

EEPIC ANNUAL BUSINESS PLAN 2020-21 AND ANNUAL REVIEW

Head of Service/Contact:	Mark Shephard, Head of Property and Regeneration
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	
Annexes/Appendices (attached):	Annex 1 – Property Investment Strategy 2017-20 Annex 2 - EEPIC Annual Review Year Ending 31 March 2019 Annex 3 - EEPIC Financial Statements Year Ended 31 March 2018 Annex 4 - EEPIC Financial Statements Year Ended 31 March 2019 Annex 5-10 - Confidential Annual Business Plan 2020-21
Other available papers (not attached):	Reports to Council and Strategy & Resources Committee 19 September 2017 and 25 September 2018.

Report summary

This reports seeks approval of the Annual Business Plan 2020-21 for Epsom & Ewell Property Investment Company Ltd ("EEPIC") and updates Committee with an extended Annual Review of the Company's activities for the period 19 September 2017 to 31 March 2019.

Recommendation (s)

That the Committee:

- (1) notes the Annual Review of EEPIC for the period 19 September 2017 to 31 March 2019;**
- (2) notes the Companies House Financial Statements for the years ending 31 March 2018 and 2019;**
- (3) approves the proposed Annual Business Plan 2020-21 in accordance with the Shareholder Agreement;**

Shareholder Sub Committee

18 February 2020

(4) approves the appointment of Brendan Bradley (the Council's Chief Accountant) as Director.

1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy

1.1 Having a property company allows the Council to support the delivery of its four year Corporate Plan and the Medium Term Financial Strategy. One of the key priorities is Effective Council, and the structure helps the Council to:

- Maximising returns from properties and other investments
- Identify new sources of revenue and maximising our existing income

2 Background

- 2.1 The Council established a Local Authority Property Investment Company (EPPIC) at an Extraordinary Meeting on 19 September 2017. At that meeting, Council ratified Strategy and Resources Committee's decision to establish a Shareholder Sub-Committee to discharge the functions of the Council as the Shareholder in the Company
- 2.2 The business of EPPIC is to operate as a commercial company to buy, rent or lease land, and to develop and or construct and or refurbish land or property.
- 2.3 Epsom & Ewell Borough Council is the sole shareholder of EPPIC, making the Company a wholly owned trading company of the Council.
- 2.4 The objectives and anticipated annual activities of EPPIC are set out in the Company's Business Case and Annual Business Plan respectively, both of which were approved by Council when the formation of the Company was agreed.
- 2.5 EPPIC provides the Council with the flexibility to undertake commercial trading activities in property investment. All acquisitions must be compliant with the Council's approved Property Investment Strategy 2017-20 (attached at Annex 1).
- 2.6 The Shareholder Sub Committee was set up and first appointed to in September 2018.
- 2.7 The Council entered into a Shareholder's Agreement with EPPIC on the 28th December 2018. The Agreement sets out terms upon which the Council will participate in the company as its shareholder.

Shareholder Sub Committee

18 February 2020

- 2.8 The Company's 2017/18 and 2018/19 accounts were filed to Companies House by 31 December 2018 and 2019 respectively, a statutory deadline.

3 EEPIC Annual Review

- 3.1 The Annual Review for EPPIC is attached at Annex 2.
- 3.2 The Financial Statements (Companies House filed accounts) for the Year Ended 31 March 2018 and the Year Ended 31 March 2019 are attached at Annex 3 and 4 respectively.

4 Suspension of out-of-Borough purchases

- 4.1 At its Strategy & Resources Committee meeting held on 25 September 2018, the Committee noted as part of a report on Treasury Management, the 'suspension of further out of Borough investment property acquisitions, where the main purpose is purely to profit, until further notice or case law is published that clarifies the Council's related vires'.
- 4.2 The decision was necessary as new Statutory Guidance on Local Government Investments introduced by the Ministry for Housing, Communities and Local Government, which took effect from 1 April 2018. The driver behind the guidance was to restrict the ability of Local Authorities to purchase out-of-Borough investment properties.
- 4.3 The guidance does not impact on EEPIC's existing out-of-Borough acquisitions.
- 4.4 There could still be circumstances where out of Borough investments may be acceptable. The question which needs to be addressed is whether the purpose for buying is purely to raise revenue.

