



## AYLESBURY VALE DISTRICT COUNCIL Democratic Services

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### ECONOMY AND BUSINESS DEVELOPMENT SCRUTINY COMMITTEE

A meeting of the Economy and Business Development Scrutiny Committee will be held at **6.30 pm** on **Wednesday 22 November 2017** in **The Olympic Room, Aylesbury Vale District Council, The Gateway, Gatehouse Road, Aylesbury, HP19 8FF**, when your attendance is requested.

**Membership:** Councillor P Strachan (Chairman); Councillors C Branston (Vice-Chairman), B Adams, J Bloom, A Christensen, M Collins, M Hawke, T Hunter-Watts, P Irwin, C Poll and W Whyte

Contact Officer for meeting arrangements: Chris Ward, [cward@aylesburyvaledc.gov.uk](mailto:cward@aylesburyvaledc.gov.uk)

### AGENDA

**1. APOLOGIES**

**2. TEMPORARY CHANGES TO MEMBERSHIP**

Any changes will be reported at the meeting.

**3. MINUTES (Pages 3 - 8)**

To approve as a correct record the Minutes of the meeting held on 31 October 2017.

**4. DECLARATION OF INTEREST**

Members to declare any interests.

**5. NATIONAL INFRASTRUCTURE COMMISSION (Pages 9 - 14)**

To consider the attached report.

Contact Officer: Claire Britton – 01296 585471

**6. AYLESBURY VALE ESTATES BUSINESS PLAN 2017/18 (Pages 15 - 18)**

To consider the attached report.

Contact Officer: Teresa Lane – 01296 585006

**7. EXCLUSION OF THE PUBLIC**

The following matter is for consideration by Members "In Committee". It will therefore be necessary to

RESOLVE –

That under Section 100(A)(4) of the Local Government Act, 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the Paragraph indicated in Part 1 of Schedule 12A of the Act: -

Item 8: Aylesbury Vale Estates Business Plan 2017/18 (Paragraph 3)

The public interest in maintaining the exemption outweighs the public interest in disclosing the information because the report contains information relating to the financial or business affairs of organisations (including the Authority holding that information) and disclosure of commercially sensitive information would prejudice negotiations for contracts and land disposals or transactions.

### **Restricted reports**

#### **8. AYLESBURY VALE ESTATES BUSINESS PLAN 2017/18 (Pages 19 - 64)**

To consider the attached report.

Contact Officer: Teresa Lane – 01296 585006

## Economy and Business Development Scrutiny Committee

31 OCTOBER 2017

**PRESENT:** Councillor P Strachan (Chairman); Councillors C Branston (Vice-Chairman), J Bloom, A Christensen, M Collins, P Cooper (In place of B Adams), M Hawkett, T Hunter-Watts, P Irwin, C Poll and W Whyte

**APOLOGIES:** Councillor B Adams.

### 1. MINUTES

That the minutes of the meeting held on 4 September 2017 be approved as a correct record.

### 2. STRATEGIC ECONOMIC PLANS AND SKILLS STRATEGY

Members were provided an update on the Strategic Economic Plans prepared by South East Midlands Local Enterprise Partnership (SEMLEP) and Bucks Thames Valley Local Enterprise Partnership (BTVLEP). The item was attended by Paul Thompson from SEMLEP and Hilary Chipping, Deputy CEO and Head of Infrastructure at SEMLEP. The report outlined background information on the creation of Local Enterprise Partnerships (LEPs) by the Coalition Government in 2010. Aylesbury Vale was covered by two separate LEPs which included other local authorities:

SEMLEP – Bedford Borough, Central Bedfordshire, Cherwell, Corby, Daventry, Kettering, Luton, Milton Keynes, Northampton and South Northants

BTVLEP – Wycombe, Chiltern and South Buckinghamshire and Buckinghamshire County Council

A Strategic Economic Plan (SEP) 2015-2020 had been submitted to Government by SEMLEP in March 2014 and had received £79m investment from 2015/16 as part of a Local Growth Deal.

