



AYLESBURY VALE DISTRICT COUNCIL Democratic Services

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9 January 2020

ECONOMY AND BUSINESS DEVELOPMENT SCRUTINY COMMITTEE

A meeting of the Economy and Business Development Scrutiny Committee will be held at **6.30 pm on Tuesday 21 January 2020 in The Paralympic Room, Aylesbury Vale District Council, The Gateway, Gatehouse Road, Aylesbury, HP19 8FF**, when your attendance is requested.

Membership: Councillor C Branston (Chairman); Councillors W Whyte (Vice-Chairman), B Adams, J Bloom, B Chapple OBE, B Foster, T Hunter-Watts, S Jenkins, D Lyons, C Poll and W Raja.

Contact Officer for meeting arrangements: Bill Ashton, bashton@aylesburyvaledc.gov.uk

AGENDA

1. APOLOGIES

2. TEMPORARY CHANGES TO MEMBERSHIP

Any changes will be reported at the meeting.

3. MINUTES (Pages 3 - 6)

To approve as a correct record the Minutes of the meeting held on 10 September 2019.

4. DECLARATION OF INTEREST

Members to declare any interests.

5. AYLESBURY VALE ESTATES BUSINESS PLAN 2020-2023 (Pages 7 - 22)

To consider the attached report.

Contact Officer: Teresa Lane (01296) 585006

6. 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 No. 7 – Aylesbury Vale Estates Business Plan 2020-2023

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.

7. AYLESBURY VALE ESTATES BUSINESS PLAN 2020-2023 (Pages 23 - 84)

To consider the attached confidential information.

Contact Officer: Teresa Lane (01296) 585006

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.

Economy and Business Development Scrutiny Committee
21 January 2020

REPORT A – TRANSFER OF THE AVDC SHAREHOLDING TO THE BUCKINGHAMSHIRE COUNCIL ON 1 APRIL 2020

REPORT B – The AVE DRAFT BUSINESS PLAN FOR THE PERIOD 2020 – 2023

1 Purpose

- 1.1 Attached are the reports that were submitted to the Cabinet meeting on 17 December 2019.
- 1.2 Report A explains what will happen to Aylesbury Vale Estates (AVE) on 1 April when the new Buckinghamshire Council comes into being.
- 1.3 Report B gives a high level summary of the draft Business Plan prepared by Aylesbury Vale Estates LLP (AVE) for 2020 – 2023. The full draft of the Business Plan together with the financial cash flows is set out in the confidential pages of the report.

2. For decision

- 2.1 The Scrutiny Committee is asked to consider the reports and agree what comments, if any, it wishes to make on the draft Business Plan for the period 2020 to 2023.

3. Supporting information

- 3.1 Attached as part of the agenda is the report submitted to Cabinet on 17 December 2019. The actual AVE draft Business Plan 2020-2023 is attached to the confidential part of the agenda.
- 3.2 Also attached are the Minutes of Cabinet setting out its decision.
- 3.3 The Scrutiny Committee is invited to consider whether, and if so, the comments it might wish to submit to Cabinet at its meeting on 11 February 2020.

4. Options Considered / Resource implications

- 4.1 These are detailed in the Cabinet report.

Contact Officer Teresa Lane 01296 585006

Background Documents AVE Business Plan 2019/2020
AVE Business Plan 2020/2023

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AYLESBURY VALE ESTATES
Councillor Bowles
Deputy Leader and Cabinet Member for Economic Development

REPORT A – TRANSFER OF THE AVDC SHAREHOLDING TO THE BUCKINGHAMSHIRE COUNCIL ON 1 APRIL 2020

1 Purpose

- 1.1 This report explains what will happen to Aylesbury Vale Estates (AVE) on 1 April when the new Buckinghamshire Council comes into being

2. For decision

2.1 Cabinet is asked to note that on 1 April, the AVDC shareholding in AVE LLP will transfer to the new Buckinghamshire Council alongside the Members' Agreement and Loan Agreement which together set out how the joint vehicle will operate.

