

# Uttlesford District Council

## Commercial Strategy 2025/26 to 2029/30



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## Introduction

1. The Council recognises that as a consequence of reducing government funding there is an increased requirement to generate additional income to underpin the core services provided by the Council to its residents. Traditional ways of generating additional income such as through Council Tax and fees and charges will not be able to absorb the reduction in government funding. By way of illustration, a 1% rise in Council Tax is equivalent to about £65,000 in additional income.
2. When the 2020-2024 Commercial Strategy was approved in February 2020, the Administration indicated that they proposed to address the significant shortfalls identified in the Medium Term Financial Strategy (MTFS) primarily through investments. To achieve that the Council agreed to set an investment fund approved limit of £300 million.
3. Changes in both the CIPFA Prudential Code (the Code) and Government legislation on Minimum Revenue Provision (MRP) now mean that the 2025 - 2030 MTFS has significant and rising shortfalls in funding, despite the commercial portfolio that has been acquired.
4. In February 2024 Council agreed to market, through its wholly owned subsidiary Aspire (CRP) Limited, the 50% share in Chesterford Research Park. That process remains ongoing and is expected to conclude in early 2025.
5. 2022 was a turbulent year as the country emerged from the pandemic. The first six months saw continued growth within the sector. The change of Prime Minister and Chancellor in September of that year saw a mini-budget that sent shock waves through the whole country and resulted in significant valuation reductions for commercial assets, although some sectors such as Life Sciences continued to outperform the market. Whilst markets are slowly recovering the effect of the September 2022 budget has continued to impact the sector.
6. The Council has a commercial asset portfolio for revenue generation purposes, not capital growth. Whilst asset values have declined, the rental income has increased through rent reviews. The quality of the tenants has meant that the Council has not had any default on rental payments, since the assets were acquired. However, the Council has established an investment reserve, with one aim being to mitigate the risk of tenant rent default should that scenario ever arise.
7. This strategy has been developed alongside several corporate strategies including an Ethical Investment Policy which is attached as Appendix One.

## Vision

8. The original Commercial Strategy vision was for the Council to acquire the investments in order to become self-sufficient and thereby not reliant on Government funding. The changes introduced by Government and CIPFA made that vision unachievable. The vision below sets out what is achievable given the constraints under which the Council is working

**To generate income to maximise the number and quality of services provided by the Council, whilst following the Government and CIPFA rules including review of potential asset sales.**

## CIPFA Prudential Code 2021 (the Code), Public Works Loan Board (PWLB) and Minimum Revenue Provision (MRP)

9. The Code was revised and published in December 2021. There are a number of changes but two in particular have a negative impact on future commercial investments
  - a) The Code previously said commercial activity should not be undertaken for yield. The Code now says ‘an authority must not borrow to invest primarily for financial return’.
  - b) It further strengthens the statement by ‘It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.’
10. There are useful points of clarification which enable the Council to continue to invest in Chesterford Research Park and retain the existing commercial assets, subject to regular review.
  - a) ‘Authorities with existing commercial investments (including property) are not required by this Code to immediately sell these investments. However, Authorities which have an expected need to borrow should review options for exiting their financial investments for commercial purposes in their annual treasury management or investment strategies. The options should include using the sale proceeds to repay debt or reduce new borrowing requirements. They should not take new borrowing if financial investments for commercial purposes can reasonably be realised instead, based on a financial appraisal which takes account of financial implications and risk reduction benefits. Authorities with commercial property may also invest in the repair, renewal and updating of their existing commercial properties.’
  - b) ‘the risks associated with investments for service and commercial purposes are proportionate to their financial capacity – ie that plausible losses could

be absorbed in budgets or reserves without unmanageable detriment to local services.'

11. Whilst the Code does not require the sale of commercial assets it suggests that commercial investments should, where the local authority has a need to borrow, be subject to an on-going review to consider exit arrangements, taking into account the financial implications and risk implications of doing so.
12. In addition to the requirements of the Prudential Code, the Treasury has also restricted access to the PWLB where councils borrow for yield. Those that do will be unable to undertake new borrowing from the PWLB for any other purpose (such as council house building) in the year that the borrowing is taken out and the following year. This will cause the Council issues in that with Chesterford Research Park there is an almost annual need to invest further as the park develops.
13. The Government has also strengthened the position with regards to MRP. Councils are now required to set aside annually monies, so as to ensure that, at the end of the borrowing term, there is sufficient funds available to pay off the amount borrowed.
14. The rule changes now do not allow the council to follow its intended strategy of potentially selling assets at the best market opportunity with years remaining on the leases and reinvesting to refresh the portfolio and ensure it remains balanced.