In 2016, Government asked LEPs to consider refreshing their SEPs which BTVLEP did in an updated strategy document in November 2016 entitled 'Sustainable Economic Growth in the Entrepreneurial Heart of Britain'. This update covered the period 2016-2031 and took into account the changing planning and infrastructure landscape with increased housing allocations, HS2, Oxford to Cambridge Expressway, East West Rail and the Aylesbury Vale Enterprise Zones. The updated SEP outlined the four main strategic priorities which were as follows:

- Business Growth and Innovation
- Skills and Talent
- Connectivity
- Town Centre Regeneration

The BTVLEP Strategic Economic Plan had been designed to a high strategic level and was more concise than previous versions and Members were advised that the full plan could be found at the following link: <https://www.buckstvllep.co.uk/about-btv/strategic-economic-plan>

SEMLEP had been preparing an updated SEP for publication on 8 November 2017 and the update was presented by the SEMLEP representatives to Committee Members ahead of its publication. The update would be available for public viewing from 8

November at <http://www.semlep.com/our-strategy/>. This emerging SEP outlined the intention to focus on growing businesses, people and places in order to build a premier location for growth, innovation, creativity and world leading technologies. These three areas of activity coincided with Government initiatives and policy statements, including the ten pillars published in the Government's Industrial Strategy Green Paper and Housing White Paper.

For growing business, SEMLEP wanted to deliver commercial innovation within the Cambridge – Milton Keynes – Oxford Corridor. There were already relevant assets in place for this such as the Silverstone circuit and technology cluster, Nissan's European Technical Centre and the Aerospace Technology Institute at Cranfield, and the Transport Systems Catapult in Milton Keynes. SEMLEP wanted to add new and emerging technologies to the Corridor, one of which was the SEMLEP-supported MUEAVI project which would create a mile of new road to test autonomous vehicles. It was also reported that SEMLEP's track record from 2010/11-2012/13 showed that Higher Education Institutions in the South East received 79% of their contract research income from large businesses which is nearly 2.5 times the share for England as a whole. The area had broad appeal for various reasons including transport network, local supply chain, and local schools and colleges. As well as this, there were currently 2,000 hectares in the area which had sites with planning permission for employment. It was acknowledged that further improvements needed to be made, one of which was to increase the demand for land take-up for business purpose as this was relatively low.

There were four 'showcase' sectors within SEMLEP:

- a) High Performance Technology
- b) Manufacturing & Advanced Technology
- c) Logistics
- d) Creative & Cultural

These sectors were seen as having strengths in terms of wide-reaching supply chains, historic growth, and the capability and assets for rapid future growth. Three of the sectors were increasing in number above England's average whilst Creative & Cultural was not so pronounced which was attributed to a very sharp growth in the sector for England as a whole. For the upcoming decade, six key sectors for growth and high replacement had been identified which were:

- a) Health & Social Care
- b) Education
- c) Construction
- d) Retail & Wholesale
- e) Accommodation & Food
- f) Business & Financial Services

Members were provided figures for the South East Midlands export market: £6bn goods and £5bn services. With 60% of exports going to EU countries, Brexit was a concern but would not be addressed until future Government policy had been clarified. SEMLEP would continue to cultivate and maintain positive working relationships abroad and would work with the Department for International Trade and other partners to promote the merits of exporting. Ongoing work also included helping business to access relevant funding streams and encouraging businesses to explore new markets.

Another element SEMLEP was looking to address was the development of people and skills. The intention was to deliver an employer-led approach to skills attainment to ensure that the population was aware of required attributes and competencies in the working environment. It had been found that a skills shortage was restricting the South East Midlands economy with 23% of business reporting to have at least one vacancy

that was difficult to fill in 2017 which had increased from 18% in 2015. 85% of businesses attributed this recruitment issue to a skills shortage. The employer led approach would allow for an ongoing dialogue SEMLEP and businesses to ensure that labour market information would allow individuals to make more informed decisions about career options and pathways. Additionally, a growing body of evidence demonstrated that employer engagement with schools and colleges produced positive outcomes for young people so the intention was to increase employer interaction in education. This would be achieved through work experience and class site visits which would help raise pupil aspirations and inform career choices. SEMLEP had developed a Growing People Skills Plan for Lifelong Development which aimed to embed and expand work based competencies into education. The plan also acknowledged the importance of continuous engagement with those already in careers through the promotion of upskilling and leadership development with training schemes that were already in existence.

