BABERGH AND MID SUFFOLK DISTRICT COUNCILS

TO:	**BDC Council** **MSDC Council**	**REPORT NUMBER: BC/24/8**
FROM:	**Cllr John Ward, Cabinet Member for Finance, Assets & Investments** **Cllr Richard Winch, Cabinet Member for Housing & Property**	**DATE OF MEETINGS:** **BDC: 23 July 2024** **MSDC: 25 July 2024**
OFFICER:	**Emily Atack – Director Assets & Investments, Managing Director CIFCO**	**KEY DECISION REF NO. N/A**

CAPITAL INVESTMENT FUND COMPANY ('CIFCO CAPITAL LTD') BUSINESS TRADING AND PERFORMANCE REPORT

EXECUTIVE SUMMARY

The CIFCO property investment portfolio continues to demonstrate its resilience in the face of a weak economy, the portfolio is outperforming industry benchmarks in terms of rent collection and equivalent yield. Forecasts continue to show revenue on the portfolio remaining stable throughout the financial year 2024/25 despite the stagnation we have seen in the capital markets.

During 2022/23 and 23/24 CIFCO made reduced debt repayments to the Councils. CIFCO has committed to making full debt repayments during 2024/25. Income from CIFCO remains stable but the net income has declined due to the cost of the council's debt increasing.

CIFCO continues to meet its KPIs and is achieving higher returns than the industry benchmarks. Whilst there has been deferred debt repayments in previous years, in the coming 24/25 period, there will be full debt repayments made back to the councils.

CIFCO has achieved 50% of the portfolio rating an EPC C or above and the portfolio will continue to improve these ratings further and continue the ESG improvement path. The aim is to have all properties at an EPC C or above by 2027.

The focus of the business plan for the period of 2024/25 is for long term financial sustainability of the portfolio, mitigating voids, managing risk and further improve the EPC ratings. CIFCO need to fund capital works to the portfolio over the longer term to maintain and maximise value. In the longer-term (5 years+ there will be a sufficient requirement on income to fund capital works) in the short term (2024-29) it will use existing working capital and capital receipts from sales.

A final point is that, to meet earlier reporting requirements for our shareholders, we have decided to complete the Business Plan earlier in the year, which will set the year's strategy at an earlier date. We have used data as at 1st of April for this business plan.

1. PURPOSE OF REPORT

1.1 This report presents the trading activity for CIFCO Capital Ltd (CIFCO) for 2023/24. Appended to the report is the draft business plan 2024/25 which, subject to Council approval, will form the basis of CIFCO's trading in 2024/25. CIFCO's performance against its business plan is monitored quarterly by the Holding Companies. The board of CIFCO directors continually assess the market and appropriately apply and adapt the guidelines of the business plan throughout each trading year.

2. OPTIONS CONSIDERED

2.1 The options available are to approve the 2024/25 CIFCO business plan for its adoption by CIFCO or to recommend amendments to the business plan.

2.2 The business plan has been prepared by the Board of CIFCO in consultation with its fund managers Jones Lang LaSalle (JLL).

3. RECOMMENDATIONS

3.1 That Council notes CIFCO Capital Ltd trading activity and performance for the year to 31st March 2024.

3.2 That Council approves CIFCO Capital Ltd.'s 2024/25 business plan for adoption by CIFCO Capital Limited.

REASON FOR DECISION

To provide appropriate governance and performance monitoring for the operation of CIFCO Capital Ltd.

4. KEY INFORMATION

4.1 CIFCO has been trading since 2017, CIFCO completed the second phase of investment by March 2021- which included the drawdown of funds to complete the Stanton development, which completed in Autumn 2023. CIFCO holds 22 diverse commercial assets primarily in the industrial and office sectors. Details of these assets can be found on the CIFCO website https://cifcocapital.com/our-portfolio/.

