



*Alison Stuart
Head of Legal and
Democratic Services*

MEETING : FINANCIAL SUSTAINABILITY COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : WEDNESDAY 16 OCTOBER 2019
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,
M Goldspink, G McAndrew, C Redfern, M Stevenson, T Stowe and
A Ward-Booth

CONTACT OFFICER: REBECCA DOBSON
01279 502082
rebecca.dobson@eastherts.gov.uk

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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AGENDA

1. Apologies

To receive apologies for absence.

2. Chairman's Announcements

3. Declarations of Interest

To receive any Members' declarations of interest.

4. Minutes - 22 August 2019 (Pages 7 - 12)

5. Exclusion of the Press and Public

To move that under Section 100(A)(4) of the Local Government Act 1972 the press and public be excluded from the meeting during discussion of Essential Reference Paper 'B' of Agenda Item 6 on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the said Act of the following description:

"Information relating to the financial or business affairs of any particular person (including the Authority holding that information").

6. Consideration of Acquisition (Pages 13 - 24)

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.

MINUTES OF A MEETING OF THE
FINANCIAL SUSTAINABILITY COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON THURSDAY 22
AUGUST 2019, AT 7.00 PM

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

OFFICERS IN ATTENDANCE:

Isabel Brittain	- Head of Strategic Finance and Property
Jonathan Geall	- Head of Housing and Health
Geoff Hayden	- Corporate Property Service Manager
Peter Mannings	- Democratic Services Officer
Alison Street	- Finance Business Partner

118 APPOINTMENT OF VICE-CHAIRMAN

It was proposed by Councillor A Alder and seconded by Councillor M Stevenson that Councillor K Crofton be appointed Vice-Chairman of the Financial Sustainability Committee for the 2019/20 civic year.

After being put to the meeting and a vote taken, Councillor K Crofton was appointed Vice-Chairman of

the Financial Sustainability Committee for the 2019/20 civic year.

RESOLVED – that Councillor K Crofton be appointed Vice-Chairman of the Financial Sustainability Committee for the 2019/20 civic year.

119 APOLOGY

An apology for absence was submitted on behalf of Councillor G McAndrew.

120 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Members and Officers to the first meeting of the Financial Sustainability Committee. He explained that Council had established this Committee following on from the work of the Financial Sustainability Group. He said that he was looking forward to working with Members.

121 ESTABLISHMENT OF FINANCIAL SUSTAINABILITY COMMITTEE

The Executive Member for Financial Sustainability submitted a report informing Members of the Committee on what had been agreed at Council on the 24 July 2019. Members were reminded that, following a two-year process, the Committee had been recognised as having delegated power to invest in income generating projects. The Committee received the report.

RESOLVED – that the report be received.

122 VERBAL PRESENTATION BY CORPORATE PROPERTY SERVICE MANAGER ON INVESTMENT DECISIONS

The Corporate Property Services Manager gave a presentation and property update in respect of potential investment decisions for Members to consider. He detailed the assessment scoring criteria and gave a detailed summary breakdown of each property that had been assessed by Officers. This breakdown included a summary of 12 properties that were and were not considered suitable for investment.

The Head of Housing and Health summarised the circumstances whereby the Millstream Property Company might become involved in consideration of the residential elements of any investment. He said that if Millstream had the necessary resources available at the time an opportunity is put forward by the Committee, the directors could make the decision. Alternatively, if Millstream did not have the resources it could seek them from its funder, the council. It was the Head of Housing and Health's view that the necessity to seek full Council approval for additional funds or seek such monies through delegated authority would in all probability depend on the level of funding being sought.

The Head of Housing and Health answered a number of detailed questions from Members regarding the reasons why the Millstream Property Company would have to be involved, explaining that while the Council could hold residential properties these could only be treated as council housing. The Council, in setting up Millstream, has decided that it wants greater flexibility,

through its company, to hold properties in different tenures, notably homes for private rent. In response to a comment from Councillor I Devonshire regarding mixed use developments, the Head of Housing and Health said that he did not envisage Millstream's involvement in a mixed tenure purchase prolonging acquisition as the company is set up to act swiftly in the property market and to enable this has already agreed purchase criteria with its shareholder, the Council.