The SEMLEP region was a high housing growth area with 130,000 new homes planned in the decade to 2025/26 and housing delivery expected to meet this demand. One of the issues faced was the affordability of housing with Oxford and Cambridge being considerably higher than other areas within SEMLEP (Northampton, Luton, Bedford and Milton Keynes) and England in general. Other challenges included the strategic transport, local transport, digital and social infrastructure costs to support the new housing. The improved East-West transport links between Oxford and Cambridge across the South East Midlands would help in this regard, as would the Expressway. There was also an issue with Government policy as, whilst Business Rates Retention provided an incentive for business growth, there was no direct link between population growth and additional funding. The housing growth also brought the issue of providing utilities to customers with, for example, electricity companies focusing on current customers and not potential customers in future.

Members sought more information from the SEMLEP representatives and were advised:-

- i. Of the publicised Expressway options, the most southern route would benefit Aylesbury most due to its closer proximity.
- ii. Aylesbury's potential for growth was understood by SEMLEP as was the importance of working with BTVLEP in achieving it.
- iii. The possibility of a Brexit 'deal/no deal' would not be taken into account yet, instead the focus was strengthening businesses current position to prepare for the future. As a neutral organisation, SEMLEP had not been in contact with MPs to make them aware of the figures of goods and services exported into the EU.
- iv. Biotechnology was part of SEMLEP's future sectors and would also play a role in the sector focusing on the provision of health care.
- v. Local Enterprise Partnerships had coordinators to work with schools and colleges to ensure they were providing employability skills to students and to ensure that it was relevant. These coordinators also worked with teachers to assess the quality of the learning. In addition, OFSTED had considered reporting on employability skills in education. It was hoped that this approach would increase the area's productivity over time.
- vi. AVDC would be able to help through SEMLEP's work being broadly understood across the authority. It was felt the two organisations would complement each other well.
- vii. SEMLEP were happy to liaise with organisations or bodies that would help the training and education of children that were disengaged in school.
- viii. Core funding came from Government which made it difficult to plan long-term. There were also local growth funds available which all LEPs had to compete and bid for. Further funding came from the EU which would pose challenges after Brexit so SEMLEP intended to continue showing their work to Government.

Members felt that MPs should be made aware that Brexit would impact both SEMLEP's funding and potentially the amount of goods and services being exported to EU countries.

RESOLVED –

That the report be noted and SEMLEP be congratulated for their work and the benefits it brought to Aylesbury Vale. The Committee thanked the SEMLEP representatives for their attendance and presentation.

### **3. CONNECTED COUNTIES BROADBAND UPDATE**

A report was received by the Committee which provided an update on the progress of the Connected Counties Broadband Programme. A presentation was also provided by Navin Sankersingh, the Programme Manager from Bucks Business First, which documented the latest activity from Connected Counties. Broadband coverage had increased across the County from 72.4% in Q1 of 2013/14 to 88.3% by the end of the first roll out phase in March 2016. By the end of financial year 2015/16 Aylesbury Vale had 82.9% coverage for superfast broadband (>24Mbps) and this had increased to 89.2% by October 2017. Ultrafast coverage (>100Mbps) stood currently at 44.23%. The first phase gain share total was £868k which was an amount generated for reinvestment into the programme.

Connected Counties and BT had carried out modelling across Buckinghamshire and BT had responded in March 2017. Aylesbury Vale was expected to have better broadband provided to 3,400 premises with at least 2,300 of those having access to superfast broadband. With this, fibre broadband coverage would increase by 4.2% which would take the District's coverage to 97% by December 2019. A list of areas that this would impact was provided to Members. Connected Counties believed that not all areas on their preference list had been included in BT's response but the expectation was that the contract would be amended to reflect that some areas had now been covered by other providers. Much of the Vale's coverage was scheduled to be implemented in the second programme phase which would be from late 2018 to December 2019.

Members also heard about the challenges of obtaining funds to connect the last 5-6% of Aylesbury Vale. Options included public funding through LEPs or DEFRA, community funding, shared funding and commercial funding. The funding approach would vary for each area within the Vale that needed connectivity so the best mix of funding would be need to be addressed.

Members sought further information and were advised that:-

- i. Plans to connect areas in Berryfields and Buckingham Park would be completed through cabinet installations in September 2018. However, some areas would not be able to obtain fibre.
- ii. Connected Counties worked with Aylesbury Vale Broadband and other providers to avoid overlap.
- iii. It was not unusual for BT to underestimate their take up figures which affected coverage of areas. Government had challenged BT on their calculation figure model.
- iv. Postcode coverage had been 'stamped' in 2014 which had affected new builds from that date. Some developers had retrofitted fibre in areas to meet demand.
- v. Connected Counties wanted ultrafast available to all homes but were limited due to BT's cabinet installations.
- vi. Some authorities had implemented broadband Key Performance Indicators (KPIs).

