Portsmouth
CITY COUNCIL

Title of meeting:	Cabinet
Subject:	MMD Site - Strategic Review of Options
Date of meeting:	26 February 2019
Report by:	Director of Finance & Information Technology (Section 151 Officer)
Wards affected:	All
Key decision:	No
Full Council decision:	No

1. Purpose of report

1.1 To consider the assessment of the available options for the use of the MMD site, based on a full options appraisal and financial evaluation (including risks) prepared over a 20 year period. Accordingly, to approve a preferred option.

2. Recommendations

2.1 It is recommended that:

1. The Cabinet adopt Option 2 as their preferred option.

2. The Cabinet agree that a loan facility of £15m be provided to MMD (subject to recommendations 3, 4 and 5 below) for the necessary Capital Investment required to deliver a return of £19.3m over the 5 year period 2019/20 to 2023/24, which was approved in principle by City Council on 12 February 2019.

3. The Council loan is provided at a rate consistent with State Aid rules.

4. Any draw down on the loan facility by MMD is subject to the following:

    a) The 20 Year Business Plan demonstrates the continuing viability of MMD and that the continued operation of MMD continues to deliver the best financial return compared with all other viable alternatives.

    b) The Capital Investment is necessary either for the sustainability of existing income streams or for the generation of additional income.

c) The proposed Capital Investment itself represents the most favourable return when assessed against the balance of:

i) The financial return on a Net Present Value basis and over the whole life of the asset created versus other potential options for the same outcome.

ii) The relative risk of each alternative option.

5. Continued parent company support and the availability of the loan facility is subject to the annual review and approval of a satisfactory 3 Year Business Plan and 20 Year Future Forecast which must demonstrate to the shareholders satisfaction that:

i) The assumptions that underpin the 3 Year Business Plan are robust with a more than reasonable chance of being achievable.

ii) That the 3 Year Business Plan is prepared to illustrate the financial effect of reasonable optimistic and reasonable pessimistic scenarios in order that the Shareholder is aware of the reasonable range of risk associated with the "Base Case" Business Plan.

iii) Recognising the exposure of the company to cyclical trade factors and adverse weather, that the overall 3 to 5 Year financial results of the Company provide an overall net return to the Shareholder over the period taking into account all returns received by the Shareholder through rents, dues and all other profit elements of services provided by the Shareholder (including the Portsmouth International Port).

6. The Council keeps under review the returns that would reasonably be expected to be achieved from alternative uses of the site, undertaking a formal review at the earlier of every 3 years or failure to achieve the financial performance set out in recommendation 5 above.

3. Context

3.1 MMD is currently loss making following the loss of its largest customer but is now progressing through a transition phase, with a new management team and an evolving strategy of diversification. To survive, the company needs to adapt to a changing shipping market which is becoming increasingly containerised on larger vessels as well as diversifying its customer base. To adapt to these changing circumstances, a £15m investment is required over the next 10 years in the site and equipment. Prior to considering such an investment, a comprehensive review of all alternative options for the use of the site has been undertaken to evaluate whether the continued operation of MMD will deliver the best commercial return for the site for the level of risk involved. Additionally, the Council has commissioned an independent expert review of MMD's Business Plan to provide confidence that the evaluation of the continued operation of MMD is robustly based.

3.2 The defining financial consideration for the Council is the total return to the Shareholder (often referred to as the "net benefit"). This takes into account all other income streams to the Council derived as a direct consequence of operating MMD, net of all costs in deriving that income and is described below:

MMD Profit / Loss

+ Net Income to Port (from port dues etc.)

+ Net Income to PCC (from rent and interest on loans and leases etc.)

+/- Dividend / Financial Support

\- PCC Capital Financing Costs

+/- Increase / reduction in the investment value of MMD (i.e. capital gain / loss)

= Total Return to Shareholder (Portsmouth City Council)

Accordingly, MMD's profit / loss is not the same as return to PCC, rather it is one component of the overall return to which other income streams and costs are added. It follows therefore that an MMD loss does not necessarily translate into a negative return for PCC.

4. Background to MMD

4.1 MMD has not performed to expectation in previous years, which resulted in the company making losses in 4 of the last 5 years (although in 2 of those years, there has been an overall net return to the Shareholder arising from all income streams directly arising from MMD to the Council). The reasons for these losses can be summarised as follows:

- Legacy agreements (with remaining length of term heavily favouring shippers over MMD operations);
- Insufficient marketing and focus on attracting trade;
- Focus on fresh produce which yielded too much exposure to downturn in fruit and vegetable demand and supply;
- An inefficient labour force;
- Congestion on site leading to inefficiencies and upward pressure on costs;
- Slowness to react to changes in the market place; and
- Low profit margins in a number of key contracts.