4.2 A summary of the portfolio is set out below, alongside previous years:

	Q1 2020	Q1 2021	Q1 2022	Q1 2023	Q1 2024
Total Asset Value	£52,490,000	£83,918,000	£94,110,000	£82,500,000	£81,775,000
Contracted Rent p.a.	£3,393,112	£5,004,824	£5,355,618	£5,530,981	£5,758,035
ERV*	£3,609,037	£5,556,641	£5,912,985	£6,545,589	£6,769,484
Number of Assets	14	21	21	21	22
Number of Tenants	38	90	78	81	83
WAULT (years)	To break 6 years 8 months To expiry: 8 years 5 months	To break 7 years 0 months To expiry: 8 years 6 months	To break 6 years 6 month To expiry 6 years 7 months	To break 4 years 6 month To expiry 5 years 8 months	To break 3 years 8 months To expiry 5 years 2 months
Initial Yield	5.78%	5.60%	5.00%	6.30%	7.04%
Equivalent Yield	6.41%	6.16%	5.86%	6.98%	7.49%
Reversionary Yield	6.40%	6.24%	6.28%	7.44%	7.77%
Void Rate	3.96%	5.72%	2.01%	3.64%	3.40%
Running Yield**	5.97%	5.20%	5.36%	5.75%	5.88%

* Full investment drawn down by 31st March 2021.

4.3 CIFCO is a trading company that was set up jointly by Babergh and Mid Suffolk District Councils to acquire commercial property to generate a revenue stream. CIFCO is jointly owned by BDC (Suffolk Holdings) Ltd and MSDC (Suffolk Holdings) Ltd which in turn are each 100% owned by their respective councils. An ownership structure chart is set out at Appendix B. Commercial properties were acquired by CIFCO with funding provided by the Councils by way of loans (90%) and equity investments (10%). The loans to CIFCO are secured against the properties acquired and shares are issued in respect of equity investments made with each acquisition. The value of the shares (equity investment) fluctuates in line with the value of the portfolio. As the portfolio matures and the costs of acquisition (fees, stamp duty etc) are recovered, dividends will be payable to the Holding Companies and their respective Council owners as a return on the equity investment as well as revenue being generated through loan repayment.

4.4 High inflation and the resulting increases in interest rates have impacted commercial property capital values, particularly since Autumn 2022. Investment transaction levels have fallen by 22% compared to the previous year and are 8% lower than the 10-year average. The occupational market remains robust, although CIFCO has experienced some tenant failures this year. Overall, the portfolio is holding up well in the current market, due to the work of the board and professional team, the quality of the assets and diverse portfolio. Rent collection on a quarterly basis continues to be above industry benchmarks and exceeds CIFCO KPI, whilst void levels remain well below the industry benchmark.

4.5 The 2024/25 Business Plan focuses on the on-going management of the fund and the company to maximise revenue and return to our shareholders and to seek out opportunities to enhance the value of the portfolio wherever possible. The key strategic objectives for the forthcoming years are to reduce and mitigate future portfolio voids, continue ESG improvement path, manage portfolio risk, deploy capital strategically to enhance value and income and to identify and deliver longer term capital funding for the portfolio, which is likely to include the sale or sales of assets in the medium term.

4.6 The 2024/25 Business Plan contains all the elements of the previous Business Plan approved by both Councils last year. The Plan includes:

- A review of performance over the last 12 months against key performance indicators together with strategy for the year ahead.
- A summary of the full market conditions assessment and revised investment strategy commissioned by the Company's Fund Manager, JLL.
- The key portfolio risks and attributes.
- The Business Plan incorporates high level budget and financial cashflow back to the Council through loan repayments. CIFCO borrows at a fixed rate, so interest rate fluctuations are mitigated. Cashflow and operational finance is dealt with quarterly by the Board alongside quarterly risk analysis.
- In addition, the Board's future revisions to its investment strategy are influenced by the quarterly portfolio analysis report from JLL which covers:

    - Investment Guidelines
    - JLL IPD (a UK benchmarking index) Forecasts
    - Tenant Covenant Log
    - Critical Dates Schedule
    - Individual Property Business Plans
    - Tenancy Schedule
    - Arrears
    - EPC Schedule

4.7 CIFCO provides a long-term income stream for the Councils to use to support the delivery of services and projects within the District. This forms part of a portfolio of investments delivering income to the Councils including CCLA, Schroders and others.