- vii. Effective spending would help ease the funding mix, examples of which included ducting installation underneath pavements that were already dug up for other works or repairs to be carried out.
- viii. It was recommended any resident with issues relating to being tied in to a supplier as part of a new build purchase speak to Ofcom.

Members also noted the importance of broadband coverage for small-medium businesses across the Vale and also for employees that worked from home.

RESOLVED –

That the update be noted and Connected Counties be acknowledged for their results. Committee thanked the representative for his attendance and presentation.

#### **4. WORK PROGRAMME**

The upcoming work programme for items coming to Scrutiny was considered as per the agenda. Officers would check the status of reports that were scheduled to come to Committee in 22 November 2017.

Members were given a brief update on Aylesbury Vale Broadband and were advised that a report would come to Committee when it was ready. The Committee commented that there might be merit in inviting Mr Mills to a future Scrutiny meeting.

RESOLVED –

That the situation regarding the work programme be noted.

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## NATIONAL INFRASTRUCTURE COMMISSION

### 1 Purpose

- 1.1 To raise Members awareness of the work of the National Infrastructure Commission (NIC) and particularly in relation to the development of the transport corridor between Cambridge-Milton Keynes-Oxford which was identified in their interim report published in November 2016. This was the subject of an initial consultation which closed in March 2017. Feedback from this consultation is currently being analysed by the NIC. This report also seeks to outline current activity undertaken so far in response to the recommendations set out in the interim report. The publication of the final NIC report is expected in the next few weeks. Members will be provided with a verbal briefing of the final NIC report if it has been published ahead of the meeting.

### 2 Recommendations

- 2.1 Note the report and verbal update to be presented at the meeting and any comments it would suggest Cabinet take account of when they consider this issue.

### 3 Background information

- 3.1 The NIC provides government with impartial, expert advice on major long-term infrastructure challenges. It is chaired by Lord Adonis and has 9 other non-executive commissioners. In relation to the Oxford to Cambridge corridor the NIC said in November 2016:

“The Cambridge-Milton Keynes-Oxford corridor has a major role to play in the future of the UK economy. Towns and cities across the corridor are amongst the most successful and fastest growing in the UK, making a substantial, and increasingly important, contribution to the UK income and to national tax revenues. The success of these places matters, not just to those who live and work in the corridor, but to national prosperity”.

In developing its thoughts around the Oxford to Cambridge corridor the NIC has been engaging with individual local authorities, developers, Local Enterprise Partnerships (LEPs), universities and Whitehall departments.

### 4 NIC Interim Report

- 4.1 The interim report represents the Commission’s assessment of the key challenges facing the corridor. It also sets out how the NIC will work to help tackle the challenges and makes a number of short term recommendations which it believes should be implemented.  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/569867/Cambridge-Milton\\_Keynes-Oxford\\_interim\\_report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/569867/Cambridge-Milton_Keynes-Oxford_interim_report.pdf)

#### - An Area of Economic Importance for the UK

- 4.2 The Cambridge-Milton Keynes-Oxford corridor is home to 3.3 million people and hosts some of the most productive, successful and fast growing cities in the United Kingdom. Stretching around 130 miles from Cambridgeshire, via the south-east midlands to Oxfordshire, the corridor forms a ribbon around the north and west of London’s green belt.
- 4.3 This area is a hugely valuable asset to the UK as a whole and the assets of the area have a global reputation and compete on the world stage.