4.2 Traditionally the facility at MMD has been a single commodity hub. This has meant that it has been exposed to the vagaries of the harvest of fruits around the world which are volatile and subject to influence from external factors such as climate and natural disasters. Inevitably this has an impact on the quantity of product being trans-shipped and therefore volume of business transacted by MMD. This produces uncertainty regarding the revenue earning potential of the business and introduces volatility into the planning process. Partially as a result of these uncertainties shippers are unable / reluctant to enter into long term deals and / or offer guaranteed throughput volumes. The result of this is that historically the MMD model has existed with variable revenue income.

4.3 MMD's variable revenue income is challenging for MMD because many of the costs associated with running the terminal are fixed. This is because there is a level of staffing and equipment required to keep the terminal viable and these costs are incurred irrespective of throughput. Ideally there would be a natural equilibrium between revenues and costs (i.e. both move in reasonable proportion which each other), to provide reasonable stability in returns. Historically this is how ports operated and only hired labour when it was required. However, in the current employment climate this casual labour approach is not possible or desirable.

4.4 As a responsible employer MMD needs a workforce that is health and safety trained, skilled in the activities they are asked to perform, reliable, motivated and loyal, whilst being flexible enough to match their working patterns to the demands of the customers' ship schedules. The vast majority of workers are looking for job security. The use of contracted hours is an attempt to partially replicate the causal labour system. However, with a contracted hours approach inevitably cost is incurred when there is little or no work, and therefore, no revenue to match against cost.

4.5 Being a single commodity facility does not provide long term sustainability for MMD unless it is underpinned by stable medium to long term contracts which provide for minimum guarantees of income. Ultimately the terminal operated by MMD is a resource which in its broadest terms has the capability to take goods off and put goods onto ships. The provision of temperature controlled storage facilities offers MMD a unique selling point, and together with its geographical location and transportation links, provides an attractive destination for shippers bringing goods to the south of the country and further afield. The major urban conurbations London and Birmingham are within comfortable reach of Portsmouth.

4.6 Restricting what goods are handled through the terminal is, in the view of the management team, a strategy which carries significant risk unless it is backed by stable contracts with minimum guarantees or alternatively high margin contracts. More recently, the strategic focus of MMD is now to attract a broader base of commodities through the facility, with the advantages that the reliance on produce is reduced and longer term deals can be established with shippers whose demand is not subject to natural variation such as MHI Vestas with wind blades.

5 Current Trading Position

5.1 In 2018 MMD's largest customer reluctantly transferred its operations from Portsmouth to Dover as MMD was unable to accommodate their request to alter their arrival and departure schedules without it seriously impacting on other customers. Whilst a large contract, it was a low profit margin contract on terms which were operationally problematic. It has had the effect of moving the business from profit in 2016/17 to loss making but has provided the opportunity to reconsider MMD's previous strategy and embark on a more diversified strategy with higher margin customers. Additionally, MMD has seen a reduction in fruit volumes in 2018/19 but this has been partially offset by the introduction of £2m of new business. MMD is currently trading at a £5.8m loss for 2018/19 but £0.5m of this relates to the one off "write down" of assets (as opposed to trading losses) which are being demolished to make way for new additional container based business. This loss equates to an overall negative return to PCC as Shareholder of £3.7m. With the successful new trade that has recently been acquired and reasonable assumptions of new business currently under discussion, the prospects for 2019/20 are for a loss of £1m, but which represents a net positive return to the Shareholder of £1m after all other net income streams and costs are taken into account. The forecast loss in 2019/20 is significantly lower than in 2018/19 with new business including MHI Vestas and Ferryspeed. MMD is expected to return to profit in 2020/21 and improving in future years, but this will be subject to further capital investment.

5.2 Whilst diversification is a desirable risk management strategy for the business, at the macro level produce is a necessity rather than a luxury item which carries a low elasticity of demand and therefore provides a stable and enduring market. Also, Portsmouth has some natural economic advantages due to its deep water and geographical position. Accordingly, if customer service levels are high and prices competitive, produce can still form an important part of the core business provided that they are backed by appropriately risk mitigating contracts. The business plan seeks to embrace a mix of the traditional produce business but gradually reducing the business's reliance on this source of income by the gradual introduction of other revenue streams.

