MINUTES OF A MEETING OF THE FINANCIAL SUSTAINABILITY COMMITTEE HELD IN THE VIRTUAL MEETING - VIRTUAL MEETING ON TUESDAY 4 AUGUST 2020, AT 7.00 PM

PRESENT: Councillor G Williamson (Chairman)
Councillors A Alder, M Goldspink, A Huggins, C Redfern and T Stowe

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	-	Scrutiny Officer
Geoff Hayden	-	Corporate Property Service Manager
Bob Palmer	-	Interim Head of Strategic Finance and Property

112 APOLOGIES

Apologies for absence were submitted from Councillors Devonshire and Drake.

113 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed new Members, Councillors Huggins and (in absentia) Councillor Drake to the Committee.

For the benefit of Members, the Chairman referred to the protocols for virtual meetings and reminded Members that

the meeting was being live streamed.

114 MINUTES - 16 OCTOBER 2019

The Minutes of the meeting held on 16 October 2019 were submitted. The Chairman referred to two typographical errors:

- Page 8 paragraph 4 –that the number “173” be inserted and “xxx” be deleted.

- Page 11 paragraph 4 – deletion of the word “Davidson” and insertion of the word “Devonshire”.

It was moved by Councillor Goldspink and seconded by Councillor Alder that the Minutes of the meeting, as amended, be agreed as a correct record and signed by the Chairman.

(Councillor A Huggins abstained from voting)

RESOLVED – that the Minutes of the meeting held on 16 October 2019 be confirmed as a correct record and signed by the Chairman.

115 DECLARATIONS OF INTEREST

There were no declarations of interest.

116 INVESTMENT PARAMETERS

The Corporate Property Services Manager submitted a report on the guidance parameters for Officers when looking at investment opportunities. He said the current parameters for the acquisition of commercial property

were set out in the report listed as criteria “a – m” with the exceptions to the criteria listed from “n - p”. These were established by Members last year and were submitted for Members’ consideration and review and in order to reflect the changing economic environment.

Criteria:

a. 20 mile radius.

Councillor Huggins expressed his concerns that this radius did not include the development of the Cambridge Corridor which the Council supported. The Chairman commented that the idea around the 20 mile radius was to keep investments reasonably local. Councillor Ward-Booth supported Councillor Huggins’ viewpoint suggesting that the radius be removed and replaced with “reasonable distance”.

The Head of Strategic Finance and Property explained that one or two authorities had invested more than was on their balance sheet on investments located far away and how this had impacted on their borrowing ability with the Public Works Loan Board (PWLB). He suggested that a 20 mile radius was a sensible approach and could be better argued when borrowing, to invest in the local economic area. Councillor Huggins suggested that this be increased to a 25 mile radius which included the city of Cambridge or that this might be restricted to a journey time along a trunk road.

Councillor Stowe made the point that yields were important but not the only issue. Councillor Goldspink suggested a radius of 30 miles as a compromise as that would be within reasonable distance of East Herts.

The Chairman added that the approach could be in terms of investing in enterprise areas within a 20 mile radius but that investments within a further five miles would not be excluded for consideration.

Councillor Alder reminded Members that this issue had been given a lot of consideration at the outset and to introduce a number of variables would be too confusing to Officers. She said that the Council needed to support residents where they could and that a 30 mile radius was too far, adding that leaving things vague was also not a good idea. Councillor Redfern felt that a 25 mile radius was the best outcome and that this would include places in Cambridge and would not be "limitless".

The Chairman concluded that Members were in favour of an increase to a 25 mile radius. This was supported.

b. Yield.

The Corporate Property Services Manager summarised the basis of the yield target which had originally been set at 4%.

The Head of Strategic Finance and Property explained that he would be making a presentation to Members regarding the Council's position in terms of its capital reserves. He said that the Council had always been in a good position in terms of its capital but that its capital programme had exceeded £122M and the Council would need to borrow in the future. He said that the Council needed to set aside a minimum revenue position to support the life of the asset and how borrowing costs would impact on yield requirements. The Head of Strategic Finance said that the

current yield rate (of 4%) was too low as there was a need to cover borrowing costs.

The Chairman suggested that the Council's criteria yields were too modest. He proposed that this be increased to 6%. This was supported.

Members agreed that there should be no changes to Criteria "c, d, e, f, g" and "h".

i. Total investment for prospective assets.

The Corporate Property Services Manager explained that for 2019/20 this had been £3M but that approximately £1.1M had remained unspent. Councillor Ward-Booth suggested that diversification of projects which may come along were equally important. Members noted that the current budget was £5M and that the £1.1M (approx.) unspent monies should be added to the current year's budget giving a total of approximately £6.1M to invest.

Members agreed that there should be no changes to Criteria "j", "k", and "l".

m. Investments elect for VAT

The Head of Strategic Finance and Property explained how Criteria "m" impacted on margin thresholds. Members supported the suggestion that Criteria "m" be removed.

Exceptions to the above criteria:

Members agreed that there should be no changes to Criteria "n", "o", and "p".

It was moved by Councillor Huggins and seconded by Councillor Goldspink that the changes as detailed above, be approved. After being put to the meeting and vote taken the motion was declared CARRIED.

RESOLVED - that the investment parameters Criteria be amended as follows:

a. The radius be increased to 25 miles
b. The yield be increased to 6%.

Noted that the Criteria: "c, d, e, f, g and h" remain unchanged.

i. the current budget of £5M be increased to reflect the unspent budget (of approximately £1.1M) last year to a total; of £6.1M

Noted that the Criteria: "j, k, and l," remain unchanged.

Agreed that Criteria "m" be removed.

Noted that the Exception Criteria "n, o and p" remain unchanged.

117 EXCLUSION OF THE PRESS AND PUBLIC

Councillor Alder moved, and Councillor Stowe seconded, a motion that the press and public be excluded from the meeting for Minute 118 – Market Update on the grounds that the matter contained exempt information as defined by paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972. After being put to the meeting, and a vote taken, the motion was declared CARRIED

RESOLVED - that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting during the discussion of Minute 118 on the grounds that it would be likely to involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the said Act (information relating to the financial or business affairs of any particular person, including the authority holding that information).

118 MARKET UPDATE

The Corporate Property Services Manager provided Members with a presentation on the current market investment opportunities to the Council. The presentation contained commercially sensitive information on a number of local schemes in terms of yields, asset reviews and development appraisals, multipliers and income which could be generated. Having debated the projects at length, Members agreed that the two projects debated should be explored as a next step.

It was moved by Councillor Ward-Booth and seconded by Councillor Alder that the two properties discussed be explored as a next step. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that the Corporate Property Services Manager be requested to investigate the investment potential of the two businesses identified and report back to Members.

The meeting closed at 8.13 pm

Chairman .....

Date .....