4.8 In addition, the Councils also invest directly in property in their districts for regeneration, housing delivery and income purposes. In Mid Suffolk examples include the Former Aldi Unit at Gipping Way, which has been redeveloped and now delivers car parking and rental income to the Council and the acquisition of 11 Market Place which is now let to The John Peel Centre. It has also invested in Gateway 14 in Stowmarket and the redevelopment of its former HQ site in Needham Market delivering affordable and market homes. Mid Suffolk DC is ambitious to use its resources to help create resilient and thriving communities in Mid Suffolk, which includes delivering and supporting:-

- Enabling community-led exemplar housing
- Bringing disused land back into use for amenity or other uses
- Land for biodiversity and to meet Biodiversity Net Gain
- Stowmarket town centre regeneration
- New foot/cycle paths to improve connectivity
- Improved sports provision in the district
- Utilisation or re-purposing of out of use heritage buildings
- Land for improved access to green spaces
- Solar roof programme

4.9 In Babergh examples include Borehamgate Shopping Centre, employment land in Hadleigh and South Suffolk Business Centre as well as some ownership of the Chilton Industrial Estate in Sudbury.

4.10 The Councils have also built or acquired 624 new Council Houses in the districts over the last 8 years.

4.11 Babergh and Mid Suffolk Councils are committed to strong governance, risk management and oversight of CIFCO operations. A review of operations, governance and risk has been undertaken and the outcome of this is that CIFCO is well managed with a professional team including board members, executive team and external consultants. The Council shareholders are committed to the need for CIFCO operations to be transparent and any key decisions being worked through and made jointly to deliver the best outcomes for our residents in the short, medium, and longer term.

4.12 The timetable for setting and reviewing the CIFCO business plan has been brought forward from late Summer to Spring in 2024. There is an aspiration to align the business plan approval process more closely with the Councils' budget setting timetable.

5. KEY PERFORMANCE INDICATORS (KPI)

5.1 The key performance indicators were set within the 2023/24 Business Plan, these are set out below together with performance against these targets:

KPI	Description	Target		Target	CIFCO KPI Q4
1	Increase contracted rent from £5,530,981 pa by 01 April 2024	£5,586,290		1%	£5,758,035 (+4.1%)
2	Equivalent Yield (EY)	MSCI All property 6.6%		Target at or above market Equivalent Yield	7.50%
3	Reduce EPC Portfolio Score from 7034 (Average D Rating)	100%		All Properties have an EPC rating of C or above by 2027	50.0%
4	Quarterly Rent Arrears of less than 5.00% (Data as at 18 March 2024)	Current Arrears (£):	£53,686	Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter	
		Current Arrears (%):	3.19%		Q1 1.46%
		5% Target:	£84,102		Q2 2.02%
		Target: +/-	-£30,416		Q3 0.10%
		Total Income for Quarter:	£1,682,040		Q4 3.19%

KEY PERFORMANCE INDICATORS (KPIs) 2024/25

5.2 The board propose to retain the existing key performance indicators which reflect the continuing emphasis on portfolio management, focusing on income growth, return on investment, sustainability and rent collection.