- 4.4 With the exception of London, no other part of the country hosts such powerful a combination of:
- World leading universities and research institutes – Oxford and Cambridge Universities rank consistently amongst the top 4 in the world, and Cranfield University is a global leader in engineering disciplines
  - Globally competitive business clusters – the area has a concentration of businesses in the scientific research and development, life sciences, pharmaceuticals, high-tech manufacturing, performance technology and motorsport sectors.
  - Highly skilled workers – Oxford and Cambridge have the most highly qualified workforces in the country. Milton Keynes and Northampton have seen sustained growth in degree-level qualifications. In addition, workers in the cities are highly productive; workers in Milton Keynes and Oxford are 23% and 14% more productive than the UK average respectively. This has been enabled by a combination of innovation, entrepreneurship and high skilled labour.
- 4.5 The corridor has sustained high levels of job growth and population growth and high land values over a long period. However, the area does not function as a single joined-up economic corridor and has yet to achieve the full extent of its economic potential – particularly when compared with its global competitors that are the highest performing knowledge-based economies in the world. Rather than a connected cluster of fast-growing places, Cambridge, Milton Keynes and Oxford have developed as distinct city economies, each positioned on different radial routes around 50 miles from London. The principal transport arteries run north to south through the area meaning connectivity between centres of economic opportunity is more limited.
- 4.6 The NIC interim report states that based on current trends in development, population and local economic growth – the area could see job growth of 335,000 to 2050, increasing economic output by £85bn. However, further analysis prepared for the Commission suggests that the economic potential of the area is greater than this; the area could support a further 700,000 jobs by 2050, increasing GVA by £163bn. Key constraints currently on achieving this growth are a lack of sufficient suitable and affordable housing and poor east-west connectivity and limited ‘last mile’ capacity into certain centres and employment locations weaknesses in the transport infrastructure required to connect cities in the area to each other and to labour supply.
- 4.7 The East West Rail project is underway with the first section between central Oxford and Bicester open and the second section between Oxford and Bedford via Bletchley by 2024 (anticipated 2022 to dovetail with construction of HS2) and recommended further commitment to the remaining section to Cambridge. Proposals for an Oxford-Cambridge Expressway are being investigated by Highways England. These infrastructure projects present a unique opportunity to develop a multi-modal spine for the corridor in an east-west direction – developing substantial national benefits and providing a foundation for the area’s long-term development. The schemes will help complete missing links in the rail and road networks but also improve labour supply but also require a cross-corridor transport and planning strategy.
- **A joined-up strategy**
- 4.8 The Commission’s central finding is; ***“that a lack of sufficient and suitable housing presents a fundamental risk to the success of the area.***

***Without a joined-up plan for housing, jobs and infrastructure across the corridor, it will be left behind by its international competitors. By providing the foundations for such a strategy, new east-west transport links present a once-in-a-generation opportunity to secure the area's future success".***

- 4.9 The NIC poses that meeting the corridor's housing and connectivity needs is a significant financial and planning challenge which will require radical thinking to enable new and expand settlements at the scale needed. It will require different approaches to infrastructure and development in different locations but which must be planned together. It states that the current development of new strategic east-west links, particularly if combined with other targeted local infrastructure movements, provides an opportunity to achieve this and prepare an ambitious long-term strategy for the development of the corridor.
- 4.10 The interim report states that to maximise benefits of significant new infrastructure investment, local stakeholders will need to demonstrate collective strategic leadership, often across administrative borders. This includes developing a shared vision for the corridor and a strategic plan for its development that commands the support of government and wider stakeholders.

## **5.0 Current and Future Activity on Strategic Issues**

### **- The Central Area Growth Corridor**

- 5.1 The NIC report highlights that the challenge remains to create a strategic plan or plans with consistent support across the corridor encompassing planning, transport and funding and makes a number of recommendations which includes for local authorities, LEPS and agencies to work together to develop joint governance arrangements which also considers the full range of delivery mechanisms capable of accelerating housing growth and coordinated planning.
- 5.2 In response to this challenge, the Central Area Growth Board is now being formed which is an emerging partnership of 17 Councils (County, Unitary and District) working together with SEMLEP and BTVLEP. The Growth Board will direct and oversee strategic initiatives and associated investment to secure growth across the corridor area referred to as the Central Area and the introduction of a Common Planning Area (CPA).
- 5.3 The Civic Leadership of the Central Area shares the ambition for the corridor set out in the NIC Interim Report: securing an economy with the potential of a higher GVA than Silicon Valley in California is a prize worth working towards. The aim is to secure a single conversation across the public sector to maximise the benefits which together we can accrue for our communities and economies right across the Central Area.
- 5.4 Progress is being made with developing the Central Area Growth Board governance. Terms of Reference are being developed for final agreement by the 17 constituent local authorities. A Central Corridor Officer Group has also been established and work is underway on a detailed asks and offer (Place Deal) to be overseen by the Growth Board.
- 5.5 A soft launch of the nascent Central Area of the Growth Corridor was staged at MIPIM UK at Olympia on 18-19 October 2017. A large stand was secured in the centre of the exhibition and a new brand, design and marketing materials including a joint promotional brochure were put together to promote

the area's innovation and key sectors. Aylesbury Vale was a stand sponsor along with Bedford Borough, Central Bedfordshire, Cherwell, South Northants, Luton and Milton Keynes. The schedule included a showcase slot entitled; "The Growth Corridor – Unlocking UK PLC Potential: the unveiling of a new partnership that will explore the once in a generation opportunity surrounding the UK's most innovative growth corridor, generating new investment and creating new jobs on an international scale". Roz Bird of Silverstone Park was one of the speakers at this showcase promoting the area.

