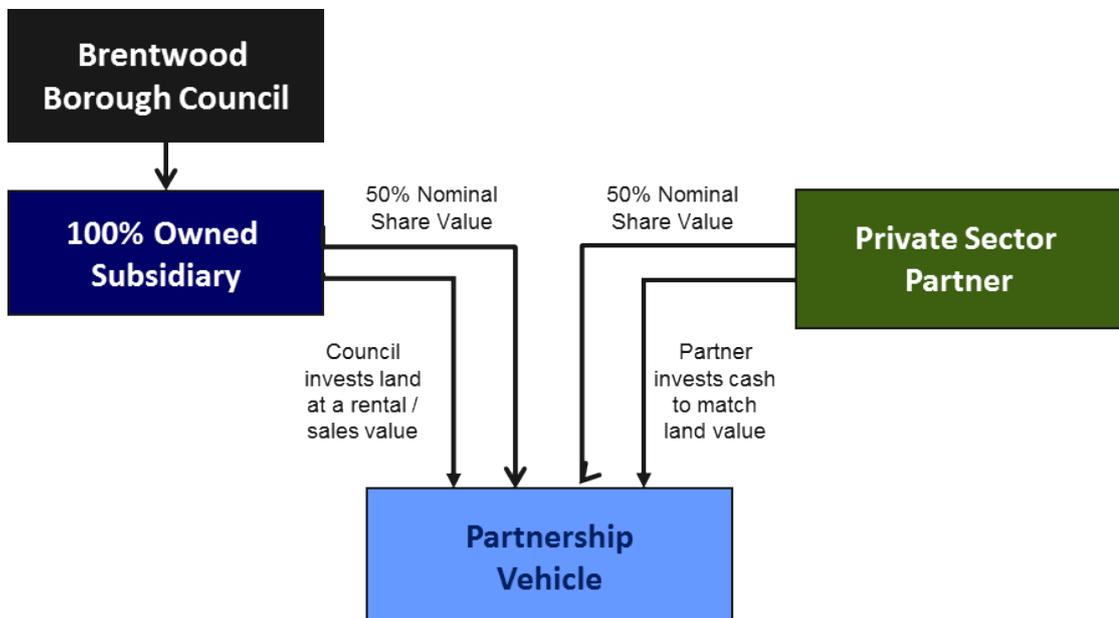
- 5.4 Although all seven sites form part of the procurement, only the three sites that are to be planned and designed in detail will be guaranteed to be developed by the partnership. Even after a partner is appointed, the decision to allow the partnership to develop further sites will still rest with the Council. Additionally, the Council is not restricted to developing only these sites as part of the partnership and may choose to add others over time.

6. Joint Venture Governance

- 6.1 Once a partner has been appointed a “development vehicle” will be required to allow the partnership to operate. Details of this will emerge as the competitive dialogue progresses. This could be through a new, separate private entity set up as a joint venture owned 50% by the Council and 50% by the partner with a deadlock arrangement so that neither party has control. This model is already used by a number of local authorities and public agencies in the UK to bring forward major development on their land, where those authorities do not have the investment capacity and skills to achieve the best possible outcomes without a partnership approach of this kind. A joint venture development vehicle can combine Council land with private investment and expertise while maintaining an appropriate degree of Council control over the pace and quality of development. It can also potentially give the Council a long term income stream as well as capital returns, which will be reinvested in accordance with the Council’s statutory functions, on social and economic benefits or on other Corporate Plan objectives.
- 6.2 It would be established as a company, or as a Limited Liability Partnership. The Council will likely have two or three Council Officers nominated to the Board (the same number as the private partner). The vehicle will have an executive team which could be procured in a number of ways, dependent on the nature of the partnership and the successful bidder.
- 6.3 The Council would not wish to have a share of less than 50%, as this would relinquish too much control and create an uneven partnership. Additionally, a share greater than 50%, would make the vehicle unattractive to the market.
- 6.4 As it is envisaged that a programme of sites will be developed over a number of years, the partnership must be long term. Once the sites are

developed, property will be held by the partnership to generate a revenue stream. Considering the payback period for developments and the need to maximise the income from the partnership, an agreement of 30 years has been deemed optimal.

- 6.5 The final governance arrangements will be the subject of refinement and discussion with potential partners during the procurement process. This ensures the Council gets the best possible arrangement by not restricting options at an early stage. One possibility is that a company, wholly owned by the Council may act as an intermediary between the joint venture and the Council. This will depend upon the governance and tax advantages of such a structure.



- 6.6 Certain key decisions will be reserved for the Council and its partner to take as shareholders, requiring unanimous approval of the shareholders. These are set out in more detail in section 6 of the key legal principals at Appendix E, but some of the key decisions include:

- Approval, adoption and variation of business plans
- Alteration of the nature or scope of the vehicle's business
- Action outside the parameters of the business plans
- Making a petition to wind up the joint venture
- Approving the development of any Further Sites

- 6.7 The Board of Directors of the joint venture will take decisions relating to matters such as:

- Committing expenditure to an agreed threshold
- Approving material contracts
- Appointment of employees
- Monitoring and directing the work of the joint venture

7. Reasons for Recommendation

- 7.1 To commence a Competitive Dialogue Procedure under the Public Contracts Regulations 2015, approval by Council is required.

8. References to Corporate Plan

- 8.1 This fits with the Council's Transformation Vision, to explore new income generating ideas and opportunities.

9. Implications

Financial Implications

Name & Title: Jacqueline Vanmellaerts, Financial Services Manager

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- 9.1 The costs of the procurement exercise have been included in the Medium Term Financial Plan 2018/19. It is intended to be funded from the organisational transformation reserve and monitored throughout the process.
- 9.2 As part of the procurement a detailed business plan will be developed for the joint venture.

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer

Tel & Email: 01277 312 860 daniel.toohey@brentwood.gov.uk

- 9.3 The legal implications are set out in the report.

10. Appendices to this report

Appendices contain exempt information and are therefore not publicly available.

- Appendix A - Selection Questionnaire
- Appendix B - Invitation to Submit Detailed Solution Instructions
- Appendix C - Evaluation Questions
- Appendix D - Potential Development Sites
- Appendix E - Key Legal Principals

- Appendix F - Equalities Impact Assessment

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Appendix A

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Appendix B

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Appendix C

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Appendix D

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Appendix E

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Appendix F

Equality Impact Assessment

Context

1. under s.149 of the Equality Act 2010, when making decisions, Brentwood Council must have regard to the Public Sector Equality Duty, ie have due regard to:
 - eliminating unlawful discrimination, harassment and victimisation, and other conduct prohibited by the Act,
 - advancing equality of opportunity between people who share a protected characteristic and those who do not,
 - fostering good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
2. The characteristics protected by the Equality Act are:
 - age
 - disability
 - gender reassignment
 - marriage/civil partnership
 - pregnancy/maternity
 - race
 - religion/belief
 - sex/gender
 - sexual orientation.
3. In addition to the above protected characteristics you should consider the cross-cutting elements of the proposed policy, namely the social, economic and environmental impact (including rurality) as part of this assessment. These cross-cutting elements are not a characteristic protected by law but are regarded as good practice to include.
4. The Equality Impact Assessment (EqIA) document should be used as a tool to test and analyse the nature and impact of either what we do or are planning to do in the future. It can be used flexibly for reviewing existing arrangements but in particular should enable identification where further consultation, engagement and data is required.
5. Use the questions in this document to record your findings. This should include the nature and extent of the impact on those likely to be affected by the proposed policy.

