

COUNCIL MEETING

28 APRIL 2022 - 7.30 P.M.

SUPPLEMENTARY SUMMONS

ITEM 9

9. Recommendation from Corporate Management Committee –21 April 2022

To consider the recommendation on the matter listed below from the Corporate Management Committee held on 21 April 2022. The full Agenda report associated with this recommendation was circulated to all Members with the Agenda for that Committee meeting and is available on the website.

a) Loan Agreement for RBC Investments (Surrey) Ltd

By resolution of the Committee, the press and public were excluded from the meeting during the consideration of this matter under Section 100A (4) of the Local Government Act 1972 on the grounds that the discussion would be likely to involve the disclosure of exempt information of the description specified in paragraph 3 of Schedule 12A to Part 1 of the Act.

The Committee considered a report recommending the adjustment of the purchase price discount rate associated with Magna Square properties which were subject to the loan agreement to RBC Investments (Surrey) Ltd (RBCI) approved by Full Council on 26 January 2022. This was necessary to reflect the market changes which had been verified by the Council's independent valuers.

At its meeting on 25 November 2021, the Committee had considered a report containing a proposal that the Council enter into an agreement to provide a further loan to RBCI which was a Special Purpose Vehicle (SPV) that had been set up to acquire and manage residential investment property for letting in the private rented sector.

The Magna Square (formerly known as Egham Gateway) development report presented to the Committee in February 2020 had set out the agreement for RBCI to take on private residential units in the new development. This was required in order for the residential units to be let as Private Rented Sector units with Assured Shorthold Tenancies. In order to achieve this, a new loan agreement was required to enable the company to buy the units from the Council.

The Committee had recommended to Full Council the approval of the execution of a loan facility agreement between the Council and RBC Investments (Surrey) Ltd for the purchase of residential units in the Magna Square development at up to the sum reported to be repaid over a time period as reported. This recommendation had been agreed by Full Council on 26 January 2022.

When it had considered this matter on 25 November 2021, the Committee had noted that the valuations and anticipated market rents were being reviewed to ensure that the original assumptions were still viable for RBCI to take on the loan and that should there be a need to review any of these details a further report would be brought to a future meeting of the Committee.

The Committee was advised that the Council's independent external valuers had informed officers that market factors had changed significantly since the original purchase price discount rate had been agreed and that reduced rental income was now predicted. As a result of this reduction, RBCI were now seeking an increase in the purchase price discount rate to ensure that the company remained viable once the residential accommodation was purchased. This increase would be in line with the current market practice. The financial

and legal implications of this adjustment were noted. This increase would make the scheme affordable to RBCI but would have the effect of reducing the loan value, reducing the interest payments and reducing the investment income to the Council.

The Committee agreed to recommend that this adjustment be made and to recommend that a supplementary revenue estimate be approved to account for the reduced investment income to the Council which would result from the adjustment.

Recommend to Full Council on 28 April 2022 that –

- i) the purchase price discount rate that forms part of the loan facility agreement between the Council and RBC Investments (Surrey) Ltd for the purchase of residential units in the Magna Square development be adjusted from the percentage reported to the percentage reported thereby reducing the loan facility agreement from the sum reported to the sum reported; and**
- ii) a supplementary revenue estimate be agreed in the sum reported to account for the reduced investment income to the Council resulting from the lower amount loaned to RBC Investments (Surrey) Ltd.**

(Note: Councillor M Adams, who was a Director of RBC Investments (Surrey) Ltd which was the company that would be receiving the loan, declared a disclosable pecuniary interest in this item and left the room for the discussion and voting on this item).