## Aims of the Strategy

15. Given the changes in the Code and MRP the following seven principles guide the new strategy
  - (a) There will be no new commercial investments.
  - (b) Subject to (d) and (e) below, The portfolio, as set out in this document is therefore complete. Of the £300 million allocated in 2020 to building the fund, £268,469,231 (£268 million) has been used or allocated.
  - (c) MRP will be applied on an annuity basis over the life of each asset. No MRP will be applied on an asset in the year which it is scheduled to be sold, providing the receipt is used in its entirety to repay debt.
  - (d) As the Council already owns, through Aspire (CRP) Limited, the land at Chesterford Research Park it will continue to develop the asset to maximise its value.
  - (e) The portfolio will be reviewed on a regular basis, by the Investment Board to determine the requirements of the Council and the appropriateness of retaining or selling each asset.
  - (f) The Council will look to maintain the commercial asset portfolio at an investment level of no more than £290 million. However, it should be noted that investments may need to take place ahead of sales which could temporarily increase that number.

## Purpose of the Investments

16. The investments are to generate income to enable the council to provide its core services. This income requirement has arisen because of reductions in the Council's financing from central government. Government also restricts the ability of councils to raise income from council tax increases.
17. The Council seeks to operate in the most cost effective ways and will continuously look for improvements in operations that will reduce costs or avoid increased costs. However, the scale of reduction in external finance was such that other income sources had to be found.

## Current Portfolio

### **Chesterford Research Park**

18. In May 2017 the Council, through its wholly owned subsidiary Aspire (CRP) Limited, acquired a 50% share in Chesterford Research Park and formed a joint venture with Aviva Investors. As part of the Cambridge Life Science cluster the Park is world renowned, having been in existence for 26 years, with available space to significantly increase the commercial floor space, plus expand the Park into other areas of research to diversify and reduce the risk.
19. The Council gave a loan to Aspire (CRP) Limited for the purchase of 50% of Chesterford Research Park (£47,250,000).
20. Since the initial purchase the Council has made additional ongoing loans to Aspire (CRP) Limited for further development totaling £22,396,500 taking the current investment to £69,646,500.
21. In August 2023 Council approved a request from Aspire (CRP) Limited for additional borrowing of £21,060,000 to fund the 50% share of the new build that is known as Building 800 and the development of phase 1 of the solar farm. As at December 2024 the drawdown of £9,050,000 had taken place and is included in the figure in paragraph 20. No payment is due on this loan until 1 April 2026, to allow for construction and occupation of the new building to take place.
22. Further drawdowns are scheduled over the next 12 months as Building 800 is delivered. This will be a multi-let, near 60,000 sq ft building, a mix of office and laboratory space. Phase 1 of the solar farm has a total panel area of circa 1,500m<sup>2</sup> which equates to 3,060 individual PV cells, which are set out in 85 PV tables, with each table consisting of cells in a 9x4 grid formation. The solar farm will then provide electricity to the following buildings
  - The Mansion House
  - Building 60

- Science Village
- Building 52
- Building 800 (when complete)

23. Plans are also being developed for a similar sized building to Building 800 (to be known as Building 1100/1200).

24. For 2025/26 the income from Chesterford Research Park is expected to be £2,814,950 rising to £4,394,450 from 2026/27. There is also repayment to the Council of staff time whilst undertaking company work on Aspire (CRP) Limited.

### **Skyway House, Takeley**

25. On 30 June 2020 the Council completed the purchase of Skyway House at Takeley. The tenant is Weston Homes Plc who have signed a 25 year lease with no break clause.



### **Stane Retail Park, Colchester**

26. On 4 August 2020 the Council completed on the forward funding opportunity at Stane Retail Park on the outskirts of Colchester adjacent to the A12. This development saw the construction of two buildings, one for Aldi and the other for B&Q located on an extension to the existing site. Aldi has signed a 25 year lease with a break option at year 20 (2041). B&Q has signed a 15 year lease with no break and a tenant right to renew option.





**1 Deer Park Road, Livingston**

27. On 21 August 2020 the Council completed on the acquisition of 1 Deer Park Road, Livingston. The tenant, Veterinary Specialist (Scotland) Limited had recently taken occupation and final fit out was taking place. The lease is for 20 years with no break.