Section 1: Identifying details

Your function, service area and team: Chris Leslie, Commercial Manager

If you are submitting this EqIA on behalf of another function, service area or team, specify the originating function, service area or team:

Title of policy or decision: Asset Development Programme

Officer completing the EqIA: Ray Inns Email: ray.inns@brentwood.gov.uk

Date of completing the assessment: 22 February 2018

Section 2: Policy to be analysed

| | |
|-----|--|
| 2.1 | Is this a new policy (or decision) or a change to an existing policy, practice or project? YES |
| 2.2 | <p>Describe the main aims, objectives and purpose of the policy (or decision):</p> <p>Vision “A development, investment and optimisation programme that quickly delivers/optimises a portfolio of income generating assets and capital receipts to support the Council’s growth agenda. Whilst generating financial returns for the Council and acting commercially this programme will respect the residents, businesses and taxpayers of Brentwood and the ethics and values of the Council.”</p> <p>Objectives</p> <ul style="list-style-type: none"> • Procure a joint venture partner to assist the Council in achieving its vision; • Generate capital and revenue returns from the Council’s asset programme; • Develop / Invest in / Optimise a portfolio of income generating assets that delivers a target overall return. • Develop a portfolio approach that balances risk and reward across a portfolio of assets; • In developing / making investment decisions / optimising assets be cognisant of the potential to reduce long term costs and risks to the Council Tax payers; • In making development / investment decisions / optimising assets take into account the Council’s growth agenda; • To develop and utilise a series of approaches that are in line with the Council’s corporate strategy whilst maximising income return • The Council will use its borrowing powers to invest in asset based transactions targeting financial return • Undertake activities with a view to establishing and maintaining pace • The Council is open to appraising out of borough investments for better financial returns and will also consider co-investment opportunities with public not for profit and private sector partners. <p>What outcome(s) are you hoping to achieve (ie decommissioning or commissioning a service)?</p> <p>Generate financial returns (Revenue and Capital) from the Council’s asset portfolio.</p> |
| 2.3 | <p>Does or will the policy or decision affect:</p> <ul style="list-style-type: none"> • service users – Generate financial returns (revenue and capital) to fund overall service delivery by the Council, to improve existing services and to provide the opportunity for additional services. Service users may be temporarily affected by the development of operational assets but the impacts will be assessed and mitigation measures put in place on a case by case basis. • employees – Establish a more commercial and pro active approach to managing the Council’s portfolio of property assets and centralising property asset management under a corporate landlord structure. Impacts on Employees will be communicated in good time and mitigation measures put in place on a case by case basis. • the wider community or groups of people, particularly where there are areas of known inequalities? - Generate financial returns (revenue and capital) that will be used to support the Council’s objectives, which include services that benefit the community. |

| | |
|-----|--|
| | <p>Will the policy or decision influence how organisations operate?</p> <ul style="list-style-type: none"> • The Council will need to establish separate companies and operate effectively with these new entities. |
| 2.4 | <p>Will the policy or decision involve substantial changes in resources?</p> <ul style="list-style-type: none"> • Set up costs will be incurred, including the need for external consultants. • During the partner procurement period a substantial amount of officer time will be required. • Council owned land will be developed as part of the Joint Venture arrangements. • Generate financial returns (revenue and capital) to fund and inform service delivery. |
| 2.5 | <p>Is this policy or decision associated with any of the Council's other policies and how, if applicable, does the proposed policy support corporate outcomes?</p> <p>The asset management programme supports the Council's Transformation Vision, to explore new income generating ideas and opportunities.</p> <p>The programme will also support the work of the Council's asset management strategy.</p> |

Section 3: Evidence/data about the user population and consultation

As a minimum you must consider what is known about the population likely to be affected which will support your understanding of the impact of the policy, eg service uptake/usage, customer satisfaction surveys, staffing data, performance data, research information (national, regional and local data sources).

| | |
|-----|---|
| 3.1 | <p>What does the information tell you about those groups identified?</p> <p>The Asset Development Programme has the potential to affect the residents of Brentwood and stakeholders across the board at some stage, depending upon what assets are ultimately developed. Consultation with all Members and in particular Ward Members has taken place which will help them to understand the process and help resolve any issues raised by their constituents. Also, the Council's Policy, Projects and Resources Committee and Full Council have been updated on a regular basis.</p> |
| 3.2 | <p>Have you consulted or involved those groups that are likely to be affected by the policy or decision you want to implement? If so, what were their views and how have their views influenced your decision?</p> <p>Exercises have been undertaken in the past few years where development proposals have been put forward for public consultation. These include:</p> <ul style="list-style-type: none"> • Town Centre • William Hunter Way • The Local Development Plan <p>The outcomes from all of these have been reflected in the briefings drawn up to be included in the documentation utilised in procuring a joint venture partner.</p> |
| 3.3 | <p>If you have not consulted or engaged with communities that are likely to be affected by the policy or decision, give details about when you intend to carry out consultation or provide reasons for why you feel this is not necessary. Please include any reasonable adjustments, e.g. accessible formats, you will provide as part of the consultation process for disabled people:</p> <p>N/A, though any future developments are likely to require planning permission and the usual consultations with those parties likely to be affected will then take place.</p> |

Section 4: Impact of policy or decision

Use this section to assess any potential impact on equality groups based on what you now know.

| Description of impact | Nature of impact Positive, neutral, adverse (explain why) | Extent of impact Low, medium, high (use L, M or H) |
|---|--|---|
| Age | Neutral – The development of assets will not impact on this group. | L |
| Disability – learning disability | Neutral – The development of assets will not impact on this group. | L |
| Disability – mental health issues | Neutral – The development of assets will not impact on this group. | L |
| Disability – physical impairment | Neutral – There will be loss of disabled parking during development, however alternative disabled parking sites are available. | L |
| Disability – sensory impairment (visual, hearing and deafblind) | Neutral – The development of assets will not impact on this group. | L |
| Gender/Sex | Neutral – The development of assets will not impact on this group. | L |
| Gender reassignment | Neutral – The development of assets will not impact on this group. | L |
| Marriage/civil partnership | Neutral – The development of assets will not impact on this group. | L |
| Pregnancy/maternity | Neutral – The development of assets will not impact on this group. | L |
| Race | Neutral – The development of assets will not impact on this group. | L |
| Religion/belief | Neutral – The development of assets will not impact on this group. | L |
| Sexual orientation | Neutral – The development of assets will not impact on this group. | L |

