

ECONOMY AND BUSINESS DEVELOPMENT SCRUTINY COMMITTEE

10 SEPTEMBER 2019

PRESENT: Councillor C Branston (Chairman); Councillors W Whyte (Vice-Chairman), B Foster, D Lyons, C Poll and W Raja.

APOLOGIES: Councillors B Adams, J Bloom, B Chapple OBE, T Hunter-Watts and S Jenkins

1. ELECTION OF CHAIRMAN

RESOLVED –

That Councillor Branston be elected Chairman of the Committee for the ensuing year.

2. APPOINTMENT OF VICE CHAIRMAN

RESOLVED –

That Councillor Whyte be appointed Vice-Chairman of the Committee for the ensuing year.

3. MINUTES

RESOLVED –

That the minutes of the meeting held on 26 March, 2019 be approved as a correct record.

4. AYLESBURY VALE ESTATES (AVE): REVIEW OF PERFORMANCE AGAINST THE 2018/19 BUSINESS PLAN

The Committee received a report which was also being submitted to Cabinet concerning the performance of Aylesbury Vale Estates (AVE) against the targets and commitments set out in the 2018/2019 Business Plan.

Members were reminded that each year AVE prepared a Business Plan which included a review of performance during the previous financial year. The Asset Managers' report to the AVE Board for the period January to the end of March formed the basis of the review, together with the year end accounts. These documents formed part of the confidential agenda. The Asset Managers attended the meeting, gave a brief presentation and responded to questions from Members. They also gave a high level overview of progress against the current 2019/2020 Business Plan.

The strategy as set out in the 2018/19 Business Plan had been to increase investor revenue flows and provide support for the Council's economic development programme. This would be achieved by:-

- The sale of high value land with low income, for reinvestment.
- Paying off expensive debt in order to reduce the cost of finance.
- Reducing amortisation, which soaked up surplus income.
- Targeting a distribution of £600,000 pa.

- Maintaining current levels of occupancy.
- Retaining major tenancies at Hale Leys.

Sale of high value land with low income for reinvestment

The sale of the land known as Gateway Phase 2 and the sale of the front part of the Askeys site at Stocklake had not taken place for a variety of reasons by the end of the financial year as had been anticipated. The sale of the Stocklake site to Lidl had subsequently been achieved and the sale of the Gateway Phase 2 site to a developer was expected to complete shortly. Progress had been made in 2018/19 on preparing a small site at Adams Close, Buckingham for sale, which had also now been completed.

Pay off expensive debt in order to reduce the cost of finance

The capital receipt received from the sale of the Stocklake site had been used to help achieve this, albeit later than had been planned. The reduction in the cost of finance would help to improve cash flow and in 2019/20, would provide a degree of comfort to help AVE manage the new market and financial pressures which were emerging primarily as a result of Brexit.

Reduce amortisation which soaked up surplus income

This had been achieved in relation to the amortisation of the senior debt with AVDC. In 2018/19, AVE had made substantial repayments of debt.

Target a distribution of £600,000 pa

This had largely been dependent on the sale of two key sites. As this had not happened, the distribution had been deferred. AVDC still expected to receive its 50% share of the distribution and had also planned for a distribution in 2019/20. This meant that there was an expectation that two distributions would be received by the end of 2020.

Maintain current levels of occupancy

In an important move, Cinram Novum had been secured as new tenants for the large Sony site. Work to develop options for the longer term had started. There continued to be a strong demand for the units on the industrial estates following an extensive investment plan to refurbish units and improve services to tenants. At the year end, the void rate had been 1.8%.

Retain major tenancies at Hale Leys

Nationally the retail market had proved even more challenging in 2018/19. Clarks had relocated to Friars Square and Poundworld had gone into administration. However other key tenants, notably Boots had been retained in the Centre.

Concentrated efforts had begun during the financial year to attract different uses for vacant units. Negotiations had commenced for the conversion of the former Next unit to a "Play and Stay", and a restaurant, bar and roof top terrace. These negotiations had now been completed, with permission for a change of use having been granted. Construction work was now under way.

General financial performance

The voids percentage by rental value across the whole portfolio had been 6.9% at the end of March, compared to a target of 3.8% in the Business Plan. Of this, the multi-let industrial portfolio accounted for 1.8% of the 6.9%, with Hale Leys accounting for the rest of the voids. The refurbishment of the industrial units had contributed to the uptake.

Rent invoiced for 2018/19 was down 12% for the portfolio as a whole. Hale Leys accounted for much of this.

The overall value of the portfolio had decreased, reflecting the challenging retail market Hale Leys was facing. However the value of the rest of the portfolio had increased.

Debt had fallen in line with the Business Plan strategy and the loan to value ratio had decreased from the previous year.

Members thanked the asset managers for their overview, and after they had left the meeting, considered whether or not any comments should be made to Cabinet in the light of the questions they had posed during the presentation.

A number of points were made, including:-

- Whilst impressed with the efforts to increase the take up of industrial units and the relationships built with tenants, and whilst appreciating the challenges currently existing in the retail market, Members felt that in relation to Hale Leys, AVE could perhaps be more imaginative in their strategy for encouraging a better take up of units at the Centre by specialist retailers.
- In appreciating that there was probably no easy solution, it was felt that AVE could be proactive in providing larger (15-20,000 sq. ft.) units.
- Members felt that perhaps more consideration needed to be given as to how it might be possible to achieve a better integration between the use of land both for commercial and residential use, recognising that the Sony site might address this.
- It was commented that planners needed to respond more quickly to commercial/industrial demands, although it was appreciated that the Council was actively trying to address this issue.

RESOLVED –

That the above comments be brought to the attention of Cabinet.

NOTE:

As one of the Council's representatives on the AVE Board, Councillor Whyte declared a prejudicial interest in the above item and remained only during the presentation to answer specific questions from Members. He left the meeting whilst the Committee considered its response to Cabinet.

5. WORK PROGRAMME

It was proposed to arrange a visit to the Westcott Enterprise Zone on 19 November.

There were no items as yet for the January meeting, and Members felt that updates on the following would be helpful:-

- AVDC economic strategy (An invitation to the Cabinet Member to give a brief update on any discussions on those elements of the Council's strategy that might be carried forward to the new unitary authority as part of AVDC's legacy).
- An update on the National Infrastructure Corridor (when information was available).

6. EXCLUSION OF THE PUBLIC

RESOLVED –

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 involved the likely disclosure of exempt information as defined in the Paragraph indicated in Part 1 of Schedule 12A of the Act:-

AVE: Review of performance against the 2018/19 Business Plan

The public interest in maintaining the exemption outweighed the public interest in disclosing the information because the report contained 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.