KPI	Description	Target
1	Increase contracted rent from £5,838,935 per annum by 1st April 2025	>1%
2	Portfolio Equivalent Yield (EY) aligns with or above All Property Yield (currently 6.5%)	>6.5%
3	All properties have an EPC rating of	C or above by 2027
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%

6. LINKS TO JOINT COUNCIL PLANS

6.1 Babergh and Mid Suffolk Councils have recently reset their Plans.

6.2 A resilient and robust business plan for CIFCO Capital Ltd will contribute to the strong governance of the Company and its performance which will help the Councils to meet their objectives. The Business plan aligns with The Councils' Medium-Term Financial Strategies delivering an important income stream into our districts to support the delivery of services and projects within our districts.

7. COMPANY STRUCTURE AND IN-YEAR REPORTING

7.1 The Board of CIFCO Capital Ltd ('CIFCO') is responsible to its shareholders MSDC (Suffolk Holdings) Ltd and BDC (Suffolk Holdings) Ltd for the proper performance of the company against the business plan previously reviewed by The Joint Overview & Scrutiny Committee and subsequently approved by the two parent Councils usually in July each year. Please see the business plan for a company ownership structure.

7.2 The Board meets regularly to review performance of the assets and fund, make portfolio decisions, appoint corporate advisers, and to put in place strategies and policies for company governance. A wide range of approvals have taken place throughout the year covering risk, performance management, governance, portfolio management, delegations, and procurement. The Board meets virtually for quarterly Board meetings and in person for a strategy day once a year to develop the business plan for the forthcoming year. The strategy day was held on 11th March this year.

7.3 Each quarter the Chairman of CIFCO reports progress at a simultaneous Holding Company Boards' meeting. He presents his assessment of the market and company activity during the last quarter and performance data relating to that activity. The Director for Property, Development and Regeneration updates Portfolio Holders monthly and provides informal briefings to both cabinets on a quarterly basis.

7.4 The CIFCO Board reviews its annual business plan and investment strategy continuously to ensure that it remains consistent with the marketplace and emerging risks and opportunities. The Business Plan is amended in full annually. The Business Plan is presented to both Holding Companies for consideration and approval before it progresses to Joint Overview & Scrutiny Committee and subsequently to both full Councils for final consideration.

7.5 In addition during 2023/24 Mid Suffolk undertook a thorough review of CIFCO operations including reviewing risk in the property market, CIFCO's risk profile, CIFCO's performance in comparison to benchmarks, resourcing, affordability of Council debt and opportunities to further improve the sustainability of CIFCO. The outcome of the review has been fed into the formation of the 24/25 CIFCO business plan. While capital values have fallen, CIFCO continues to deliver income to the Councils and to increase contracted rent within the portfolio.

8. FINANCIAL PERFORMANCE AND ACQUISITION PROGRESS

8.1 The Councils have received total net income of circa £12.136m since CIFCO's incorporation in 2017, details are set out in the tables below:

CIFCO (Babergh)								
	£ 000							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Cumulative
Revenue Impact								
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(1,942)	(2,053)	(9,869)
Interest Paid	11	119	316	277	235	523	1,412	2,893
Net Interest	**(75)**	**(663)**	**(929)**	**(1,274)**	**(1,974)**	**(1,420)**	**(641)**	**(6,334)**
Other income/ Recharges	(9)	(25)	(32)	(35)	(35)	(35)	(35)	(206)
Accrued interest receivable	-	-	-	-	-	(255)	(133)	(388)
Total Revenue	**(84)**	**(688)**	**(961)**	**(1,309)**	**(2,009)**	**(1,710)**	**(810)**	**(7,570)**
	£ m							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Cumulative
Capital Movement								
Capital Borrowed	12.38	13.71	4.05	19.44	-	-	-	49.58
Loans Repaid	-	-	-	-	-	-	-	-
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**-**	**-**	**-**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	-	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.24)	(0.25)	(1.06)
Equity	1.23	1.37	0.41	1.94	-	-	-	4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**(0.22)**	**(0.24)**	**(0.25)**	**48.52**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.22**	**0.24**	**0.25**	**1.06**