3. Supporting information

- 3.1 AVDC is currently 50% owner of AVE LLP. The other 50% is owned by private investors. On 31 March, AVDC will cease to exist and on 1 April Buckinghamshire Council will come into being. In order for AVE to continue to operate, AVDC's interest in the joint venture will need to transfer to the new council. How the joint venture operates is enshrined in a Members' Agreement together with a Loan Agreement. These too will transfer.

- 3.2 AVDC is currently represented on AVE by two councillors and an officer. From 1 April it will be for the new council to decide who its representatives are going forward.

4. Resource implications

- 4.1 Some legal work will be required to transfer the AVDC interest. The costs of this will be met from the unitary workstream budget set aside for changes required for all the companies the five different councils have an interest in.

REPORT B – The AVE DRAFT BUSINESS PLAN FOR THE PERIOD 2020 – 2023.

1. This report gives a high level summary of the draft Business Plan prepared by Aylesbury Vale Estates LLP (AVE) for 2020 – 2023. The full draft of the Business Plan together with the financial cash flows is set out in the confidential pages of the report.
2. Akeman Asset Management, who are appointed by AVE to manage the portfolio, will present the business plan to Cabinet and answer any questions members may have.

3. For Decision

- 3.1 Cabinet is asked:-
- (i) comment on the draft business plan so that Akeman Asset Management can feedback AVDC's views to the private investors for consideration.

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| (ii) Agree how the views of the Economy and Business Development Scrutiny Committee can be sought (next meeting 21 January 2020) and fed back to Cabinet and then AVE. |
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4. **Context of the Partnership**

- 4.1 AVDC and Akeman Partnership LLP (Akeman) set up AVE as a Limited Liability Partnership (LLP) in October 2009. The selection of the Council's private sector partner (who make up 50% of the Partnership) followed a competitive dialogue procurement process and upon completion of the agreement the Council sold the majority of its industrial and commercial estate to AVE LLP at market value.
- 4.2 The original objectives of AVE (which remain) were to:
1. To improve, repair (if applicable) and maintain the Property
 2. To enhance, maintain and improve AVDC's income stream generated from the Property:
 3. To positively influence and promote development and economic growth in the Area through the development, improvement and maintenance of the Property, together with pro-active asset management.
- 4.3 The Partnership is governed by a formal, detailed 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 against the original objectives and Business Plan and monitor performance of the appointed Asset Managers.
- 4.4 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 this Scrutiny Committee and Cabinet. The private sector partner have their own separate mechanism for reviewing and agreeing the business plan and this process is complete by the time the draft Plan is considered by the Scrutiny Committee. Any amends to the Business Plan after consideration by AVDC's committees, have also to be agreed to by the private sector partners. To date this process has not presented any difficulties.
- 4.5 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
- 4.6 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 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 Partnership LLP – the private sector partner..
- 4.7 The draft Business Plan is contained within the confidential pages as Appendix 1. It covers the period 2020 – 2023 with the detail focus on the 2020/21 financial year. Members are asked to note that in order to reflect any consequences of the AVE Business Plan in the 2020/21 AVDC budget setting, the timing of this report means that the attached business plan can only review performance of the 19/20 Business Plan for the period 1 April – 30 September 2019. A full review of the 2020/21 performance, will be a matter for the new unitary council.
- 4.8 The AVE cash flows based on different scenarios are attached as Appendix 2 and the Hale Leys cash flows are attached as Appendix 3.
- 4.9 Members are asked to note that 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 throughout the Plan, a ‘base case’ Business Plan is presented on the assumption that certain scenarios are likely to occur. An ‘enhanced case’ is also presented for the AVE portfolio (but not Hale Leys) but on the understanding that these scenarios whilst possible, are less likely to occur. A ‘downside scenario is also included for both the AVE portfolio and Hale Leys.
- 5. Summary of key issues in the Plan**
- 5.1 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.