5.3 The container market is forecast to grow by 4.9% p.a., and local emerging sectors create new cargo opportunities for MMD. There is a demonstrated demand for a mixed commodity facility and MMD has been successful in attracting a number of project cargoes and one off shipments, together with longer term activities. These are important to the long term viability of the terminal. However, these revenue streams are not sufficient in themselves to make the facility profitable, and the management team are seeking to attract high volume carriers in addition to the diversification strategy to develop a mix of business that will make the facility profitable in the short to medium term. These new deals, which are likely to be sourced from new/existing/prior customers, need to be structured so as to work for all parties. Although business volumes are desirable, they have to be secured on the correct terms for all parties, and MMD will need to be selective in its choices of business opportunities going forward.

5.4 The company has significantly increased its focus on attracting new trade, and is actively marketing the company as open for general cargo in addition to fresh produce. An ‘Open Day’ held in January 2018 attended by around 30 shipping agents stimulated potential enquiries relating to dry bulks, offshore vessel mobilisation, project cargoes, warehousing, yacht shipping, aggregates and forest products. Attendees included shipping agents and freight forwarders as well as cargo interests including fertilizer importers and aggregate importers. Since the event MMD’s commercial team has received further enquiries in relation to a number of opportunities including the development of a roadstone terminal; a dry powder facility for cement and other cementitious products; agribulks including grain exports; and container feeder services. Whilst some of these enquiries need further investigation the event demonstrated the potential for new revenue opportunities away from MMD’s core fresh produce business.

5.5 MMD’s increased focus on attracting new trade has resulted in the company securing a 10 year deal for the transhipment of wind turbine blades. In January 2019 MMD secured a minimum 12 month contract with international shipping giant Seatrade, for a reefer service from the Caribbean and South America. MMD has also signed a contract with an operator for a new twice weekly container service to the Channel Islands, which will expand to a thrice weekly service in Spring 2019. MMD has also become the port of choice for a company which exports luxury yachts, providing 15 to 17 calls per year. A number of project cargoes have also been secured as a result of the more open marketing of the business.

6. Governance & Senior Management

6.1 The Council is currently reviewing the overall Governance arrangements for all of its wholly owned companies. The report will consider advice relating to best practice for the membership operation of company boards as well as political balance and representation on company boards ensuring that they are constructed in such a way that directors’ legal responsibilities for acting in the best interests of the company can be properly performed. Any recommendations flowing from that review will be reflected into the MMD Board structure in the future. Pending the outcome of that review, the current arrangements are described below.

6.2 Recent restructuring has strengthened the Board and Senior Management Team at MMD. The Board is made up of executive and non-executive directors with significant experience in the commercial port & logistics sector, local government, and finance.

<u>Executive Directors:</u>

Mike Sellers, Managing Director of MMD and Port Director at Portsmouth International Port (PIP), has over 20 years’ experience in the Port sector. Formally Port Manager at ABP in Grimsby & Immingham, his experience includes overseeing significant capital investment such as the £130m Immingham Renewables Terminal.

Steve Williams, MMD's Operations Director, is an experienced Port Senior Manager and was General Manager of the Humber International Terminal, handling over 14 million tonnes of cargo per annum.

Mike Lane is MMD's Finance Director / Company Secretary. He is an ACMA qualified finance professional with over 30 years' experience in the logistics industry. He has overseen major projects in the UK and Internationally.

Non-Executive Directors:

Chris Ward, Portsmouth City Council's Director of Finance & Information Technology (Section 151 Officer), is MMD's longest standing Board Member, and brings a wealth of financial and commercial expertise to the company.

Councillors Ben Dowling (Liberal Democrat Cabinet Member for Planning, Regeneration & Economic Development) and Donna Jones (Conservative Leader). Their local and political experience provides valuable insight in both local and national government strategy and direction, bringing environmental and political context to decision making and providing cross-party transparency.

Board Advisors:

Ian Palacio, Business Development Manager at PIP, has spent the last twenty years in Operational and Commercial roles with ABP Southampton. He has successfully delivered new customers to the portfolio at Southampton, and has extensive Port knowledge on the South Coast. Whilst not on the MMD Board, he plays a significant role in attracting new business to the company.

7 Risk Management

7.1 The formal risk management process in place at MMD has a number of identified risk categories each with their own defined process. Risks are listed on a risk register, which was produced by the management team and an independent consultant. The risk matrix forms part of the overall strategic review of the site and its operations, and is integrated with the quality program at MMD.

