



James Ellis

Head of Legal and Democratic Services

MEETING : FINANCIAL SUSTAINABILITY COMMITTEE
VENUE : VIRTUAL MEETING - VIRTUAL MEETING
DATE : TUESDAY 4 AUGUST 2020
TIME : 7.00 PM

PLEASE NOTE TIME AND VENUE

MEMBERS OF THE COMMITTEE

Councillor Geoffrey Williamson (Chairman)
Councillors A Alder, K Crofton (Vice-Chairman), I Devonshire, H Drake,
M Goldspink, A Huggins, C Redfern, T Stowe and A Ward-Booth

Substitutes

(Note: Substitution arrangements must be notified by the absent Member to Democratic Services 24 hours before the meeting)

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DISCLOSABLE PECUNIARY INTERESTS

1. A Member, present at a meeting of the Authority, or any committee, sub-committee, joint committee or joint sub-committee of the Authority, with a Disclosable Pecuniary Interest (DPI) in any matter to be considered or being considered at a meeting:
 - must not participate in any discussion of the matter at the meeting;
 - must not participate in any vote taken on the matter at the meeting;
 - must disclose the interest to the meeting, whether registered or not, subject to the provisions of section 32 of the Localism Act 2011;
 - if the interest is not registered and is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days;
 - must leave the room while any discussion or voting takes place.
2. A DPI is an interest of a Member or their partner (which means spouse or civil partner, a person with whom they are living as husband or wife, or a person with whom they are living as if they were civil partners) within the descriptions as defined in the Localism Act 2011.
3. The Authority may grant a Member dispensation, but only in limited circumstances, to enable him/her to participate and vote on a matter in which they have a DPI.

4. It is a criminal offence to:

- fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register;
- fail to notify the Monitoring Officer, within 28 days, of a DPI that is not on the register that a Member disclosed to a meeting;
- participate in any discussion or vote on a matter in which a Member has a DPI;
- knowingly or recklessly provide information that is false or misleading in notifying the Monitoring Officer of a DPI or in disclosing such interest to a meeting.

(Note: The criminal penalties available to a court are to impose a fine not exceeding level 5 on the standard scale and disqualification from being a councillor for up to 5 years.)

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Visit <https://www.eastherts.gov.uk/article/35542/Political-Structure> for details.

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AGENDA

1. Apologies

To receive apologies for absence.

2. Chairman's Announcements

3. Minutes - 16 October 2019 (Pages 7 - 14)

4. Declarations of Interest

To receive any Members' declarations of interest.

5. Investment Parameters (Pages 15 - 20)

6. Market Update

A report will be presented by the Corporate Property Services Manager

7. Urgent Business

To consider such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration and is not likely to involve the disclosure of exempt information.

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MINUTES OF A MEETING OF THE
FINANCIAL SUSTAINABILITY COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON WEDNESDAY
16 OCTOBER 2019,
AT 7.00 PM

PRESENT: Councillor G Williamson (Chairman)
Councillors A Alder, I Devonshire,
M Goldspink, G McAndrew, C Redfern,
M Stevenson, T Stowe and A Ward-Booth

ALSO PRESENT:

Councillors B Crystall and M Pope

OFFICERS IN ATTENDANCE:

Isabel Brittain	- Head of Strategic Finance and Property
Rebecca Dobson	- Democratic Services Manager
Geoff Hayden	- Corporate Property Service Manager

170 APOLOGIES

Apologies for absence were received from Councillor K Crofton.

171 MINUTES - 22 AUGUST 2019

Councillor A Alder moved, and Councillor T Stowe seconded, a motion that the Minutes of the meeting held on 22 August 2019 be confirmed as a correct record and signed by the Chairman. After being put to the meeting, and a vote taken, the motion was declared CARRIED.

RESOLVED – that the Minutes of the meeting held on 22 August 2019 be confirmed as a correct record and signed by the Chairman.