28. At the time of purchase Veterinary Specialist (Scotland) Limited was a partnership between Pets At Home (Guarantors) and Dick White Referrals. Pets At Home have remained the guarantor but they have sold their interest to Linnaeus Group. Dick White Referrals have also joined Linnaeus Group which is part of the Mars Veterinary Health Group.
29. The tenant is currently going through a Board approval process to develop the second and third floors of the building into a training facility for both vets and veterinary nurses. The level of investment they will make will be in the region of £8 million to £10 million.

**Regional Distribution Centre, Chorley**



30. On 16 September 2020 the Council completed the purchase of a large logistics building on Matrix Park, Chorley adjacent to the M6. The tenant is Waitrose Limited who has a 30 year lease with no break option expiring in 2042. Waitrose have fully sub-let to GXO a worldwide distribution company. [GXO Logistics](#)



### **Distribution Warehouse, Gloucester**

31. The Council completed the forward funding acquisition in March 2021 for a large scale distribution centre. The tenant is Amazon and they will use it as a 'final mile' van based distribution centre. Occupation by the tenant has been delayed however it is likely they will look to take occupation in late 2025. The lease is for 15 years with no break ending in 2037.



### **Headquarters, Tewkesbury**

32. In March 2021 the Council completed the forward funding acquisition of a site in Tewkesbury for a new build head office and warehouse. The tenant is Moog Controls Limited. The lease started in May 2023 and is for 35 years with no break and a tenant option to extend for a further 15 years.



### Loans to wholly owned subsidiaries

33. The Council recognises that, to further support the budget ongoing and to ensure the continued delivery of services at the level currently provided, further investment in the expansion of Chesterford Research Park will be necessary. To date, the following loans to Aspire (CRP) Limited have been made

Drawdown Date	Amount £	Loan Term	Rate %	Repayment Basis	Loan Interest Receivable 2024/25 £
03/05/2017	47,250,000	50 years	4.0	Interest Only	1,890,000
26/03/2018	223,000	49 years 1 month	4.0	Interest Only	8,920
02/01/2019	2,518,000	48 years 4 months	4.0	Interest Only	100,720
20/08/2019	3,000,000	20 years	4.5	Principal & Interest	230,628
09/06/2020	1,250,000	20 years	4.5	Principal & Interest	96,095
01/07/2020	2,600,000	20 years	4.5	Principal & Interest	199,878
15/03/2021	2,975,500	20 years	4.5	Principal & Interest	228,745
26/08/2021	780,000	20 years	4.5	Principal & Interest	59,963
06/12/2023	3,300,000	50 years	7.5	Interest Only commencing 1/4/2026	0
17/09/2024	5,750,000	50 years	7.5	Interest Only commencing 1/4/2026	0
<b>Total of Loans</b>	<b>69,646,500</b>			<b>Annual payment from Aspire (CRP) Ltd</b>	<b>2,814,950</b>

34. Interest only loans relate to new builds and refurbishment of existing buildings and thereby extending their useful life. Principal and interest loans are where it is for fit out works which have a 20-year life expectancy.

### The Investment Fund

35. The original 2020 Commercial Strategy set out an investment fund requirement of £300 million with a portfolio yield target (before borrowing costs) of 4%. As set out earlier completion of that portfolio sum is not now an option. The following table shows the current portfolio position and is split into two parts

- a) Completed investments – those already in the portfolio
- b) Future committed investments – forward funding approved yet to complete

	Capital Investment (exc. Fees) £
<b>Completed Investments</b>	
Loan to Aspire (CRP) Ltd	69,646,500
Skyway House, Takeley	20,000,000
1 Deerpark Road, Livingston	4,758,374
Regional Distribution Centre, Chorley	54,608,773
Stane Retail Park – Aldi & B&Q	27,004,322
Distribution Warehouse, Gloucester	42,692,000
Headquarters, Tewkesbury	37,749,262
	<b>256,459,231</b>
<b>Future Committed Investments</b>	
Agreed loan to Aspire (CRP) Limited	12,010,000
	<b>12,010,000</b>
	<b>268,469,231</b>

36. With the change in the Code and MRP the Portfolio is now complete, and no further assets will be added, although additional investment at Chesterford Research Park will take place.