CIFCO (Mid Suffolk)								
	£ 000							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Cumulative
Revenue Impact								
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(1,942)	(2,053)	(9,869)
Interest Paid	11	235	541	533	468	850	1,429	4,067
Net Interest	**(75)**	**(547)**	**(704)**	**(1,018)**	**(1,741)**	**(1,092)**	**(624)**	**(5,802)**
Other income/ Recharges	(9)	(25)	(32)	(35)	(35)	(35)	(35)	(206)
Accrued interest receivable	-	-	-	-	-	(255)	(133)	(388)
Total Revenue	**(84)**	**(572)**	**(736)**	**(1,053)**	**(1,776)**	**(1,382)**	**(793)**	**(6,396)**
	£ m							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Cumulative
Capital Movement								
Capital Borrowed	12.38	13.71	4.05	19.44	-	-	-	49.58
Loans Repaid	-	-	-	-	-	-	-	-
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**-**	**-**	**-**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	-	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.24)	(0.25)	(1.06)
Equity	1.23	1.37	0.41	1.94	-	-	-	4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**(0.22)**	**(0.24)**	**(0.25)**	**48.52**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.22**	**0.24**	**0.25**	**1.06**

8.2 The Councils have different treasury management approaches and as such whilst the gross amount receivable from CIFCO is the same, the net amounts differ depending upon the Councils' finance costs, as illustrated in the table below for 2023-24:

BDC **CIFCO**	**£m**	**MSDC** **CIFCO**	**£m**
Interest Receivable (From CIFCO)	**-2.187**	Interest Receivable (From CIFCO)	**-2.187**
Interest Payable		Interest Payable	
Short term loans	1.162	Short term loans	0.929
£5m 10 Year loans @ 1.71%	0.086	£10m 10 Year loans @ 1.71%	0.171
£6.25m 50 Year loans @ 2.63%	0.164	£12.5m 50 Year loans @ 2.63%	0.329
Total Interest Payable	**1.412**	Total Interest Payable	**1.429**
Net Return	**0.775**	**Net Return**	**0.758**
BDC		**MSDC**	
Total Net Return	**0.775**	Total Return	**0.758**
Total Capital borrowed	**49.58**	Total Capital borrowed	**49.58**
Percentage return	**1.56%**	**Percentage return**	**1.53%**

*Average Loan Rates are as at 31 March 2023.

8.3 The Councils' investment in CIFCO was completed by 31st March 2021, with a total of c.£99.2m being drawn down by CIFCO over the full investment period.

8.4 CIFCO's draft year end accounts for 2023/4 are currently being prepared. Once these have been completed, they will be audited and will be submitted to Companies House as soon as is practical and by no later than the filing deadline of 31st December 2024. CIFCO's management accounts (year ending March 2024) show gross forecast income of £6.4m, company costs (excluding the portfolio revaluation) of £5.7m, delivering an operational profit before tax. We are anticipating a loss overall to reflect the reduction in value of the CIFCO portfolio at the end of March 2024. This loss would only be realised if the properties are sold.

8.5 The portfolio was revalued as of 31st March 2024 by Cushman & Wakefield as independent valuers for the fund. Cushman & Wakefield replaced Knight Frank in 2023, in line with good practise to ensure that valuers remain independent and objective.

8.6 The portfolio value has decreased this year by 2.58% overall (£2.125m) on a like for like basis compared to the previous year or by 0.88% (£725k) including the acquisition of Stanton. The reduction is primarily due to the market responding to high inflation and increasing debt costs. The MSCI All Property Benchmark shows a reduction in portfolio capital values of 5.3%. Whilst the CIFCO portfolio value has reduced in value it has significantly outperformed the market benchmark.