172 EXCLUSION OF THE PRESS AND PUBLIC

Councillor M Goldspink moved, and Councillor C Redfern seconded, a motion that the press and public be excluded from the meeting for Minute 173 – Consideration of Acquisition, 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 xxx 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).

173 CONSIDERATION OF ACQUISITION

Members received a report asking the Committee to consider a potential acquisition. The Corporate Property Services Manager said the property detailed in the report had been identified and brought to the Financial Sustainability Board in 2018, and was then presented as an option for purchase at the meeting of the Committee on 22 August. At that meeting the Committee had agreed to explore a possible purchase subject to negotiation of better terms and the undertaking of further due diligence. The Corporate Property Services Manager updated the Committee on the outcome of negotiations, setting out the detail which as referred to in the exempt paper before the Committee.

Councillor G Williamson referred Members to the communication all Members of the Committee had received from Councillor K Crofton, setting out some reservations. He said these reservations did not take account of the improved position achieved through negotiation, including increased potential revenue. The Council faced a budget shortfall and the revenue would make a significant impact.

Councillor A Alder proposed a motion supporting a purchase of the property at the price stated in the exempt report. She said the option to acquire this property had already been discussed at length, and the Council needed to address the shortfall in its budget.

Councillor A Ward-Booth seconded the motion.

Councillor M Stevenson said the Council's aim was to support the number of businesses. She sought, and was

provided with, information on the businesses currently occupying the property as tenants.

Councillor T Stowe said he had previously objected to the asking price, but in view of the improved terms negotiated, he would support the proposal.

Councillor I Devonshire asked for clarification on the Committee's remit regarding allocation of the funding, and the limit of such funding.

The Corporate Property Services Manager said increased funds could be sought from Council.

Councillor M Goldspink expressed concern at the length of time the property had been available, and at the prospect of future circumstances changing which could affect the anticipated income. She suggested deferring a decision in order to take account of the impact of Brexit.

Councillor G Williamson said awaiting the outcome of Brexit could mean deferral for up to six months, and that uncertainty predicted at the time of the Referendum had not materialised into market impacts.

Councillor C Redfern agreed with Councillor Goldspink, and suggested a deferral of one month.

Councillor G McAndrew said there was a need to be realistic, and one month would not make an appreciable difference. In five years' time the Council could consider redeveloping the property, and whilst he accepted there was some uncertainty, the return per annum for the first five years was good.

Members raised further points in relation to the market context and the terms of the proposed acquisition. Councillor Ward-Booth said he understood the concerns expressed, but that legal due diligence would be the next stage and if any problems were detected then, the purchase would not proceed.

The Head of Strategic Finance and Property said negotiations had resolved what had originally been possible complications when Members had considered the property last year. The Committee had to follow the criteria for acquisitions which it had considered at its last meeting. The report before Members set out how the property met the criteria, and proceeding with acquisitions according to those criteria provided assurance as to the approach.

Councillor A Alder said the Council would ultimately have a capital asset, and could choose to dispose of it.

In response to a question by Councillor I Davidson, the Corporate Property Services Manager said a visit to the property for Members could be arranged.

Further questions regarding rent review and the credit checks carried out against tenants were asked, and answers given.

The motion to support the purchase of the property referred to in the exempt paper "Essential Reference Paper B", and to support the recommendation in the report having been proposed and seconded, it was put to the meeting and a vote taken. The motion was declared CARRIED.

RESOLVED – (A) to approve the purchase of the property referred to in the exempt paper “Essential Reference Paper B” at the price detailed; and

(B) to approve delegation to the Head of Strategic Finance and Property and Head of Legal and Democratic Services to undertake due diligence and enter into completion of the acquisition.

Members considered implications of the acquisition for the balance of the capital sum of £3m available to the Committee. Officers advised the Committee meet before the budget setting process in order to propose to Council that it approve an allocation of further resources, so that further incoming-generating acquisitions could be made.

The Chairman thanked Officers for the successful negotiations carried out in respect of the acquisition which had been agreed at this meeting.