Cross-cutting themes

| Description of impact | Nature of impact Positive, neutral, adverse (explain why) | Extent of impact Low, medium, high (use L, M or H) |
|------------------------------|---|---|
| Socio-economic | Positive – Improvement of facilities and | M |

| | | |
|--|---|----------|
| | employment opportunities. | |
| Environmental, eg housing, transport links/rural isolation | Positive – Increased housing supply and facilities. | M |

Section 5: Conclusion

| | | Yes/No as appropriate | |
|-----|--|-----------------------|--|
| 5.1 | Does the EqlA in Section 4 indicate that the policy or decision would have a medium or high adverse impact on one or more equality groups? | No | |
| | | | |

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21st March 2018

Extraordinary Council

Wholly Owned Company

Report of: *Chris Leslie – Commercial Manager*

Wards Affected: *All*

This report is: *Public*

1. Executive Summary

- 1.1 This report sets out the business case and seeks approval to create a company that will be wholly owned by the Council. As part of the Council's asset development programme a private company is required to engage in commercial activity and also to facilitate future opportunities.

2. Recommendation(s)

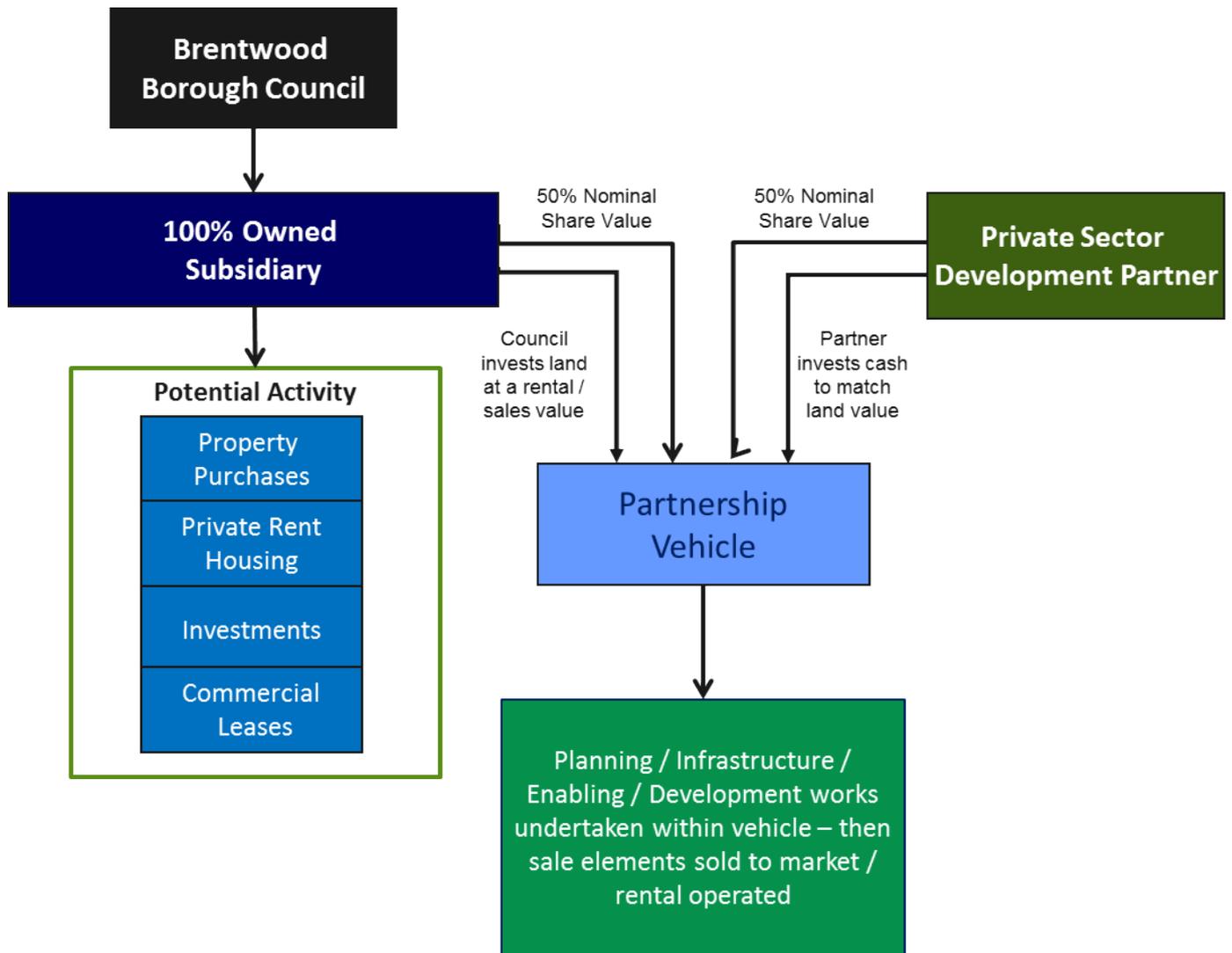
- 2.1 **That the creation of a wholly owned company be approved.**
- 2.2 **That authority be delegated to the Policy, Projects and Resources Committee to exercise the Council's decision making powers under the shareholder's agreement.**

3. Introduction and Background

- 3.1 The Corporate Plan for the Borough of Brentwood 2016-2019 includes a commitment to explore new income generating ideas and opportunities. At its meeting on 6th February 2018 the Policy, Projects and Resources Committee agreed that a report recommending the establishment of a wholly owned company would be brought to the next meeting.
- 3.2 On 19 September 2017 the Policy, Projects and Resources Committee approved a hybrid approach for delivering the asset development programme. The hybrid approach involves the self-development of simple sites by the Council, while more complex sites would be undertaken jointly between the Council and a procured joint venture partner.
- 3.3 To maintain a revenue stream for the Council the self-developed sites will be leased out on a commercial basis. The Localism Act 2011 allows local

authorities to do anything an individual can do. However, section 4 of the act requires that any commercial activity must be undertaken through a company.

- 3.4 Therefore, to comply with the requirements of the Localism Act 2011 the Council needs to establish a company. This will be wholly owned by the Council. It should be noted that certain local authority activities that could be considered commercial, such as leisure and car parks, are covered under separate legislation and do not need to be undertaken through a company.
- 3.5 The wholly owned company will seek to engage in a variety of commercial activities that will be asset based initially, and subject to appropriate business cases and financial sustainability could be extended into other areas such as service provision. Through a combination of equity from the sale of those Council assets, which are approved for sale through the asset challenge process and borrowing the Council would provide the company with a loan to acquire investment properties to generate a sustainable revenue stream.
- 3.6 Sites developed with a partner will also require the establishment of a separate company to comply with legislative requirements and to formalise the partnership. This will likely be in the form of a limited liability partnership (LLP) with ownership split 50:50. The best arrangement will be assessed through the procurement process, but the wholly owned company might have a role in that structure (depending on tax and governance advantages) as shown in the following diagram.