37. The rental income for the next five years is shown in the following table.

	Annual Rental Income				
	2025/26	2026/27	2027/28	2028/29	2029/30
Loan to Aspire (CRP) Ltd	2,814,950	4,394,450	4,394,450	4,394,450	4,394,450
Skyway House, Takeley	1,226,818	1,276,228	1,276,228	1,276,228	1,276,228
1 Deerpark Road, Livingston	411,320	411,320	411,320	411,320	454,132
Regional Distribution Centre, Chorley	2,840,000	2,840,000	3,325,756	3,355,324	3,355,324
Stane Retail Park – Aldi	360,395	376,027	397,912	397,912	397,912
Stane Retail Park – B&Q	1,342,275	1,400,496	1,482,006	1,482,006	1,482,006
Distribution Warehouse, Gloucester	2,293,433	2,293,433	2,584,387	2,584,387	2,584,387
Headquarters, Tewkesbury	1,680,500	1,680,500	1,680,500	1,910,335	1,910,335
<b>Total Rental Income</b>	<b>12,969,691</b>	<b>14,672,454</b>	<b>15,552,559</b>	<b>15,811,962</b>	<b>15,854,774</b>

## The Portfolio Moving Forward

38. The original plan had been to acquire assets, hold them for a period of time to generate income, but then to sell them at the appropriate time to realise a sum at least the level of which was paid for the asset. The monies received would then be reinvested in a new asset and the process repeated. By doing this the need to refurbish buildings, find new tenants etc. would be avoided and the portfolio kept 'current'.
39. The changes introduced by Government and CIPFA have resulted in the need to revise the plan for the portfolio moving forward. It will not now be possible to sell assets and buy new, the council will need to retain some or all of the assets for the longer term.
40. In line with the need to retain the asset for a longer period of time it will now be necessary to set aside some of the income raised each year into a reserve to cover increased risk of business failure, voids and future costs of refurbishment at the end of lease.
41. The Council is committed to investing in Chesterford Research Park and changes to the Prudential Code do not stop it from doing so. The Council is keen to see existing tenants expand and grow on the Park and for the Park to attract new tenants from a diverse range of research activities. The Park is within the district boundary and investing helps to sustain existing employment, introduce new employment opportunities, and generate additional Business Rates.
42. Regular reviews of all assets in the portfolio will be undertaken to determine the most appropriate point in time for sale. The reviews will not only look at the asset itself but also the financial position of the Council and the opportunities that could be addressed if an asset is sold for a profit. Under the various guidelines within which the commercial portfolio now operates it is likely that, should the evaluation identify a positive cost benefit of selling an asset, the council would be expected to sell. As part of that sale there would be a requirement that the sale receipt is used in its entirety to reduce the level of borrowing.

## Funding and Reserves

43. The council has a ratio of funding 64:36 in favour of long term (5 years minimum term) borrowing. The Phoenix loan was refinanced in 2024/25 resulting in a net saving to the council of circa £700,000 per annum. All long term loans are now with the Public Works Loan Board (PWLB). Short term loans are council to council. The borrowing position as at 31 December 2024 is shown below.