7.2 Risks are divided into two major sub-sets; Operational Risks and Financial Risks. Operational Risks and risk assessments deal with the physical wellbeing of staff, safe working practices and the correct usage of the company's physical resources. Financial Risks revolve around the cost impact of certain scenarios. The strategic goal is to eliminate risks where identified, or where total elimination is not possible, to ensure that the risk is mitigated so as to result in the minimum risk of physical or financial harm.

7.3 The Operations Director carries the overall responsibility for Health and Safety at MMD, and Health and Safety risks are reviewed and monitored at each Board Meeting. The company employs a Compliance Manager who is responsible for the co-ordination and review of Operational Risk processes. Financial Risks are reviewed by the Finance Director. The senior management team review risks on an annual basis, with the assistance of external industry risk experts in specific fields such as insurance. The involvement of third party experts gives the management team greater confidence that the risk mitigation factors in place at MMD achieve industry standard as a minimum.

7.4 The identification of risk and responsibility for the creation of appropriate risk management processes is a devolved responsibility to the individual area of management accountability. However the management team take responsibility for ensuring that risks are identified, eliminated where possible or where this is not possible, mitigated.

7.5 MMD's risk assessments are "live" and are subject to review in the following circumstances:

- Incident / accident
- Change in operation
- Change in management
- Change in equipment or introduction of new equipment
- Change in process
- New process or risk identified

7.6 The relevance and efficacy of risk assessments remains a task to which the management team at MMD are fully committed, and regardless of triggers, all assessments are reviewed not less than annually.

8 Branding & Marketing

8.1 MMD is undergoing significant change and has a real opportunity, subject to investment, to become a more significant player in the shipping industry. To capitalise on this renewed position the company is at an appropriate stage to reflect MMD's new direction by creating a brand identity relevant to the industry it operates in and the business it wants to become.

8.2 Portsmouth International Port, which has an impressive reputation as a commercially successful port and identified by the DfT as one of the UK's major ports, complements MMD. There are shared director roles, and the Port also provides support with business development, governance, finance, HR and marketing, all of which provide significant benefits and assist the business plan objective to diversify and grow the company.

8.3 Following insight from potential customers, shipping industry figures, and supply chain partners, this association was not directly obvious. Through appropriate branding MMD could inherit the strength of Portsmouth's reputation as a famous maritime and marine city. It would be a wasted opportunity not to trade on this significance.

8.4 For MMD to thrive and survive it will need to improve its reputation and profile, because it has the location, equipment and expertise to provide an excellent service for its customers. There are serious strengths from a motivated workforce, enthusiastic about the future who have the ability to drive forward change.

8.5 MMD's identity should suggest a modern, strong competitor, which operates a number of strands in the shipping and ports industry. To reflect this an authentic, appropriate and professional brand – which also complements its sister site Portsmouth International Port, is critical to drive forward the aspiration to become a serious industry player and an asset for the city and the wider region.

9. Options Appraisal

9.1 As part of the evaluation that follows, the Council has sought independent expert assessment of the prospects for MMD's business and the business plan projections (see Exempt Appendix A and Exempt Appendix E).

9.2 The Council has carried out a review of alternative uses of the site where MMD operate, to identify whether or not there is a realistic prospect that a better financial return could be obtained at lower risk from alternative uses.

9.3 The long list of options identified included closure of MMD, sale, continued MMD operations, use by cruise and ferries, housing, retail and leisure. The Planning Authority was asked what development it would likely permit on the site (see Exempt Appendix D). The Planning Authority took a number of factors into account such as national policy, local policy, economic, environmental and social considerations. The outcome of the advice received by the Planning Authority meant a number of options were ruled out including housing, retail, and leisure. In summary this was because of the economic importance to the City and the region of maintaining deep water, and the location of the MMD site materially impacts on the viability of a number of options. Exempt Appendix D contains the detail of the information from the Planning Authority.

9.4 One of the options considered was sale of the business. The Council has previously explored selling the business and encountered difficulties in securing a buyer. However, the Council would keep this option open if a further buyer was identified. Another option was the sale of the site alone. A key disadvantage of this option is that the Council would lose control of a site which has strategic value to the port and the wider city council. However, it is an option that PCC would consider if the right buyer came along.