4. Issue, Options and Analysis of Options

- 4.1 There will be two company Directors, the Chief Executive and the Chief Operating Officer. Initially the company would not employ anyone, and Council officers would provide the required services. The cost of officers' time would be charged to the company.
- 4.2 Certain key decisions will be reserved for the PP&R Committee to approve. These are outlined in the reserve matters section of the shareholders agreement at Appendix A. They include the following areas:
- Entering into contracts outside the normal course of business
 - Loans and financing arrangements
 - Altering or ceasing business
 - Guarantees and indemnities
 - Shareholdings

- Appointment and remuneration of executive directors
- Business plan
- Corporate matters

4.3 The Directors of the company will take decisions relating to matters such as:

- Committing expenditure in accordance with the business plan
- Commissioning services
- Acquisitions in accordance with the business plan
- Monitoring and directing the work of the company

4.4 Each year the Policy, Projects and Resources Committee will be required to approve the company’s business plan. This provides the scope that the company must operate within. Any variations to the business plan must be approved by the Committee.

4.5 Initially working capital will be provided to the company by the Council in the form of a loan. Subsequent loans will require Committee approval. Due to State Aid requirements the company will have to pay interest on the loan at market rate.

5. Investment Strategy (Wholly Owned Company)

5.1 Before undertaking an investment, advice will be taken from consultants who specialise in the investment class. Their advice will ensure that risk is minimised and returns maximised. Tax advice will also be sought on investments to minimise liability.

5.2 Investment Objectives:

| Requirement | Reason for requirement | Investment approach to inform and impact on performance |
|--------------------------|--|---|
| Minimise risk | Risk needs to be carefully managed to ensure the company is sustainable. | Risk is a key consideration and low risk investments will be targeted. Over time an increased level of risk may be appropriate depending on the existing portfolio. |
| Focus on revenue returns | To meet revenue funding gap | Consideration for investing in existing property funds |

| Requirement | Reason for requirement | Investment approach to inform and impact on performance |
|---|--|--|
| | | Acquire to hold, rather than to dispose Re-invest surpluses |
| Short term revenue generation | Meet short term funding gaps | Seek to invest initially in current revenue generating assets or funds. In the medium term, identify opportunities for greater return on investment (ROI) by taking a longer term approach e.g. acquisition of vacant properties or development to realise a revenue stream. |
| Long term revenue generation and capital growth | Balanced fund | Seek to invest initially in current revenue generating assets or funds in the short term. In the medium term, identify opportunities for greater return on investment (ROI) by taking a longer term approach e.g. acquisition of vacant properties or development to realise a revenue stream. |
| Ability to make quick decisions | Commercial opportunities can require the ability to react quickly to ensure they are not missed. | The Investment Company will need to be able to react quickly to investment opportunities. |
| Stakeholder buy-in | Stakeholder support is vital for the success of the company. | Regular reports and review of Company Performance. |
| Governance and Transparency | Meets the Council's audit and scrutiny requirements. Demonstrates basis of investment decisions and value for money. | Investment decisions evidenced based. Regular reporting and review of fund performance. |
| Commercial and political sensitivity | Set up and operation of the company may create conflicts of interest. As a public body there are | Appropriate governance structure to mitigate conflicts of interest. Consider reputational risks |

| Requirement | Reason for requirement | Investment approach to inform and impact on performance |
|--------------------|---|---|
| | reputational risks that may impact upon the nature and type of investments. | within all investment opportunities and subsequent investment management decisions. |

5.3 Investment Criteria:

| Requirement | Reason for requirement | Statements |
|---|---|---|
| The Council will invest in a balanced portfolio of assets | Manage risk | Specialist investment advice will be obtained |
| Portfolio development | Development to fit timing of revenue returns | Specialist investment advice will be obtained |
| Geographic focus | From a governance, legal and reputational perspective | National but initially an emphasis on opportunities in the Borough. |
| Target yield | Balance Risk and Reward | Investments will aim to achieve a minimum net initial yield of 6%. |
| Leveraging the Investment Company/Assets | Maximising investment returns | Specialist investment advice will be obtained |

5.4 Risks:

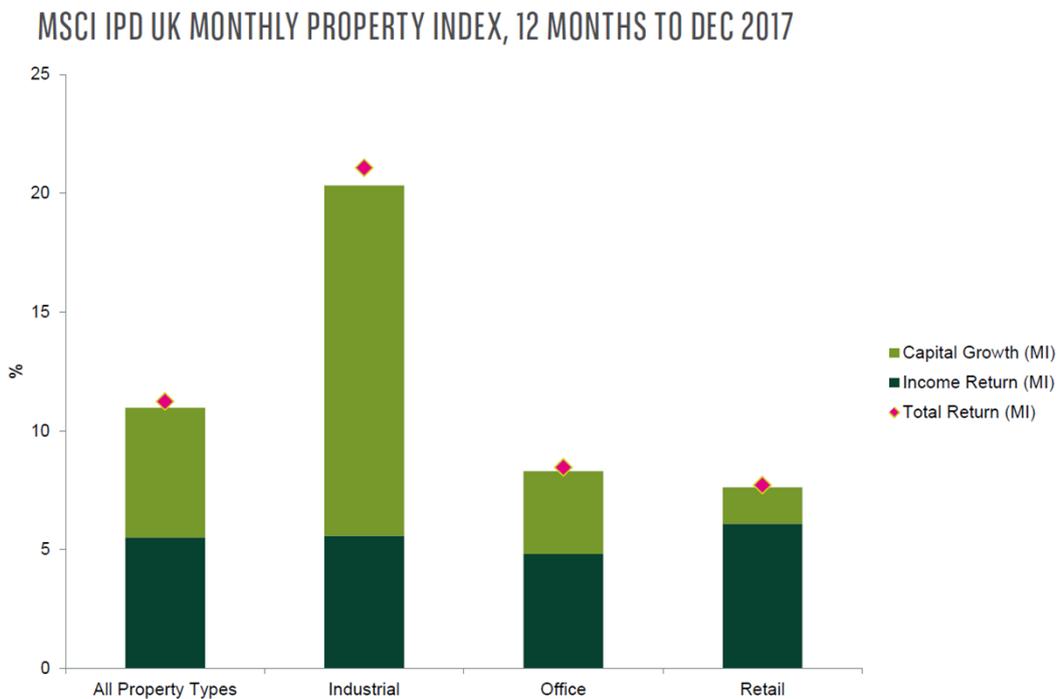
- In the long term, property investment tends to produce a strong return. However, in the short term there is greater risk of prices falling below the original investment.
- Investment in property and the carrying out of development activities carries risks at both macro and micro levels. Property rentals, values and occupancy rates typically fluctuate broadly in line with the regional, national and increasingly, the global economy.
- The timing of acquisitions and sales can thus have a significant impact on the rate of return as can complementary investment in lower risk or countercyclical investments such as Private Rental Residential

property.