<b>Borrowing as at 31/12/2024</b>					
<b>GF/HRA</b>	<b>Date</b>	<b>Lender</b>	<b>Amount (£)</b>	<b>Maturity</b>	<b>Rate (%)</b>
GF	21-May-24	West Yorkshire Combined Authority	4,000,000	03-Jan-25	5.15
GF	26-Jul-24	Merseyside Fire and Rescue Service	3,000,000	28-Apr-25	4.95
GF	21-Aug-24	West of England Combined Authority	5,000,000	21-May-25	4.95
GF	27-Aug-24	Kingston Upon Hull City Council -Humberside Fire an	2,000,000	11-Apr-25	4.78
GF	21-Aug-24	East Suffolk Council	5,000,000	21-May-25	4.80
GF	27-Aug-24	Derbyshire Dales District Council	2,000,000	02-May-25	4.80
GF	27-Aug-24	Blackburn with Darwen Borough Council	3,000,000	28-Apr-25	4.80
GF	16-Sep-24	London Borough of Newham	5,000,000	16-Jan-25	4.90
GF	15-Oct-24	Salford City Council	5,000,000	15-Jan-25	4.95
GF	22-Oct-24	West Yorkshire Combined Authority	5,000,000	22-Jul-25	4.95
GF	01-Nov-24	Furness Building Society	3,000,000	31-Oct-25	4.85
GF	21-Oct-24	Devon County Council Pension Fund	5,000,000	22-Apr-25	5.05
GF	18-Oct-24	West Yorkshire Pension Fund	5,000,000	19-May-25	5.05
GF	28-Oct-24	Middlesborough Teeside Pension Fund	5,000,000	31-Jan-25	4.90
GF	07-Nov-24	Mid Devon District Council	3,000,000	07-Aug-25	5.05
GF	29-Nov-24	Ashfield District Council	5,000,000	30-Jun-25	5.15
GF	21-Nov-24	London Borough of Havering	4,000,000	02-Jun-25	5.20
GF	20-Nov-24	Middlesbrough Teeside Pension Fund	7,000,000	06-Feb-25	4.90
GF	22-Sep-22	Public Works Loans Board	29,619,302	22-Sep-71	4.28
GF	29-Sep-22	Public Works Loans Board	50,000,000	27-Sep-30	4.16
GF	29-Apr-24	Public Works Loans Board	6,300,000	29-Apr-29	4.96
GF	29-Apr-24	Public Works Loans Board	6,300,000	29-Apr-30	4.91
GF	29-Apr-24	Public Works Loans Board	6,300,000	29-Oct-29	4.93
GF	29-Apr-24	Public Works Loans Board	6,300,000	29-Oct-30	4.90
GF	12-Dec-24	Public Works Loans Board	30,000,000	11-Dec-29	4.91
<b>Total</b>			<b>210,819,302</b>		

44. With monies being set aside to repay the principal annually through MRP the main loan was secured on a repayment basis over 35 years. The reason for moving to a repayment loan is that the new Code requires the Council to demonstrate that its debt levels are reducing.

45. In 2023 as part of the Commercial Strategy a Commercial Asset Reserve (part of the MTFs Reserve) was established to cover costs at the end of the tenancy for each asset. This reserve will pay for any refurbishment, void period and rent free period for new tenants. The lease terms and approximate costs of refurbishment over the period 2022 – 2070 have been

mapped and timings of costs established. The resulting position is that a sum of £500,000 per annum, from the investment income, will be placed in the reserve.

46. This reserve will be used to fund the cost of borrowing for loans, for new buildings, made to Aspire (CRP) Limited during the construction phase. In addition, the reserve will also be in place for any defaults on rental payments as well as refurbishment of the existing portfolio as leases expire.

## Success and Performance Reporting

47. Success will be primarily measured in the financial return to the Council.

48. A quarterly report is produced for the portfolio which is presented to the Investment Board. This includes a

- a) professional valuation undertaken by a market leading specialist for each asset
- b) commercial market trading update to help inform investment decisions
- c) report on each asset by professional asset managers who are responsible for tenant liaison, rent collection, rent reviews etc.

49. In accordance with CIPFA guidance an annual report is prepared for the Investment Board which, in addition to setting out key information about each asset, also sets out for each asset the following five, locally determined, financial criteria

- Individual asset purchase price compared to current valuation
- Individual asset purchase price compared to current valuation including disposal costs
- Revenue position should the asset be sold
- Portfolio value compared to borrowing depending on each sale option
- Total rental income, less borrowing and management costs, depending on each sale option

Under the CIPFA guidance, if the evaluation determines that an asset or assets will by selling have a positive impact on the revenue position then the asset or assets should be sold.

50. As at 31 December 2024 the value of the completed acquisitions is set out on the following page

	Price paid (including future commitments)	Amount paid as at 31 December 2024	Valuation as at 31 December 2024
	£	£	£
Colchester, Stane RP	27,004,322	27,004,322	28,900,000
Chorley, Waitrose RDC	54,608,773	54,608,773	53,400,000
Livingston, 1 Deer Park Road	4,758,374	4,758,374	4,675,000
Takeley, Skyway House	20,000,000	20,000,000	14,950,000
Gloucester, Amazon	42,692,000	42,692,000	35,950,000
Tewkesbury, MOOG HQ	37,749,262	37,464,079	32,900,000
	<b>186,812,731</b>	<b>186,527,548</b>	<b>170,775,000</b>
Aspire (CRP) Ltd	81,656,500	63,896,500	103,000,000
<b>Total Portfolio</b>	<b>268,469,231</b>	<b>250,424,048</b>	<b>273,775,000</b>

## Security, Liquidity and Yield

51. As the Council only has a small amount of money of its own to invest, any further expansion at CRP will necessarily be funded from a mix of external borrowing, from financial institutions, Public Works Loan Board (PWLB) and other local authorities. The Council will not invest in high yield, high risk opportunities. This will be reflected in an average portfolio yield target of 5% (before cost of borrowing).
52. Investments at Chesterford Research Park will be made by way of loans to Aspire (CRP) Limited the Council's wholly owned subsidiary. All commercial investments outside of Chesterford Research Park will be undertaken by the Council.
53. The option to liquidate funds is either by selling the investment (or part thereof) or by refinancing the debt.