5 EEPIC Annual Business Plan 2020-21

- 5.1 The Shareholder's Agreement requires the Council's approval (as shareholder) before EPPIC can implement a revised annual Business Plan.
- 5.2 The proposed Annual Business Plan 2020-21 is attached at Annexes 5-10 and are confidential for reasons of commercial sensitivity.

6 Company Resignations and Appointments

- 6.1 During annual the review period, the company received the following resignations:-

Name	Role	Resignation Date
Simon Young	Director	17 January 2018
Louise Mathie	Company Secretary	28 December 2018

Shareholder Sub Committee

18 February 2020

- 6.2 Subject to approval, it is proposed that EEPIC's Finance Director, Lee Duffy (the Council's Chief Finance Officer and Section 151 Officer) be replaced by Brendan Bradley (the Council's Chief Accountant). This will act to strengthen the Company's governance by ensuring that the Council's Section 151 Officer's duty to the Council is never conflicted by a Director's duty to the Company.

7 Financial and Manpower Implications

- 7.1 A final dividend of £424,063 was paid to the Shareholder in respect of the financial year ended 31 March 2018, which represented the company's full profit after tax.
- 7.2 A dividend of 4.334 pence per share was paid for the financial year ending 31 March 2019, which represented a dividend of £1,045,235 to the Shareholder, meeting budgeted expectations.
- 7.3 **Chief Finance Officer's comments:** Since its inception, EEPIC has met the Council's budgeted expectations, making valuable contributions towards the delivery of the services in both 2017/18 and 2018/19.
- 7.4 For 2019/20, the dividend from EEPIC to the Council is forecast to be £1.39m. Once net interest payments and contributions to reserves are taken into account, the result will be a net £1.06m contribution towards the delivery of services to residents in the Borough.
- 7.5 In order to further strengthen governance, it is important that the duties of the Council's Section 151 Officer and the company Finance Director be segregated. The proposed change of Director will achieve this outcome.

8 Legal Implications (including implications for matters relating to equality)

- 8.1 The Shareholder Agreement between the Council and the EPPIC sets out the relationship upon which the Council will participate in the Company as Shareholder. There are a number of matters with the Agreement requires express Shareholder Consent before EPPIC makes or takes decisions.
- 8.2 The Shareholder Agreement requires EPPIC to circulate a revised version of the then current Business Plan to the Council as Shareholder by the end of November of each year and invite the Council as Shareholder to provide comments or its consent to the Plan. The Council then has to the end of February to respond.
- 8.3 Each Business Plan, unless the parties agree otherwise, must be substantially in the format for the first Business Plan and shall be for a one year period. In the event a Business Plan has not been approved by the Shareholder, the current or immediately preceding Business Plan continues as the Plan.

Shareholder Sub Committee

18 February 2020

8.4 Following on from the business case supporting the set up of EPPIC, the annual business plan sets out the objectives of the business, how they are to be achieved and standards met, adjusted in the light of experience and changing circumstances. It is a comprehensive analysis of the business situation at a particular point in time.

8.5 ***Monitoring Officer's comments:*** none arising from the contents of this report.

9 Sustainability Policy and Community Safety Implications

9.1 None arising

10 Partnerships

10.1 None arising

11 Risk Assessment

11.1 The Shareholder approved Property Investment Strategy 2017-20 provides a robust and viable framework for the acquisition of commercial and residential property investments. It includes a risk Scoring Matrix to enable the relative merits of an investment opportunity to be measured and assessed against a minimum target threshold of 70%.

11.2 All Company acquisitions comply with the Property Investment Strategy 2017-20.

12 Conclusion and Recommendations

12.1 Notes the Annual Review of EEPIC for the extended period 19 September 2017 to 31 March 2019.

12.2 Approves the proposed Annual Business Plan 2020-21 in accordance with the Shareholder Agreement.

12.3 Approves the appointment of Brendan Bradley (the Council's Chief Accountant) as Director.

Ward(s) affected: (All Wards);