- Individual investments will be the subject of pre-acquisition due diligence and risk assessments and regular updates to the Council.

6. Economic and Financial Considerations

- 6.1 Based on the investment criteria the company would acquire property that aims to return an initial yield of at least 6%. This would allow the company to cover its operating costs and produce a surplus that it could reinvest. In addition to the rental income it is anticipated that over time capital appreciation in some of the properties would also occur.
- 6.2 Market data shows that a 6% target is in line with the average income return for 2017.

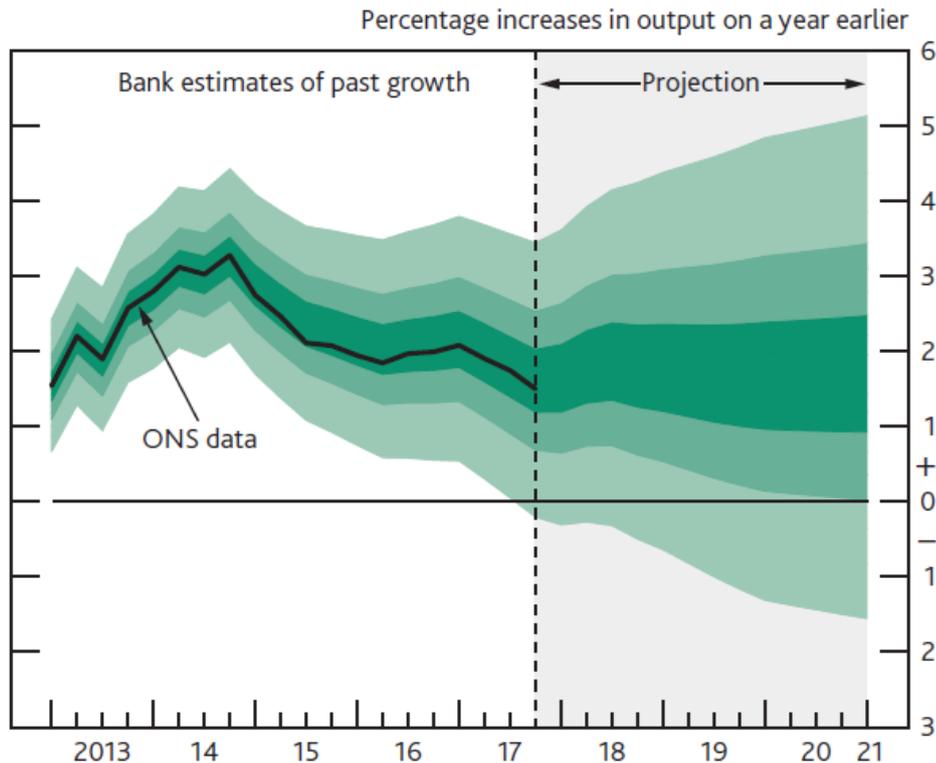


Source: MSCI

- 6.3 The Bank of England reported in their February 2018 Inflation Report that global GDP has been strong over the past year, with global growth estimated to have remained at 0.8% in 2017 Q4. That pace of growth is expected to persist in the near term. Productivity growth is expected to recover across advanced economies over coming years, but to remain below pre-crisis rates.

- 6.4 UK growth is expected to remain stable over the coming years at around 1.7%, with UK growth expected to be supported by the continued strength in global economic activity. However, there remain economic risks, such as Brexit, that may affect these predictions.

Bank of England GDP projection based on market interest rate expectations, other policy measures as announced (Feb 2018)



- 6.5 CBRE’s UK Real Estate Market Outlook for 2018 highlighted that the property market had rebounding strongly from the uncertainty in the immediate aftermath of the EU referendum and that the UK property investment market has seen a surprise surge in transaction volumes, particularly from overseas investors. Investment volumes are likely to remain robust at around £60bn for 2018 as a whole.
- 6.6 Their sectoral picks included industrial and logistics property, especially in urban areas and the so-called ‘beds sectors’ (residential, student accommodation, hotels and healthcare). These sectors either exhibit non-cyclical characteristics, have very significant demand and supply mismatches, or (in the case of hotels) will benefit disproportionately from the weaker pound.
- 6.7 Funding for the investments would be provided to the company in the form of a loan. State Aid requirements mean that interest would have to be

charged at market rate (circa 4%). Therefore, investment returns would need to cover the interest costs and other operating costs, which include the use of specialist investment advisors.

- 6.8 Additionally, charges for Council officer time for work undertaken on behalf of the company will also be charged. Conversely, this will be income to the Council.

7. Reasons for Recommendation

- 7.1 To create a wholly owned company Committee recommendation to Council and subsequent Council approval is required.

8. References to Corporate Plan

- 8.1 This fits with the Council's Transformation Vision, to explore new income generating ideas and opportunities.

9. Implications

Financial Implications

Name & Title: Jacqueline Vanmellaerts, Financial Services Manager

Tel & Email: 01277 312829

jacqueline.vanmellaerts@brentwood.gov.uk

- 9.1 There are considerable financial benefits to the Council's General Fund from the creation of a company.
- 9.2 However, investments carry a degree of risk and the company will need to be sustainable in the long term.

Legal Implications

Name & Title: Daniel Toohey, Monitoring Officer

Tel & Email: 01277 312 860 daniel.toohey@brentwood.gov.uk

- 9.3 This report sets out the business case to create a wholly owned company, which it is legally entitled to do using The General Power of Competence under the Localism Act 2011. Legal Services, working with external legal advisers and specialists, will be providing advice and assistance going forward.

10. Appendices to this report

- Appendix A – Shareholders Agreement

Report Author Contact Details:

Name: Chris Leslie – Commercial Manager

Telephone: 01277 312500

E-mail: christopher.leslie@brentwood.gov.uk

DATED

2018

BRENTWOOD BOROUGH COUNCIL (1)
AND
SEVEN ARCHES INVESTMENTS LIMITED (2)

SOLE SHAREHOLDER AGREEMENT

SHARPE PRITCHARD

funding and security documentation which is entered into by the Company relating to the provision of funding for the Business from the Council.

FOIA means the Freedom of Information Act 2000;

Group means the Company and its subsidiary undertakings from time to time, or any of them as the context requires and Group Company shall be construed accordingly;

Information has the meaning given to it under section 84 of the FOIA;

Request for Information has the meaning set out in the FOIA or any apparent request for information made under the FOIA or the Environment Information Regulations;

Shares means the ordinary shares of £1 each in the issued share capital of the Company; and

Subsidiary has the meaning given in the CA 2006.