## Risks

54. The Council takes advice from its professional advisers at all times. For example, with the purchase of the 50% share at Chesterford Research Park the Council engaged
- Arlingclose as its financial advisers who project managed the funding tender
  - Cushman and Wakefield who undertook the purchase negotiations and due diligence on all but one of the portfolio assets
  - Hogan Lovells for Legal due diligence

For Aspire (CRP) Limited the Council has two non-executive director roles (one currently vacant) to serve on the Board and bring independent challenge and support.

55. There are five main risks with regard to the wider portfolio and the new strategy of asset retention which are set out on the following pages, along with the December 2024 narrative updates.

# Risks

## Likelihood Scores

Score	Probability
1 (Little Likelihood)	Less than 10%
2 (Some Likelihood)	10% to 50%
3 (Significant Likelihood)	51% to 90%
4 (Near Certainty)	More than 90%

## Impact Scores

Score	Impact Level on Strategic Objectives
1	Minor impact/delay/difficulty
2	Small impact/delay/difficulty
3	Considerable impact/delay/difficulty
4	Extreme impact/delay/Difficulty

Each risk score for likelihood and impact is plotted onto a risk matrix to produce its score. A green score indicates risks which the organisation is most prepared to accept and red those which are less likely to be accepted.

	4	4	8	12	16
LIKELIHOOD	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
		<b>IMPACT</b>			



## 24-IB-01 LONG TERM BORROWING

<b>The council is unable to secure long term borrowing</b>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	<b>AW</b>	<b>2</b>	<b>4</b>	<b>8</b>	• 7 x PWLB loans are secured.	
		Current Likelihood	Current Impact	Current Score	Further Action	
		<b>1</b>	<b>4</b>	<b>4</b>	• Evaluate sale of one or more assets	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
<b>1</b>	<b>4</b>	<b>4</b>	AW	ongoing		

### Progress Update (December 2024)

- Additional PWLB loan for £30 million taken out in December 2024 due to a lack of available funding in the short term borrowing local authority market.

## 24-IB-02 INTEREST RATES

<b>Interest rates increase leading to a further reduction in net income</b>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	<b>AW</b>	<b>2</b>	<b>4</b>	<b>8</b>	• 6 x PWLB loans are secured	
		Current Likelihood	Current Impact	Current Score	Further Action	
		<b>2</b>	<b>4</b>	<b>8</b>	• Evaluate sale of one or more assets • Consider additional PWLB loans	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
<b>1</b>	<b>4</b>	<b>4</b>	AW	ongoing		

### Progress Update (December 2024)

- Base rate reduced on 1 August and small reduction in cost of borrowing was evident in the market. Following the budget the cost of borrowing increased. At the MPC review on 7 November interest rates were cut by 0.25% to 4.75% whilst acknowledging the budget has had a negative impact on inflation forecasts.

### 24-IB-03 TENANT DEFAULT

<b>Tenants default on rental payments either short term or because of business failure</b>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	AW	2	4	8	• Monitoring of tenants both financial information and news channels	
		Current Likelihood	Current Impact	Current Score	Further Action	
		2	3	6	• Working with tenant and insurance company to expedite the claim	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	AW	ongoing		

#### Progress Update (December 2024)

- Insurance claim resolution at Tewkesbury is slow and causing tenant an element of financial loss
- Commercial asset reserve will enable short term rent losses to be covered without detriment to council services

### 24-IB-04 BUILDING LOSS

<b>Loss of building due to fire/flood leading to no rent being received for duration of the repair/reinstatement</b>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	AW	1	4	4	• UDC fully insures the building and recharges the tenant • Copies of fire safety procedures/test etc. held by agent • Inspections check for issues and ensure maintenance repairs etc.	
		Current Likelihood	Current Impact	Current Score	Further Action	
		2	4	4	• Monitor procedures as part of the inspection process • Working with tenant and insurance company to expedite the claim	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	AW	ongoing		