Strategy

The strategy to achieve the core aims was as follows:

- Sale of high value land with low income
- improved planning consents to maximise land value of low-income sites, for either development or sale and reinvestment
- Pay off expensive debt in order to reduce cost of finance and de-risk the portfolio
- Reduce amortisation, which soaks up surplus income
- Target a distribution of £600,000 pa
- Occupancy levels:
 - Maintain high levels of vacancy within the industrial portfolio
 - Maintain current tenants at Hale Leys, let vacant units and improve future income stream

Sale of high value land with low income

- Stocklake – The long-awaited sale to Lidl for part of the Stocklake site completed in April 2019.
- Adams Close, Buckingham – After the Scouts departed, the site sale completed to Brickhill Properties in July 2019. Development is underway for 4 x 3 bed houses.
- Gateway Phase 2 – contracts for sale of this site have been exchanged with Sorbon Estates subject to obtaining detailed planning permission. Anticipated completion is January 2020.

Distributions

- The timing of the distribution for 19/20 and the amount (included in the cash flow as £600k – 50% for each partner) is dependent on the delivery of a number of asset management initiatives. AVDC has included in its own revenue budget a more cautious forecast of £200k. AVE are currently on track to pay the £600k dividend as planned but this will be kept under review. The timing of the distribution is likely to be in the last quarter of the 19/20 financial year.

Occupancy levels

- The multi-let industrial estate has seen an unprecedented demand for units and as at end of September the vacancy level was 2%. Various asset management initiatives to improve the estate ranging from new signage, new quarterly tenants meetings, and completing works to refurbish the units, has continued to contribute to the demand for the units. 11 new leases and renewals have been completed since 1 April 2019.

The Edison Workspace has been upgraded and refurbished significantly reducing running costs. More work is planned to further improve the look of the premises.

- Hale Leys, like all other shopping centres in sub-regional towns similar to Aylesbury's size, has continued to feel the pressure of the internet. The main casualty at Hale Leys was Brighthouse which has closed will continue to pay all occupational costs until February 2020.

A CVA was agreed with Accessorize and Thomas Cook went into liquidation in September. However, discussions with Hays travel to take over the unit are expected to be concluded shortly.

A number of new tenants are trading. Bargain Buys, and Bar Noosh. In addition Stay and Play opened in November. The Manor House restaurant and roof top terrace bar is expected to open in early 2020 are extensive fit-out works.

Key Performance Targets

- The vacancy across the entire portfolio as at 30 September 2019 was 7.1% (23.1% Hale Leys and 2.0% AVE portfolio). The year end overall target vacancy is 9.28% (3.4% for AVE and 27.7%). Letting Hale Leys will, therefore remain the focus so that AVE can achieve an overall year end target of 3.0%.
- The total return of the portfolio over the 12 months to 31 March 2019 was -1.4% due to the loss of value on Hale Leys. The independent valuation of the whole portfolio takes place at each year end but since inception, investors have received an annual return of 11.5%. This figure is derived from the net increase in asset value plus distribution and assumes set up costs are spread evenly over the period of the Partnership.
- The budgeted portfolio income for the financial year ending 31 March 2019 was exceeded by a positive 1% variance on budget.
- The 3-month collection rate for the whole portfolio for the September 2019 quarter was 90.5% just meeting the 3 month KPI of 90%. The 12 month collection rate was 98.6%, outperforming the 12 month KPI of 95%.
- The Loan to Value as at 31 March 2019 was 72.2%, just below the maximum limit of 75%.