- 1.2. A reference to a statutory provision includes a reference to:
 - 1.2.1. a statutory amendment, consolidation or re-enactment (whether before or after the date of this agreement);
 - 1.2.2. statutory instruments or subordinate legislation (as defined in section 21(1) of the Interpretation Act 1978) or orders made under the statutory provision (whether made before or after the date of this agreement); and
 - 1.2.3. statutory provisions of which the statutory provision is an amendment, consolidation or re-enactment.
- 1.3. Reference to:
 - 1.3.1. a person includes a legal or natural person, partnership, trust, company, government or local authority department or other body (whether corporate or unincorporate);
 - 1.3.2. a statutory or regulatory body shall include its successors and any substituted body;
 - 1.3.3. an individual includes, where appropriate, his personal representatives;
 - 1.3.4. the singular includes the plural and vice versa, and
 - 1.3.5. one gender includes all genders.
- 1.4. Unless otherwise stated, a reference to a clause or schedule is a reference to a clause or schedule to this agreement and a reference to this agreement includes its schedules;
- 1.5. Clause headings in this agreement are for ease of reference only and do not affect its construction;
- 1.6. In construing this Agreement the so-called *ejusdem generis* rule does not apply and accordingly the interpretation of general words shall not be restricted by words indicating a particular class or particular examples.

- 1.7. For the purposes of this agreement **party** means a party to this Agreement and reference to **parties** shall be to all or more than one of them as applicable.
- 1.8. Where a provision of this agreement imposes an obligation, cost or liability on two or more parties, that obligation, costs or liability shall be construed as being against those parties jointly and severally, and where a provision of this agreement gives a claim, benefit or right to two or more parties, that claim, benefit or right attaches to those parties jointly.
- 1.9. Where a consent and/or permission is required under this agreement from one party to the other that consent and/or permission should not be unreasonably withheld or delayed.

2. BUSINESS

- 2.1. The Business of the Company shall be:

- 2.1.1. to operate as a commercial company;
- 2.1.2. to develop property for a commercial return, either solely or jointly with a joint venture partner;
- 2.1.3. to acquire and retain investment property;
- 2.1.4. to provide property services

together with any activities reasonable incidental to the above.

- 2.2. The first Business Plan of the Company is set out in Schedule 2 to this agreement. The Company shall circulate a revised version of the then current Business Plan to the Council by the end of February in each year and invite the Council to provide comments on the proposed Business Plan or to provide Council Consent. The Council will use reasonable endeavours to respond by the end of March. Subject to the receipt of Council Consent, before the end of each financial year end the Directors shall (in accordance with this agreement) consider and, if appropriate, adopt an updated and revised Business Plan. No adoption, variation or replacement of any Business Plan shall take effect unless such adoption, variation or replacement has received Council Consent.
- 2.3. Each Business Plan shall provide sufficient detail to allow informed decisions making and shall be for a ten year period, unless the Council consents otherwise.
- 2.4. Notwithstanding any other provision of this clause 2, following the requisite approval by the Directors of a new proposed Business Plan or an amended or updated and revised Business Plan, such draft Business Plan shall become, or such amended or updated Business Plan shall become, the Business Plan for the relevant financial year. For any period when a proposed Business Plan presented under clause 2.2 has not been approved and adopted by the Directors in accordance with this agreement the relevant existing Business Plan shall continue to be the Business Plan of the Company.

3. CONDUCT OF THE COMPANY'S AFFAIRS

- 3.1. Meetings of the Directors shall be held no less than four times in every year and at not more than three monthly intervals.

- 3.2. With the exception of those matters requiring Council Consent pursuant to clause 3.5, the management of the Company shall be vested in the Directors.
- 3.3. The Directors will determine the general policies of the Company and the manner in which the Business is to be carried out, subject to the Business Plan, to those matters requiring Council Consent pursuant to clause 3.5 and to any other express provisions of this agreement. In particular, the Directors shall exercise all voting rights and other powers of control available to them in relation to the Company so as to procure (in so far as they are able in the exercise of such rights and power) that, at all times during the term of this agreement, the Company shall:
 - 3.3.1. carry on and conduct its business and affairs in a proper and efficient manner, for its own benefit and in accordance with the Business Plan and with good business practices; and
 - 3.3.2. transact all its business on arm's length terms.
- 3.4. The Company shall not carry out any activity which would render the holding of Shares by the Council unlawful provided that where a proposed change of law would render such shareholding unlawful the Council will use its reasonable endeavours to take such steps as are necessary to allow it to continue lawfully to hold its Shares.
- 3.5. The Company shall ensure that none of the Council Consent Matters shall be carried out without the prior consent in writing of the Council.
- 3.6. The Company shall permit any Director to discuss the affairs, finances and accounts of the Company and its subsidiaries with any of the Council's designated officers and executives at any time. All books, records, accounts and documents relating to the business and the affairs of the Company and its subsidiaries shall be open to the inspection of any such person, who shall be entitled to make any copies thereof as he or she deems appropriate to keep the Council properly informed about the business and affairs of the Company or to protect its interests as a shareholder. Any information secured as a consequence of such discussions and examinations shall be kept confidential by the Council and its designated officers and executives in accordance with the terms of clause 5.
- 3.7. The Company agrees with the Council that it will maintain effective and appropriate control systems in relation to the financial, accounting and record-keeping functions of the Group and will generally keep the Council informed of the progress of each Group Company's business and affairs and in particular will procure that the Council is given such information and such access to the officers, employees and premises of the Group as it may reasonably require for the purposes of enabling it to monitor its investment in the Group.
- 3.8. The Company shall not breach nor cause the Council to be in breach of the Local Authorities (Companies) Order 1995.

4. TERMINATION

- 4.1. This agreement shall terminate upon:
 - 4.1.1. the written agreement of the parties in accordance with the terms agreed; or

- 4.1.2. when a resolution is passed by the Council or creditors of the Company, or any order made by a court or other competent body or person instituting a process that shall lead to the Company being wound up and its assets being distributed among the creditors, the Council or other contributors.

5. CONFIDENTIALITY

- 5.1. Each party undertakes that it shall not at any time disclose to any person any confidential information concerning the business, affairs, customers, clients or suppliers of the other party or of any member of the group of companies to which the other party belongs, except as permitted by clause 5.2.
- 5.2. Each party may disclose the other party's confidential information:
 - 5.2.1. to its employees, officers, representatives or advisers who need to know such information for the purposes of carrying out the party's obligations under this agreement. Each party shall ensure that its employees, officers, representatives or advisers to whom it discloses the other party's confidential information comply with this clause 5; or
 - 5.2.2. as may be required by law, court order or any governmental or regulatory authority.
- 5.3. Each party acknowledges that the other party is subject to the requirements of the FOIA and the Environmental Information Regulations, and shall each facilitate the other party's compliance with its Information disclosure requirements in clauses 5.4 and 5.7.
- 5.4. If either party (the **Recipient**) receives a Request for Information in relation to Information that the other party is holding and which the Recipient does not hold itself, the Recipient shall refer to the other Party such Request for Information as soon as practicable and in any event within five (5) Business Days of receiving a Request for Information, and the other party shall:
 - 5.4.1. provide the Recipient with a copy of all such Information in the form that the Recipient requires as soon as practicable and in any event within 10 Business Days (or such other period as the Recipient acting reasonably may specify) of the Recipient's request; and
 - 5.4.2. provide all necessary assistance as reasonably requested by the Recipient to enable the Recipient to respond to a Request for Information within the time for compliance set out in Section 10 of the FOIA or Regulation 5 of the Environmental Information Regulations.
- 5.5. Following notification under clause 5.4, and up until such time as the other party has provided the Recipient with all the Information specified in clause 5.4, the other party may make representations to the Recipient as to whether or not or on what basis Information requested should be disclosed, and whether further information should reasonably be provided in order to identify and locate the information requested, provided always that the Recipient shall be responsible for determining, at its absolute discretion:
 - 5.5.1. whether Information is exempt from disclosure under the FOIA and the Environmental Information Regulations; and