#### Progress Update (December 2024)

- Insurance claim resolution at Tewkesbury is slow and causing tenant an element of financial loss
- Commercial asset reserve will enable short term loss in rent to be covered without detriment to council services

**24-IB-05 REPUTATION**

<b>Actions of tenants affect the reputation of the Council</b>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	<b>AW</b>	<b>1</b>	<b>4</b>	<b>4</b>	• Continuous monitoring of tenants both financial information and news channels	
		Current Likelihood	Current Impact	Current Score	Further Action	
		<b>1</b>	<b>3</b>	<b>3</b>		
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
<b>1</b>	<b>3</b>	<b>3</b>	AW	ongoing		

**Progress Update (December 2024)**

- No adverse or positive news stories this quarter

## Proportionality

56. The income requirement has arisen as a result of reductions in the Council's finance from central government. Government also restricts the ability of councils to raise income from council tax increases.
57. The Council has established a Commercial Asset Reserve (see para 45) which was established with the sum of £3 million to cover the risk of investment failure. In addition, from 25/26 the Reserve will increase by £500,000 per annum to cover the cost of future refurbishment, void and rent free periods for each of the assets.
58. As part of the regular review of the portfolio the Council will look to, at the right points in time, reduce the level of borrowing in place by selling one or more of the assets. An annual asset review will be undertaken to help inform this decision.

## Capacity, Skills and Culture

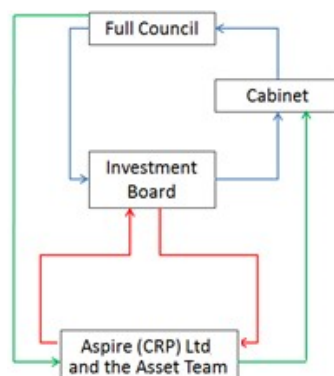
### Investment Board (IB)

59. The IB will operate in accordance with the Commercial Strategy which is adopted annually by Full Council. Cabinet will delegate to the Leader; Portfolio Holder for Finance and the Economy, Chair of the Investment Board and the S151 Officer (or Director of Finance and Revenue and Benefits for Aspire investments) to conclude investments or disposals where authorisation has been given by Full Council.

### 60. Constitution of the IB

- a) The IB is a Working Group of Cabinet and membership will be determined by the Leader of the Council
- b) In addition, there are two independent member roles to supplement the skills of the elected Members.

61. The investment decision making and monitoring process is as set out below



#### 62. Democratic Process (blue line)

- a) As part of the annual budget setting process, Cabinet develops the Commercial Strategy in consultation with the IB. Cabinet recommends to Council the adoption of the Commercial Strategy.
- b) Council adopts the Commercial Strategy.
- c) The IB will receive quarterly updates, including KPIs, on the performance of the portfolio.
- d) For new investments or disposal of existing, the IB reviews the business case and if appropriate supports a recommendation to Cabinet for the acquisition or disposal.
- e) Cabinet reviews the business case and recommendation for either an acquisition or disposal, and if satisfied recommends to Council that either funding is made available, or the disposal is approved.

#### 63. Internal Process (red line)

- a) Aspire (CRP) Limited looks after developments at Chesterford Research Park (CRP). The Council's Asset Team will manage all other non-CRP commercial investments.
- b) Depending on the category of investment or disposal sought, Aspire (CRP) Limited or the Asset Team, working with professional advisors, will identify assets which meet the requirements set out by the IB. They will prepare business cases for consideration by the IB. The IB will review and consider the cases in detail and if suitable will make the recommendation to the Cabinet to proceed. Approval by the Board of Aspire (CRP) Limited is also required prior to submission to the IB.
- c) Aspire (CRP) Limited, along with the Asset Team, prepare the quarterly KPI and other information for submission to the IB.

#### 64. New investments or disposal of existing assets (green line)

- a) At a meeting of Council a decision is taken on whether or not to allocate the funding for a new investment or agree to the disposal of an existing asset.
- b) If an investment is agreed, funding will be made available to Aspire (CRP) Limited or to the Asset Team to enable the purchase to be made in accordance with paragraphs 60 to 62.
- c) If the authority is for a sale the disposal will be undertaken in accordance with paragraphs 60 to 62.

#### 65. A report on annual performance of Aspire (CRP) Limited will be presented to Cabinet.