- 5.6 The key promotional objectives included unlocking our economic potential, and UK PLC potential, place making for business, investment and growth and this once in a generation opportunity were portrayed effectively and the presence at the event effectively raised awareness which will be built on further going forward.

- **Sub-National Transport Body**

- 5.7 The Strategic Transport Forum, Englands Economic Heartlands (EEH) has set out its commitment to develop a proposal to establish a Sub-national Transport Body as part of its on-going work programme. A concept report has been commissioned to prepare advice on options and initial engagement with potential partners has commenced. A review of the Terms of Reference is also underway. Membership of the EEH is at present restricted to county and unitary authorities and not open to district authorities. We have continued to press the need for this to be addressed in the light of the important strategic role we play in planning, as have a number of the unitary members of EEH and SEMLEP.

**6.0 Next steps**

- 6.1 We are expecting the National Infrastructure Commission to publish its final report before the end of November 2017. The Commission's report will be advice and a series of recommendations which the Government has 6 months to respond to. We expect that there may be some related announcements in the Budget statement on 22<sup>nd</sup> November. Members will receive a verbal update on the final report if it has been published ahead of meeting and any implications known at that time following the budget announcement.
- 6.2 Work will also continue on raising awareness of The Growth Corridor – Central Area including discussions for a stand alone website as well as submitting the ask and offers document to Government once agreed by the Growth Board.

**7.0 Resource implications**

- 7.1 None arising from the report although it is likely that studies will need to be commissioned to take forward recommendations from the NIC and in building up and promoting the Growth Corridor: Central Area which will Be met from existing budget allocations for such work.

Background Documents:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/569867/Cambridge-Milton\\_Keynes-Oxford\\_interim\\_report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/569867/Cambridge-Milton_Keynes-Oxford_interim_report.pdf)



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## **1 Purpose**

- 1.1 To give the Committee the opportunity to consider a draft Business Plan prepared by Aylesbury Vale Estates LLP (AVE) for 2018 – 2021 and to pass their comments on to Cabinet.

## **2 For decision**

- |   |
|---|
| 2.1 Whether the Committee wishes to make any comments on the draft Business Plan (set out at Appendices 1 – 3 in the confidential pages of this report) for consideration by Cabinet. |
|---|

## **3 Supporting information**

### ***Context of the Partnership***

- 3.1 As the Committee will be aware, the Council and the Akeman Partnership LLP (Akeman) set up AVE as a Limited Liability Partnership (LLP) in October 2009, following a competitive dialogue procurement, to manage, improve and develop the Council's commercial property portfolio and provide an income stream to the Council. Upon completion of the agreement the Council sold the majority of its industrial and commercial estate to AVE LLP at market value.
- 3.2 The Partnership is governed by a formal Members' Agreement and managed by a Partnership Board on which the Council has three representatives - currently Cllr Whyte, Cllr Julie Ward and Teresa Lane (Assistant Director Commercial Property and Regeneration). Akeman Asset Management LLP (the appointed Asset Managers) produced a draft Partnership Business Plan for AVE as part of their bid, which was approved by the Cabinet in June 2009. The final version of the Plan formed part of the completion documentation approved in October 2009. The Board meets on a regular basis to review progress on the Business Plan and monitor performance of the Asset Management.
- 3.3 The Partnership Members' Agreement requires AVE to update the Business Plan on an annual basis for approval by the shareholders. In the case of AVDC this is through Scrutiny and Cabinet.
- 3.4 The updated Business Plan is a critical document. The Members' Agreement requires the Business Plan to set out AVE's objectives for the life of the Partnership (ie 20 years) and the annual overarching objectives for each accounting period. In particular the Plan must include a statement that AVE's business shall be operated with a view to producing the best risk adjusted profit obtainable and to maximise the risk adjusted rate of return to the Council and Akeman. Subject to agreement between AVE, Akeman and the Council, the Plan is also expected to include the following matters (based on a 3 year projection where appropriate):-
- Strategic business objectives and targets
  - Gross and net rental income projections, including assessment of operating costs, rental voids, rent arrears and any other losses and receipts