Members received a presentation from the Corporate Property Service Manager on further property options currently on the market, setting out yield comparisons. The Corporate Property Service Manager said the properties highlighted in the presentation gave an indication of what was available and the factors to be taken into account. The Head of Housing and Health reminded Members of the principle that in making investment decisions, there was a link between yield and risk.

Members discussed options for further consideration, and commented on which properties should be kept “on the radar”.

The Chairman agreed to a suggestion from Officers that an extraordinary meeting should be held within the next six weeks.

The meeting closed at 8.02 pm

Chairman

Date

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East Herts Council Report

Financial Sustainability Committee

Date of Meeting: 4 August 2020

Report by: Geoffrey Williamson

Report title: Financial Sustainability Committee Review of Investment Parameters

Ward(s) affected: N/A

Summary

RECOMMENDATIONS FOR the Financial Sustainability Committee

- (a) review and discuss each of the current investment parameter (listed a-m below)
- (b) retain, amend or remove parameters (listed a - m below)
- (c) review and discuss each of the current investment parameter exceptions (listed n - p below)
- (d) retain, amend or remove exceptions (listed n - p below)

1.0 Proposal(s)

- 1.1 The Financial Sustainability Committee to discuss and set out the guideline parameters for officers to explore investment opportunities. Current parameters as follows.
- 1.2 ***Acquisition of Commercial Property Parameters***

- a. Investments should be within a 20 mile radius of the District of East Hertfordshire boundary.
- b. The yield (annual gross rent/property value, excluding stamp duty and fees) should be no lower than 4.0%.
- c. Investments should not be within a 'High' or 'Medium' risk zone for environment agency flood risk zone.
- d. Avoid investments where we will become responsible and at risk from historic or current nuisance, contamination, hazardous processes and materials (e.g. Petrol stations, waste sites, landfill)
- e. Assets should be freehold or long leaseholds with unexpired terms exceeding 80 years.
- f. Any ground rent, non-recoverable service charge, non-recoverable maintenance should not exceed 20% of the gross annual rent receivable.
- g. Full planning permission for asset and current use required with all conditions discharged.
- h. No assets with an EPC worse than a D should be considered to protect the investment for tightening of Modern Energy Efficiency Standards (MEES) in 2023.
- i. Initially for 2019/2020. The total investment including Price, SDLT and Taxes cannot exceed £3m for Prospective assets.
- j. Investment in residential or mixed used (containing

residential) only to consider with partnership with Millstream.

- k. Investment containing charities and non-profit making third sector organisation discounted to avoid the current Community Lettings Policy.
- l. Investments containing voids or leases that expire or can be broken earlier than 5 years for higher than 20% of the total lettable space to be avoided.
- m. Investments elect for VAT to be avoided.

1.3 **Exceptions to the above criteria.**

- n. Opportunities adjoining existing council ownership
- o. Opportunities for projects where development/demolition/change of use fits in with a project business case.
- p. Opportunities as part of longer term strategic/development investments to tie in with future town planning policy.

2.0 Background

- 2.1 The Financial Sustainability Committee discussed and approved parameters in July 2019 and officers have been using these parameters to vet and identify investments for the Committee to make acquisition decisions.

3.0 Reason(s)

- 3.1 It is essential to establish guidelines and parameters for officers to ensure time narrow down the search for adequate investments, which meet the Committees expectations. Which avoids wasting time and expense for officers and committee members

4.0 Options

- 4.1 The committee could remove all parameters, but this is not recommended as officers and committee members could waste great deal of time researching and reviewing irrelevant opportunities.

5.0 Risks

- 5.1 This report is setting out the parameters for investment opportunities. If suitable investments are found and put to the committee for a decision. A full report assessing the financial, reputational and operational risk will be undertaken for each proposed acquisition.

6.0 Implications/Consultations

- 6.1 Not reviewing or leaving the parameters the same may not be in line with recently introduced Council objectives ('SEED') or take into account the current state of the economy following Covid-19 implications.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

Yes

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

Yes

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 N/A

Contact Member

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