Looking forward – 1 April 2020 onwards

- 5.2 The core aims remain the same in line with the original objectives agreed in 2009:
- a. Increased investor revenue flows; and
 - b. Support for the Council's economic development programme
- 5.3 The key strategies identified in order to achieve these core aims for 2020/2023 are in summary:

- Sale of high value assets with low income, for reinvestment into higher income assets
 - Pay off expensive debt in order to reduce cost of finance and reduce amortisation
 - Target a distribution of £600,000 pa
 - Maintain current levels of occupancy within the industrial portfolio
 - Hale Leys - maintain current tenants, let vacant units and improve future income stream
 - Review all non-core and community assets and sell/develop where possible (subject to AVDC approvals required).
- 5.4 As in 19/20 AVE has submitted both a base case and an enhanced case for the 2020/2023 Business Plan period for the AVE portfolio. However, in addition, a 'downside scenario has been included to reflect some concerns around the security of a key tenant. The strategies underpinning the different scenarios are set out in the confidential pages of the report but all set out the aim of paying off expensive debt to take the portfolio to a position where the revenue flows from rent alone can comfortably cover all running costs, asset enhancements and amortisation and leave a surplus for distribution to investors on an ongoing basis - one of the core aims.
- 5.5 Whilst it is excellent news that there is now only one vacancy on the multi-let industrial estate, the relationship development plans now in place will be important in ensuring that leases coming up for breaks or expiries are renewed at favourable terms.
- 5.6 AVE's plans to redevelop the Stocklake site are understood to include a large element of new industrial space. This is to be welcomed not only because of the income stream it could generate but the employment opportunity it could deliver on that side of town which would hopefully at least replace the employment lost from the Askey's closure.
- 5.7 Clearly the retail market and the vacancy rate within Hale Leys continues to be a concern. The different uses appearing in the Centre are creating successful diversification but this work needs to be on-going to help preserve and increase rental income and protect the Centre from any further fall in valuation.
- 5.8 AVE's intention to review the assets which are classified as either non-core or community assets, is noted. After consideration by the Board, AVE will be expected to seek formal approval from AVDC for the disposal or change of use of any assets where required by the terms set down in the Members' Agreement.
- 5.9 The key performance targets (KPTs) and indicators are predetermined and form part of the Members' Agreement for the Partnership so in this respect they do not change. However, shareholders are able to suggest additional KPTs and whilst these cannot be used technically to evaluate performance and effect for example, the Asset Management fees paid, they are required to be measured and reported to the Board. There are a number of KPT's in this category which are set out in Section 7 of the Business Plan.

6. Resource implications

- 6.1 Cashflow analysis supporting the Business Plan is set out in the confidential pages - Appendices 2 and 3.

Contact Officer Andrew Small 01296 585006

Background Documents AVE Business Plan 2019/2020
AVE Business Plan 2020/2023

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Public Document Pack

CABINET

17 DECEMBER 2019

PRESENT: Councillor A Macpherson (Leader); Councillors S Bowles (Deputy Leader), P Irwin, H Mordue, C Paternoster, Sir Beville Stanier Bt, P Strachan, J Ward and M Winn.

1. MINUTES

RESOLVED –

That the Minutes of 12 November 2019 be approved as a correct record.

2. RISK, PERFORMANCE AND FINANCE REPORT

Cabinet received a report presenting the financial digest, the Corporate Plan progress against targets and the Corporate Risk Register, which was available to view in full on the Council's web site. A similar report had been submitted to the Finance and Services Scrutiny Committee on 11 November, 2019.

Members commented generally as follows:-

- Members felt there was a need to ensure harmonisation of the risk register with those of the other authorities that would make up the new Buckinghamshire authority. Officers confirmed that this was in progress, particularly with regard to performance indicators.
- It was considered that reference should be made in the risk register to the improvement notice served on an Aylesbury property (in the wake of the Grenfell fire).
- The reference to SEMLEP should be removed from the section on growth.
- It was noted that the Bucks Growth Board, established as part of the transition to a unitary authority, was still in its infancy.
- It was felt that the wording in item 5 relating to growth should be amended to make it clear that there was clarity around engagement with communities in relation to planning issues impacting the Vale.
- There was a need to continue with the contingency planning for a “no deal” Brexit.
- In relation to the Corporate Plan, it was felt imperative that the importance of Aylesbury Vale as the birth place of the Paralympics should be emphasised to the new unitary authority as was the need to promote to that authority the importance of continuing with funding the Flame Lighting Ceremony and all other events which set Aylesbury Vale apart from other authorities in terms of community functions.
- There was a need for clarity around the data relating to the delivery of affordable homes.
- It was important to continue with the programme of review of Conservation Areas, within the context of the transition to a unitary authority.