9.5 A summary of the financial appraisal is set out in Exempt Appendix C. Each option has been modelled on a Net Present Value (NPV) basis over 20 years. NPV is a recognised method of comparing options which have differing cost profiles and differing income streams for future years. The method provides a comparison of costs (both capital and revenue) on a like for like basis by bringing the total financial effect of each option back to a single comparative value. The appraisal also seeks to evaluate the relative risk of each option to enable a balanced judgement to be made on both risk and reward.

9.6 The short list of options identified are summarised below:

- **Option 1: Do minimal.** This option involves putting MMD into liquidation and MMD customs agency staff transferring to PCC. MMD assets would be sold and no operations would take place on the MMD site.

- **Option 2: Retain MMD.** This option is based on MMD's business plan. This includes ongoing capital investment into MMD of c£50m over the next 20 years. Not all of this would need to be financed by loans from the City Council, because MMD would look to retain a proportion of their profits and reinvest in capital infrastructure, and would look to lease a number of assets such as cranes from PCC.

- **Option 3: Rent site for industrial use.** This option would involve putting MMD into liquidation and MMD customs agency staff transferring to PCC. Some of the assets used by MMD would be sold, and the site would be rented out. Tenants would finance any investment needed and in return would be given a rent free period.

- **Option 4: Expand Cruise & Ferry Port.** This option would involve putting MMD into liquidation and MMD customs agency staff transferring to PCC. Some of the assets used by MMD would be sold, and the site would be used by the Cruise & Ferry Port.

- **Option 5: Expand Cruise & Ferry Port. Use Flathouse Quay (FHQ) for non-fruit cargo.** This is similar to option 4. The main difference is part of the site would be used for cruise, and part of the site would be used for non-fruit cargo such as aggregates, cement, agribulks, and project cargos.

9.7 The options appraisal has identified that in both financial and risk terms, the best option by a considerable margin, is to retain MMD. The overall return to the Shareholder over the next 20 years is expected to be £70m at today's value, being 5 times greater than the next best alternative for a similar level of risk.

9.8 A sensitivity analysis has been undertaken to understand a range of possible alternative financial scenarios in relation to the retain MMD option. The pessimistic scenario assumes MMD's income would be 10% lower than in the expected scenario. Under this scenario the best option in financial terms is still to retain MMD.

9.9 A scenario has also been modelled that looks at the return to PCC if MMD's profit / loss was zero. Under this scenario the best option in financial terms remains as retain MMD.

9.10 Importantly, the retain MMD option in both the two downside scenarios has a lower risk profile than the next best alternative.

9.11 Within the overall financial evaluation of continuing to operate MMD (and included within the NPV evaluation), is the requirement for an overall £50m of capital investment over the next 20 years. This will enable the company to improve the quality of its offering, become more efficient, meet the needs of customers moving to containerisation, and allow MMD to diversify its operations into general cargo. Not all of this would need to be financed by loans from the City Council, because MMD would look to retain a proportion of their profits and reinvest in capital infrastructure, and would look to lease a number of assets such as cranes from PCC. This report recommends that a loan facility of £15m is provided to MMD for the necessary Capital Investment required over the next 10 years but subject to strict criteria for its release. The necessary capital investment includes:

- Replacement of vehicles, plant and equipment including quay tugs, trailers, reach stackers and refrigeration equipment;
- IT hardware and software;
- Re-designing and improving the terminal to make operations more efficient and effective; and
- Investment to enable MMD to diversify its operations into general cargo.

The business plan also identifies the need to invest in new cranes at MMD, which would be leased from PCC.

9.12 The investment in MMD will have a residual value, and would be of use for some of the alternative options. This means that should MMD not realise its business plan, and in future an alternative option became financially better for the Council to pursue, a proportion of the recommended investment in MMD remains of value to the Council.

9.13 Other aspects of the overall evaluation including the strategic fit, financial evaluation, key risks and opportunities of the recommended option to retain MMD, is summarised in the below table:

Strategic Fit	Financial Evaluation	Risk	Opportunity
The site where MMD operates continues to be used as a deep facility, which is currently an important requirement of the planning authority.	MMD's 20 year plan sees the company move into profit in 2020/21, generate an average net profit of £1.8m p.a. over the next 5 years; £2.2m p.a. over the next 20 years.	The overall risk of the MMD operation has been assessed as medium. MMD's strategy will provide a better spread of cargo mix at MMD, which will de-risk the reliance on palletised fruit.	Attract additional container / feeder services. Attract general cargo in addition to more fresh produce. Re-design the terminal to make operations more

MMD's planned investment meets the needs of the fresh produce market, by providing facilities to meet the needs of customers moving to containerisation. Planned investment also meets market demand for more capacity on the south coast for general cargo.	This translates to a NPV to PCC of nearly 5 times greater than the best alternative use of the MMD site.	The largest risk is MMD isn't able to retain and attract custom. However, the profitability of MMD would need to reduce by a considerable amount before retaining MMD was not financially the best option. Capital investment at MMD has been assessed as low risk because of the non-specialised nature of much of the investment, and some of the investment, such as equipment, could be sold.	efficient and effective.