8.7 The Councils' total interest repayments in respect of loans taken out to fund CIFCO equated to £2,841m in 2023/24 which is equivalent to an average of approximately 49% of the current contracted rent payable to CIFCO (24% Babergh DC & 25% Mid Suffolk DC). The Councils' debt costs have increased significantly over the last 12 months. Income from CIFCO exceeds the Councils' cost of debt delivering a net income for the investment in services across the districts. Net income in 2023/24 was £1.26m (Babergh £0.64m and Mid Suffolk £0.62m) plus accrued interest and recharges as set out in the table above.

8.8 One of the most significant factors outside of the Councils' control is the level of interest rates, interest payable is being closely monitored. The table below shows the sensitivity analysis of interest rate costs for the Councils.

					Increased Total Debt Costs / Rate Increase		
				2024/25	+0.25%	-0.25%	-0.5%
					£000		
Mid Suffolk	**Interest Rate**	**Loan Amount**	**Total Loan %**	**Total Annual Cost of Debt £000**			
CIFCO PWLB 50 Year annuity	2.63%	£12.5m	25.2%	£326	no cost change long term fixed rate until 2068 @2.63%		
CIFCO PWLB 10 Year annuity	1.71%	£10m	20.2%	£155	no cost change 10 year fixed rate until 2028@1.71%		
CIFCO Short Term Borrowing	5.25%	£27.1m	54.6%	£1,422	£1,462	£1,383	£1,360
Total Borrowing Costs				**£1,903**	**£1,943**	**£1,864**	**£1,841**
Gross Income from CIFCO				£2,288	£2,288	£2,288	£2,288
Net Income				**£385**	**£345**	**£424**	**£447**
Babergh							
CIFCO PWLB 50 Year annuity	2.63%	£6.25m	12.6%	£163	no cost change long term fixed rate until 2068 @2.63%		
CIFCO PWLB 10 Year annuity	1.71%	£5m	10.1%	£78	no cost change 10 year fixed rate until 2028@1.71%		
CIFCO Short Term Borrowing	5.25%	£38.3m	77.3%	£2,012	£2,069	£1,957	£1,924
Total Borrowing Costs				**£2,253**	**£2,310**	**£2,198**	**£2,165**
Gross Income from CIFCO				£2,288	£2,288	£2,288	£2,288
Net Income				**£35**	**-£22**	**£90**	**£123**

8.9 The interest rate risk relates mainly to the short-term portion of the debt. The Councils have different treasury management approaches, Mid Suffolk has fixed loans for 45.37% of the total debt and Babergh has 22.69% of its debt to fixed long term loans with PWLB. The sensitivity analysis above shows that the Councils will continue to benefit from full debt coverage and still receive a net income as rates are forecasted to start reducing. Arlingclose, the Councils' treasury advisors, are not forecasting any increase in interest rates and expect that the MPC will cut rates in the medium term. Arlingclose expect to see rate cuts from Q3 2024 to a low of around 3% by late 2025.

8.10 The capital investment for the first phase of funding from Babergh and Mid-Suffolk District Councils is scheduled to be repaid in full by December 2068 with the second phase being repaid by 2071. In line with previous business plans, during 2023/24, CIFCO made reduced debt repayment to the Councils of approximately £146,746 per Council. This equates to a reduction in debt repayments of approximately 6%. Full payments will be paid during 2024/25. The total amount of deferred payments equates to £832,063. This sum will be repaid by CIFCO over the next 10 years together with any additional interest due.

8.11 The Government has confirmed changes to Local Authority Minimum Revenue Provision for loans to third party companies (such as CIFCO). The changes are likely to be less impactful than originally anticipated in the Councils' budget in February 2024.

Following Arlingclose advice at the time of budget setting a sum of £538k was set aside in reserves for 24/25 for potential MRP impact, this may now be able to be released. The position will be clarified in the Q4 finance report 2023/24 to be considered at Cabinet soon.