With regard to the key financial management messages for the organisation for the remainder of the financial year, based upon the year to date financial position as set out in the latest financial digest:-

- The need to reduce agency spend and dependency on temporary staffing solutions.
- The identification of where services could be provided more efficiently and at reduced cost.
- The maximisation of opportunities to increase income.
- The reduction of spend on non pay items where possible.
- The management of financial uncertainties arising from external factors and in particularly the unitary decision.

RESOLVED –

That subject to the comments referred to above, the reports on finance, performance and the risk register/corporate plan, be noted.

3. AYLESBURY VALE ESTATES BUSINESS PLAN

AVDC currently owned 50% of Aylesbury Vale Estates LLP (AVE). The other 50% was owned by private investors. On 31 March 2020, AVDC would cease to exist and on 1 April the new Buckinghamshire Council would come into being. In order for AVE to continue, AVDC's interest in the joint venture would transfer to the new authority. How the joint venture operated was enshrined in a Members' Agreement together with a Loan Agreement. AVDC was currently represented on the AVE Board by two Members and an Officer. From 1 April 2020, it would be for the new authority to decide upon representation.

Cabinet received a high level summary of the AVE Draft Business Plan for the period 2020 to 2023. The full Business Plan which included the cash flows was attached to the confidential section of the agenda. In order to consider the financials, it was necessary to resolve to exclude the public from that part of the meeting under section 100(A)(4) of the Local Government Act, 1972 (Paragraph 3 of Schedule 12A of the Act).

Representatives from Akeman Asset Management attended the meeting and gave a presentation on the highlights of the draft Business Plan. The Business Plan provided the framework within which the AVE Board would operate. The Council's approval to the Business Plan was required.

A summary of the key issues in the Plan was given:-

Strategy

The strategy to achieve the core aims was as follows:-

- Sale of high value land with low income.
- Improved planning consents to maximise land value of low income sites, for either redevelopment or reinvestment.
- Pay off expensive debt in order to reduce the cost of finance and de-risk the portfolio.

- Reduce amortisation, which soaked up surplus income.
- Target a distribution of £600,000 p.a.
- Maintain high levels of occupancy in the industrial portfolio, maintain current tenants at Hale Leys, let vacant units and improve income streams.

Sale of high value land with low income

- The long awaited sale to Lidl of part of the Stocklake site had been completed in April 2019.
- After vacation by the scouts, Adams Close, Buckingham had been sold and was being developed with 4 three bedroomed houses.
- Contracts for the sale of the Gateway phase two site had been exchanged subject to detailed planning permission. Anticipated completion was January 2020.

Distributions

- The timing of the distribution for 2019/20 and the amount included in the cash flow for each partner was dependent on the delivery of a number of asset management initiatives. AVDC had included in its own revenue budget a more cautious forecast dividend. The timing of the distribution was likely to be in the last quarter of the 2019/20 year.

Occupancy Levels

- The multi-let industrial estate had seen unprecedented demand for units and as at the end of September the vacancy level was 2%. Various asset management initiatives to improve the estate ranging from new signage, new quarterly tenants' meetings and refurbishment works had continued to contribute to the demand for units. Eleven new leases and renewals had been completed since 1 April 2019.
- The Edison workspace had been upgraded and refurbished significantly reducing running costs. More work was planned to further improve the look of the premises.
- Hale Leys, like all other shopping centres in sub regional towns similar to Aylesbury, had continued to feel the pressure of the move to internet shopping. A number of tenants had ceased trading but conversely, a number of new tenants had started trading.