- 5.5.2. whether Information is to be disclosed in response to a Request for Information, and in no event shall the other party respond directly to a Request for Information unless the Request for Information is addressed to it.
- 5.6. The parties acknowledge that (notwithstanding the provisions of clause 5.1) the Recipient may, acting in accordance with the Department of Constitutional Affairs' Code of Practice on the Discharge of Functions of Public Authorities under part I of the Freedom of Information Act 2000, be obliged under the FOIA or the Environmental Information Regulations to disclose Information concerning the other party:
- 5.6.1. in certain circumstances without consulting with the other party; or
- 5.6.2. following consultation with the other party and having taken their views into account.
- 5.7. Each Party shall transfer to the other party any Request for Information which it receives but is addressed to the other party as soon as practicable and in any event within 3 Business Days of receiving it.
- 5.8. The parties acknowledge that any lists provided which list or outline Confidential Information are of indicative value only and that a Recipient may nevertheless be obliged to disclose Confidential Information in accordance with clause 5.6.

6. NO PARTNERSHIP

Nothing in this agreement gives rise to a partnership between the parties or constitutes one party the agent of another.

7. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Unless the right of enforcement is expressly granted, it is not intended that a third party, other than a lawful successor in title or a lawful assignee, should have the right to enforce a provision of this agreement pursuant to the Contracts (Rights of Third Parties) Act 1999.

8. WAIVER

- 8.1. The rights of each of the parties in respect of a breach of this agreement shall not be affected by completion, by its rescinding, or failing to rescind, this agreement, or failing to exercise, or delaying in exercising, a right or remedy, or by anything else, except a specific authorised written waiver or release. A single or partial exercise of a right or remedy provided by this agreement or by law does not prevent its further exercise or the exercise of another right or remedy.
- 8.2. The rights and remedies provided in this Agreement are cumulative and not exclusive of any other rights or remedies.

9. VARIATION

A purported variation of this agreement is not effective unless in writing and signed by or on behalf of both parties.

10. INVALIDITY

If a provision of this agreement is held to be illegal or unenforceable, in whole or in part, under an enactment or rule of law, it shall to that extent be deemed not to form part of this agreement and the enforceability of the remainder of this agreement shall not be affected. The parties agree to negotiate in good faith to agree the terms of a mutually satisfactory provision to be substituted for the provision found to be illegal or unenforceable.

11. STATUS OF THIS AGREEMENT

If there is any ambiguity or discrepancy between the provisions of this agreement and the Articles, then the provisions of this agreement shall prevail.

12. CONSENTS

- 12.1. Consents, notices, approvals or agreements to be given by the Council under this agreement shall be given in writing.
- 12.2. Where this agreement provides that a matter is subject to the consent, approval or agreement of any party then (except as expressly provided otherwise), it shall be in the absolute discretion of the party concerned as to whether (and if so, on what terms and conditions) the consent, approval or agreement is made.

13. COMMUNICATIONS

- 13.1. Any notice or other communication under or in connection with this agreement shall be in writing and shall be delivered personally or sent by first-class post or by email as follows:

- 13.1.1. If to the Council, to:

- Address: Town Hall, Ingrave Road, Brentwood, Essex, England, CM15 8AY

- Email address: enquiries@brentwood.gov.uk

- marked for the attention of the Chief Executive

- 13.1.2. if to the Company, to:

- Address: Town Hall, Ingrave Road, Brentwood, Essex, England, CM15 8AY

- Email address: enquiries@brentwood.gov.uk

- marked for the attention of the Commercial Manager

or to such other person, address or email address as any party may specify by notice in writing to the other.

- 13.2. In the absence of evidence of earlier receipt, any notice or other communication shall be deemed to have been duly given:

- 13.2.1. if delivered personally, when left at the address referred to in clause 13.1;

13.2.2. if sent by mail, two Business Days after posting it;

13.2.3. if sent by email, at the time of transmission,

provided always that a notice given in accordance with the above but received on a day which is not a Business Day or after business hours on a Business Day will only be deemed to be given on the next Business Day.

14. GOVERNING LAW AND JURISDICTION

14.1. This agreement and the rights and obligations of the parties shall be governed by and construed in accordance with the laws of England and Wales.

14.2. The Parties irrevocably submit to the exclusive jurisdiction of the courts of England and Wales in respect of any dispute or claim arising out of or in connection with this Agreement or any of the documents to be executed pursuant to this Agreement or their subject matter or formation (including non-contractual disputes or claims).

This Deed has been executed as a deed and delivered on the date stated at the beginning of this Deed

SIGNATURE PAGE

SCHEDULE 1
COUNCIL CONSENT MATTERS

The Company and any Group Company shall not, unless it has Council Consent:

1. Entering into contracts

- a. Enter into any arrangement outside of the normal course of the Company's business;
- b. Enter into any formal joint venture or partnership or profit sharing agreement;
- c. Enter into a contract or transaction except in the ordinary and proper course of business on arm's length terms;

2. Loans and financing arrangements

- a. Create and fixed or floating charge or other encumbrance of the whole or part of the Company, its property or assets other than envisaged by the Finance Documents;
- b. Borrow any sum whatsoever on the Company's behalf other than envisaged by the Finance Documents;
- c. Make a loan or advance of any amount or give credit (other than normal trade credit) to any person;

3. Altering or ceasing business

- a. Cease to carry on the business of the Company.

4. Guarantees and indemnities

- a. Give any guarantee or indemnity whatsoever where the Council is named as the parent company or guarantor.

5. Shareholdings

- a. Acquire, dispose or permit the disposal or dilution of:
 - i. Any direct or indirect interest in any subsidiary (if applicable);
 - ii. Any share or loan capital of any body corporate;
- b. Make changes relating to the Company's capital structure including reduction of capital, share issues and share buy backs.

6. Appointment and remuneration of executive directors

- a. Appoint a person to be a full time executive director of the Company;
- b. Determine the remuneration package and terms and conditions of employment for any full time executive director.

7. Business plan

- a. Vary the Business Plan.

8. Corporate matters

- a. Change the accounting reference date;
- b. Change the business name;
- c. Allot or issue any shares.