9. RISK MANAGEMENT

This report most closely links with the following Significant Risk:

Risk Description	Likelihood	Impact	Score	Mitigation Measures	Risk Register and Reference
If the Capital Investment Fund (CIFCO) does not generate forecast investment returns, we may be unable to meet the income projections for the Councils	2	3	6	The adoption of the proposed business plan will provide governance, accountability, and a framework for the management of the property fund. CIFCO activity continues to be closely monitored, together with market conditions and any changes or prospective changes in government legislation.	Significant Risk Register SRR001

Please refer to the risk matrix in the appendices for scoring the risk.

9.1 The Board of CIFCO Capital Ltd actively manages risk and considers the fund risk register formally at the Board meetings each quarter. There is a comprehensive risk management strategy in place which requires the Managing Director to attend a group risk panel each quarter to report on risk to the Holding Company Chairs and shareholder senior risk officers.

9.2 The Board continues to review the risk register regularly to ensure that risks were appropriately recorded and mitigated and best practise for risk management is adopted.

10. REVISED BUSINESS PLAN CONSULTATIONS

10.1 The Board of Directors together with the Chairs of the Holding Companies and representatives of the Ultimate Shareholders considered the 2024/25 business plan at its strategy day in March 2024 with the fund manager JLL. The Business Plan has subsequently been developed with the Board of CIFCO for approval.

10.2 The Business Plan will be considered by Joint Overview and Scrutiny Committee on 13th May 2024.

11. EQUALITY IMPACT ASSESSMENT

11.1 An Equality Impact Assessment Initial Screening was originally completed in September 2016. The outcome of the assessment was that the strategy itself will not impact residents, staff or any specific protected characteristics. A further Equality Impact Assessment Initial Screening was undertaken on 8th April 2024 which re- confirmed the outcome from 2016.

12. ENVIRONMENTAL IMPLICATIONS

Sustainability

12.1 CIFCO has an adopted sustainability policy and has adopted a key performance indicator relating to improving the sustainability of the portfolio. Taking action on climate change and the greenhouse gas emissions which cause it, is a critical part of building a more sustainable future – and every business must play their part. Buildings account for 40% of emissions, creating an urgent need for the real estate sector to develop and implement plans to transition to net zero carbon.

12.2 50% of the CIFCO portfolio now has an EPC rating of C or above and CIFCO are pleased that it now also owns an A+ rated property. Please refer to the Business Plan for further information.

13. CORPORATE GOVERNANCE AND LEGAL

13.1 CIFCO Capital continues to have robust corporate governance, reporting quarterly to the BDC (Suffolk Holdings) Ltd and MSDC (Suffolk Holdings) Ltd Boards. Quarterly updates are provided to full Council from the Cabinet Member for Assets and Investments.

13.2 CIFCO Capital has complied fully with all Companies House registration and filing requirements. Ensors are the company's financial auditors. CIFCO Capital Ltd.'s financial year aligns with the shareholders financial year ending 31st March. The Non-Executive Directors have signed service agreements laying out individual obligations. These agreements are aligned to the Company's adopted Articles.

13.3 Board Members undertook Director training focusing on Corporate Law and Director requirements in 2023.

13.4 A self-evaluation and an evaluation of the Chair is undertaken by the Board annually.

13.5 CIFCO appoint Birketts as our representatives for dealing with all legal matters for the company.

13.6 CIFCO is a separate legal entity to the councils. The councils jointly invested in CIFCO, funding some of their investment by loans from PWLB (Public Works Loan Board). All debt for yield investments (including CIFCO) were completed by the Councils by 31st March 2021 and before the changes to regulations preventing borrowing for yield purposes.

14. APPENDICES

Title	Location
(a) DRAFT CIFCO CAPITAL LTD Business Plan 2023/24 Commercially sensitive information REDACTED	Attached
(b) Risk Matrix 2024	Attached
(c) Joint O&S Committee draft minutes 13/05/24	Attached
(d) DRAFT CIFCO CAPITAL LTD Business Plan 2024/25 (CONFIDENTIAL)	Attached in Part 2