Key Performance Targets

- The vacancy across the entire portfolio as at September 2019, was 7.1% (23.1% Hale Leys and 2% AVE portfolio) The year end overall target vacancy was 9.28%. letting Hale Leys would remain the focus.
- The total return of the portfolio over the 12 months to 31 March 2019 had been - 1.4% due mainly to the loss of value on Hale Leys. The independent valuation of the whole portfolio would take place at the year end but since inception, investors had received an annual return of 11.5%. This figure was derived from the net increase in asset value plus distribution and assumed set up costs were spread evenly over the period of the partnership.
- The budgeted portfolio income for the financial year ending on 31 March 2019 had been exceeded by a positive 1% variance on budget.
- The three month collection rate for the whole portfolio for the September 2019 quarter had been 90.5%, just meeting the 3 month KPI of 90%. The 12 month collection rate had been 98.6%, outperforming the 12 month KPI of 95%.
- The loan to value as at 31 March 2019 had been 72.2%, just below the maximum limit of 75%.

Looking Forward – 1 April 2010 onwards

- The core aims remained the same in line with the original objectives agreed in 2009, i.e. increased investor revenue flows and support for the Council's economic development programme. The key strategies identified in order to achieve these aims for 2020 – 2023 were in summary:-

Sale of high value assets with low income for re-investment into higher income assets.

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

Target a distribution of £600,000 pa.

Maintain current levels of occupancy within the industrial portfolio.

Hale Leys – maintain current tenants, let vacant units and improve future income streams.

Review all non core and community assets and sell/develop where possible (subject to AVDC approvals where required).

- As in 2019/20, AVE had submitted both a base case and an enhanced case for the 2020 – 2023 Business Plan. However in addition a “downside scenario” had been included to reflect some concerns around the security of a key tenant. The strategies underpinning the different scenarios were set out in the confidential part of the Cabinet agenda. All set out the aim of paying off expensive debt to take the portfolio to a position where the revenue flows from rent alone could comfortably cover all running costs, asset enhancements and amortisation, and leave a surplus for distribution to investors on an on-going basis – one of the core aims.
- Whilst it was excellent news that there was now only one vacancy on the multi-let industrial estate, the relationship development plans now in place would be important in ensuring that leases coming up for breaks or due for expiry were renewed at favourable terms.
- AVE's plans to redevelop the Stocklake site with a large element of new industrial space were welcomed, not only because of the income stream that this could generate but also the employment opportunities it could deliver on this particular side of Aylesbury which would offset to an extent the loss of employment at the Askey site.
- Clearly, the retail market and the vacancy rate within Hale Leys continued to be a concern. However the different uses appearing in the Centre were creating successful diversification. This would need to continue to help preserve and increase rental income and protect the Centre from any further fall in valuation.
- AVE's intention to review the assets which had been classified as either non core or community assets was noted. AVE would be expected to seek formal approval from the Council (successor Council) for the disposal or change of use of any assets where required by the terms of the Members' Agreement.
- The key performance targets and indicators were predetermined and formed part of the Members' Agreement for the partnership, so in this respect they would not

change. However, shareholders were able to suggest additional key performance targets and whilst these could not be used technically to evaluate performance, and for example, affect the asset management fees paid, they were required to be measured and reported to the Board.

Having commented that on a number of specific issues and in particular the propensity of AVE to dispose of assets for generating capital receipts as opposed to taking more opportunities to invest in on-going income generation, Cabinet

RESOLVED –

- (1) That it be noted that on 1 April, 2020 the AVDC shareholding in AVE LLP would transfer to the new Buckinghamshire Council alongside the Members' Agreement and Loan Agreement, which together set out how the vehicle operated.
- (2) That, subject to any views the Economy and Business Development Scrutiny Committee might have, the draft Business Plan (set out in detail in the confidential section of the Cabinet Agenda) for the period 2020-2023, be approved.
- (3) That the views of the Economy and Business Development Scrutiny Committee be sought formally at its meeting on 21 January, 2020 and that these be reported back to Cabinet at its February meeting.

NOTE : As Directors on the board of AVE, Councillor Mrs Ward and the Assistant Director responsible for property and regeneration each declared a prejudicial interest in this item and having remained to answer technical and general questions in relation to the company's activities, they left the meeting whilst Cabinet considered this matter.

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