SCHEDULE 2

**Seven Arches Investments - Business Plan
2018/19**

1. Introduction and Background

- 1.1 Seven Arches Investments was established with the aim of being commercially focused, to provide Brentwood Borough Council (the Shareholder) with increased revenue that will be used to benefit the community.
- 1.2 This will be achieved through a range of activities that will expand over time. To provide the company with working capital and an initial focus the 2018/19 business plan concentrates on property investment to generate a return.
- 1.3 As new opportunities present themselves the business plan will be revised and presented to the Shareholder for approval. Possible opportunities include:
 - Management of the Council's commercial properties
 - Contract management for appropriate Council contracts
 - Property development
 - Property services

2. Planned Activity

- 2.1 Initially investment property will be acquired, financed by a loan from the Council. The loan will be serviced at market rate. A return of 6% for acquisitions is required as set out in the investment criteria contained in the business case.
- 2.2 Investments will be in accordance with the investment strategy that was included in the business case. Specialist advisors will be engaged to ensure the best returns are secured.
- 2.3 Appendix 1 sets out the proposed financial plan and corresponding contribution to the Shareholder. In 2018/19 investment of £5.5m is targeted as a realistic figure. However, if suitable opportunities present themselves the company will aim to secure a high level of acquisitions up to the loan limit agreed by the Shareholder.
- 2.4 Where appropriate the Council's existing resources will be used to assist the Company in carrying out its activities. For example, project management, asset services and legal services. The cost of these services will be payable to the Council.
- 2.5 As the company does not currently have the expertise to manage the properties it acquires, this will be carried out by a third party on the

company's behalf. Certain organisations can provide a full service in terms of acquisitions and management and the best option will be assessed through the procurement process.

3. Risks

- 3.1 Initially investment property will be acquired, financed by a loan from the Council. The loan will be serviced at market rate. A return of 6% for acquisitions is required as set out in the investment criteria contained in the business case.

| Risk | Mitigation |
|--|---|
| Reduction in property values | Properties are held for return rather than capital appreciation, so the short term risk is reduced. Specialist advice will also assist in reducing this risk. |
| Fall in rental returns | Selection of appropriate property with input from specialist advisors will reduce risk. This includes the considering the disability of the area and any arrangements with existing tenants. |
| Increase in interest rates | Where possible fixed rate loans agreed in advance will be taken out. Where rates increase in excess of the financial model the possibility of increasing return will be investigated. |
| Lack of properties that meet the investment criteria | The company's investment strategy is broad, allowing the best possible chance of securing high returns with low risk. If a lack of investment opportunities does occur the strategy will be reviewed and would include investigation into other types of investments. |

Appendix 1 - Financial Model

| Company | 18/19 | 19/20 | 20/21 | 21/22 | 22/23 | 23/24* | 24/25 | 25/26 | 26/27 | 27/28 | 28/29 | 29/30 | 30/31 | 31/32 | 32/33 | 33/34 | 34/35 | 35/36 | 36/37 | 37/38 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Rental Income | 143 | 428 | 713 | 998 | 1,140 | 1,163 | 1,186 | 1,210 | 1,291 | 1,317 | 1,343 | 1,370 | 1,397 | 1,482 | 1,512 | 1,542 | 1,630 | 1,663 | 1,753 | 1,788 |
| Service Charge from Council | 225 | 150 | 75 | 75 | 75 | 77 | 78 | 80 | 81 | 83 | 84 | 86 | 88 | 90 | 91 | 93 | 95 | 97 | 99 | 101 |
| Property Management (10% of rental) | 14 | 43 | 71 | 100 | 114 | 116 | 119 | 121 | 129 | 132 | 134 | 137 | 140 | 148 | 151 | 154 | 163 | 166 | 175 | 179 |
| Repair Fund (5% of rental) | 7 | 21 | 36 | 50 | 57 | 58 | 59 | 60 | 65 | 66 | 67 | 68 | 70 | 74 | 76 | 77 | 82 | 83 | 88 | 89 |
| Interest Payments (4%) | 110 | 330 | 540 | 740 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 |
| Total Costs | 356 | 544 | 722 | 965 | 1,086 | 1,091 | 1,096 | 1,101 | 1,115 | 1,120 | 1,126 | 1,132 | 1,137 | 1,152 | 1,158 | 1,165 | 1,180 | 1,186 | 1,202 | 1,209 |
| Suprlus / (Deficit) | -214 | -117 | -9 | 33 | 54 | 72 | 90 | 109 | 176 | 196 | 217 | 238 | 260 | 330 | 354 | 378 | 450 | 476 | 551 | 579 |
| Opening Cash | 0 | 286 | 670 | 660 | 693 | 747 | 819 | 909 | 1,018 | 194 | 390 | 608 | 846 | 1,106 | 436 | 790 | 1,168 | 618 | 1,094 | 645 |
| Loan | 5,500 | 5,500 | 5,000 | 5,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acquisitions | -4,750 | -4,750 | -4,750 | -4,750 | 0 | 0 | 0 | 0 | -950 | 0 | 0 | 0 | 0 | -950 | 0 | 0 | -950 | 0 | -950 | 0 |
| Stamp Duty & Purchase Costs | -250 | -250 | -250 | -250 | 0 | 0 | 0 | 0 | -50 | 0 | 0 | 0 | 0 | -50 | 0 | 0 | -50 | 0 | -50 | 0 |
| Suprlus / (Deficit) | -214 | -117 | -9 | 33 | 54 | 72 | 90 | 109 | 176 | 196 | 217 | 238 | 260 | 330 | 354 | 378 | 450 | 476 | 551 | 579 |
| Closing Cash | 286 | 670 | 660 | 693 | 747 | 819 | 909 | 1,018 | 194 | 390 | 608 | 846 | 1,106 | 436 | 790 | 1,168 | 618 | 1,094 | 645 | 1,224 |
| Loan | 5,500 | 11,000 | 16,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 |
| General Fund | 18/19 | 19/20 | 20/21 | 21/22 | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 | 27/28 | 28/29 | 29/30 | 30/31 | 31/32 | 32/33 | 33/34 | 34/35 | 35/36 | 36/37 | 37/38 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Service Charge to Company | 225 | 150 | 75 | 75 | 75 | 77 | 78 | 80 | 81 | 83 | 84 | 86 | 88 | 90 | 91 | 93 | 95 | 97 | 99 | 101 |
| Interest Receivable | 110 | 330 | 540 | 740 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 | 840 |
| Total Income | 335 | 480 | 615 | 815 | 915 | 917 | 918 | 920 | 921 | 923 | 924 | 926 | 928 | 930 | 931 | 933 | 935 | 937 | 939 | 941 |
| Interest Payable (3%) | 83 | 248 | 405 | 555 | 630 |
| Net Contribution | 253 | 233 | 210 | 260 | 285 | 287 | 288 | 290 | 291 | 293 | 294 | 296 | 298 | 300 | 301 | 303 | 305 | 307 | 309 | 311 |
| * 2% Inflation & Rental uplift assumed from 2023/24 | | | | | | | | | | | | | | | | | | | | |