9.14 Further analysis of MMD's Strengths, Weaknesses, Opportunities and Threats is provided in Exempt Appendix B.

9.15 A leading Accountancy & Business Advice Firm has provided input into the options appraisal financial model throughout the duration of this project including checking the integrity of a draft version of the net present value calculations. Their comments and observations, where relevant, have been included in the options appraisal model and are reflected in the net present value figures contained at Exempt Appendix C.

10. Reasons for recommendations

10.1 All viable alternative uses of the MMD site have been evaluated and continued operations and investment in MMD provides the greatest return for similar levels of risk to the alternatives. On balance, there is a good, commercially justified case for the Council to make further investment in MMD to enable diversification of MMD's existing operations while increasing capacity and responsiveness to changes in the market. It is reasonable to conclude that this provides the best prospects to deliver commercially attractive returns to the Council over a medium to long term basis. By contrast, given the nature of MMD's site, there is no alternative use which could be expected to deliver more attractive returns to the Council.

10.2 An independent expert assessment has identified that a private entity would provide investment into MMD based upon the MMD Business Plan (see Exempt Appendix A and Exempt Appendix E).

11. Equality impact assessment

11.1 An equality impact assessment is not required as the recommendation does not have a negative impact on any of the protected characteristics as described in the Equality Act 2010. The capital investment is in MMD's business, and it is not for any service that could impact on customers from an equality perspective.

12. Legal implications

12.1 Article 107(1) of the Treaty on the Functioning of the European Union (TFEU), provides a general ban on state aid. State aid is assistance (in any form whatever) given by public bodies to selected undertakings (who are engaged in economic activity), which could distort competition and affect trade between EU member states.

12.2 If a measure constitutes state aid, there may be a requirement to notify it to the European Commission for approval prior to its implementation, in accordance with Article 108(3) of the TFEU.

12.3 However, economic transactions in the form of investment in a private undertaking carried out by a public body which do not confer an advantage on the undertaking, do not constitute aid if they are carried out in line with normal market conditions, and in accordance with so-called 'Market Economy Operator (MEO) Principle'. In order to satisfy the MEO Principle, the Council must assess whether, by making the proposed investment based on the MMD Business Plan, it will act as a private investor would, in similar circumstances.

12.4 If the proposed loan investment in MMD is based on genuinely commercial terms, and the Council is investing in a way that a rational private investor would, then it is not providing state aid prohibited under Article 107(1) of the TFEU, and therefore it can be exempted from prior EU Commission approval. In order to satisfy the MEO Principle, the Council's loan investment in MMD must be on terms that would be acceptable to a genuine private investor. This means MMD would not be receiving an advantage from the Council that it would not have otherwise obtained on the market.

12.5 Investment proposals relying on the MEO Principle justification should be supported by at least one independent report from a reputable source confirming that the terms and conditions would be acceptable to a market investor. The Council has commissioned an independent expert assessment of the proposed investment in MMD, which has confirmed that a private entity would provide such investment based upon MMD Business Plan. The independent expert considers that MMD's Business Plan to be a compelling case for investment.

12.6 It is considered that the MEO Principle, based on the proposals set out in this report, would be satisfied.

12.7 However, the Council must ensure that:

- Conditions are attached to the loan facility to enable it to check that the Business Plan is on track;
- It continually reviews the progress of the implementation of the Business Plan to check that it continues to present an attractive investment that a rational private investor in the Council's position would be prepared to make;
- It puts in place adequate regular reporting controls to facilitate such reviews;
- It regularly reviews its investment and re-visits the alternative options.

13. Director of Finance's comments

13.1 The financial implications associated with the options appraised are contained within the body and Exempt Appendices of this report.

Exempt Appendices

Exempt Appendix A: Summary of independent expert assessment of MMD

Exempt Appendix B: SWOT Analysis of MMD

Exempt Appendix C: Review of alternative uses of the MMD site

Exempt Appendix D: Information Provided by the Planning Authority

Exempt Appendix E: Independent expert assessment of MMD

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Signed by (Director)

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location