- Annual portfolio valuation prepared to a standard acceptable for AVDC financial reporting purposes
  - Confirmation that the financial covenants regarding loan to value and interest cover are being maintained
  - Projections of estimated receivable rent and confirmation of compliance with maintaining portfolio income levels
  - Proposals for working capital budget, any new capital investments and reinvestments plus any distributions to partners
  - Performance against key indicators and targets indicate levels of achievement
- 3.5 Once approved, the Business Plan provides the framework within which the AVE Board works, similar in effect to the Budget and Policy Framework set by Full Council for the Cabinet. Accordingly if the Board wish to pursue any substantive action which is not provided for in the Business Plan they must obtain specific authority from the Council (either by a Cabinet or Cabinet member decision) and Akeman.
- 3.6 The attached draft Business Plan is in the confidential pages as Appendix 1. It covers the period 2018 – 2021 with the detail focus on the 2018/2019 financial year. Members are asked to note that in order to reflect any consequences of the AVE Business Plan in the AVDC budget setting, the timing of this report means that the attached business plan can only review performance of the 17/18 Business Plan for the period 1 April – 30 September 2017. A full review of the 17/18 performance, will, therefore, be reported to the June 2018 Scrutiny and Cabinet meetings.
- 3.7 The AVE cash flow is attached as Appendix 2 and the Hale Leys Business cash flow as Appendix 3.
- 3.8 The Business Plan necessarily includes a range of assumptions about the future plans of tenants and trends in the wider market. Some of these may come to pass, some may not. Members will see that in Section 3, Financial and Investment Strategy, a ‘What if’ sensitivity analysis has been undertaken to assess the impact of both an upside and down side situation on each of the key assumptions in the cash flow.

### ***Summary of key issues in the Plan***

- 3.9 The Business Plan is introduced by a number of key headlines, some of which are worth summarising in this covering open report. The financial information relating to the asset management initiatives /developments are contained within the confidential pages.

### **Looking back**

#### Distributions

- In the first quarter of 2017/2018 a distribution of £580,000 (shared between the two partners) was made against an agreed distribution of £400,000.

### Asset management initiatives /developments

- Sales of low income generating assets – High Street Winslow, Cornwalls Meadow, and Mitre Street, Buckingham were completed.
- The Kennel Club headquarters at The Gateway site was completed within time and budget delivering a net profit to AVE.
- The Phase 1 Gateway affordable housing development by AVE was finally completed. The delay had a negative financial impact on AVE and the Section 106 payments which it is seeking to reduce through negotiation.
- Lidl signed a contract with AVE to buy and build a store on the front part of the Askey's site. The final sale price will depend on the final scheme getting planning approval and any conditions attached particularly in respect of highway improvement work.
- Roofing works at Rabans Lane were completed in July 2017 generating an increase in occupancy and rental income.
- Following Sony serving notice in January 2017 to break their long lease, discussions are on-going with the occupier of the site, Cinram. AVE is also considering the longer term potential of the site.
- New signage has been erected on the Rabans Lane multi-let industrial site and a new website has been designed with the launch imminent.

### Key Performance Targets

- The vacancy across the entire portfolio as at 30 September 2017 was 3.4%, down from 5.6% at the end of the previous financial year. The portfolio remains on track to hit its 2017/18 financial year end vacancy target of 8.1%.
- The total return of the portfolio over the 12 months to 31 March 2017 was 16.64%. Since inception, investors have received an annual return of 15.3% (assuming set up costs are spread evenly over the period of the Partnership).
- Total budgeted portfolio income for the financial year ending 31 March 2017 was less than 1% variance on the forecast and so well within the +/-10% permitted. For the first 6 months of 2017/18, actual income received is 4.15 ahead of the forecast budget.
- No bad debts have been written off in the first quarters of 2017/2018.
- The 3-month collection rate for the portfolio for the September 2017 quarter was 95%. This outperforms the 3 month KPI of 90% but falls short of the 3 month KPT of 97%. The 12-month collection rate was 99.9%, outperforming the 12 month KPI of 95% but again falling only slightly short of hitting the 12 month KPT of 100%.
- The Loan to Value as at 31 March 2016 was 72.19%, below the maximum limit of 75%.

### **Looking forward – 1 April 2018 onwards**



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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of the Local Government Act 1972.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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