The Corporate Property Services Manager, the Head of Housing and Health and the Head of Strategic Finance and Property answered a number of further detailed questions from Members that were pertinent to each property included within the presentation. The Corporate Property Services Manager undertook to approach the owners of certain properties detailed in the presentation. The Head of Housing and Health would also conduct site visits with the Corporate Property Services Manager. Members received the presentation.

RESOLVED – that (A) the presentation be received;

(B) the Corporate Property Services Manager undertook to approach the owners of properties detailed in the presentation; and

(C) the Head of Housing and Health would carry out site visits with the Corporate Property Services Manager.

The meeting closed at 8.18 pm

Chairman

Date

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EAST HERTS COUNCIL

FINANCIAL SUSTAINABILITY COMMITTEE –16 OCTOBER 2019

REPORT BY EXECUTIVE MEMBER FOR FINANCIAL SUSTAINABILITY AND DEPUTY LEADER

CONSIDERATION OF A PROPOSED ACQUISITION

Purpose/Summary of Report

- To consider a proposed acquisition of property.

<u>RECOMMENDATIONS FOR THE COMMITTEE: That:</u>	
(A)	The Committee consider whether to acquire the property referred to in the exempt paper, Essential Reference Paper B.
(B)	The Committee approves 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.

1.0 Background

1.1 The property in question is on the market.

1.2 The property was highlighted to the Financial Sustainability Board back in October 2018 and brought to the first Financial Sustainability Committee on the 22nd August 2019 along with 12 other available properties.

1.3 The Committee agreed to further explore the possibility of the purchase subject to negotiation of better terms and carrying out further due diligence. The Committee felt the asking price

and the rent offered from the sitting tenant was not an adequate return for the investment.

2.0 Subject Property Suitability

Location (20miles from district)	Y	Yield (4% or above)	Y
Not in flood zone	Y	No historic contamination	Y
Freehold or long lease	Y	No costs (exceeding 20% Gross rent)	Y
Planning permission	Y	EPC (a-d)	Y
Within committees' budget	Y	No residential (unless Millstream)	Y
Business tenant (no non-profit)	Y	No voids in first five years	Y

2.1 The property's sales particulars, EPC, location photos and heads of terms for the purchase, and all exempt commercially sensitive information are in **Essential Reference Paper 'B'**.

2.2 The property is a freehold sale with the correct planning permission as use of the building (Use Classes Order B1). There are no residential parts to the property.

2.3 Initial investigations shows the property is not located in a High or Medium flood risk zone or a Zone 1 or 2 risk for surface Water flooding

2.4 Officers have inspected the property and an independent building survey has been carried out. This highlighted no structural, design or condition concerns with the building.

2.5 Office availability has dropped in Hertfordshire, a main factor being the permitted development Residential conversions. Purchasing this office, the Council can protect and control the future use of this building for employment use.

3.0 Report

3.1 See **Essential Reference Paper 'B'**.

4.0 Implications/Consultations

4.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Contact Member: Councillor Geoffrey Williamson, Executive Member for Financial Sustainability and Deputy Leader. geoffrey.williamson@eastherts.gov.uk

Contact Officer: Isabel Brittain, Head of Strategic Finance and Property, Tel: 01992 502050.
isabel.brittain@eastherts.gov.uk

Report Author: Geoff Hayden, Corporate Property Services Manager, Tel: 01992 501644.
geoff.hayden@eastherts.gov.uk

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives (delete as appropriate):	Priority 3 - Enable a flourishing local economy
Consultation:	This report has been prepared for the Financial Sustainability Committee
Legal:	Contained in the report
Financial:	This investment helps assist with the future revenue income to the Council. The other finance and property implications are contained in this report.
Human Resource:	N/A
Risk Management:	<p>The opportunity - potential investment income - is set out in the main report but risks include downturn in the economy.</p> <p>The site contains a number of reputable businesses. The property is situated in a low to very low river flood risk zone and borders a medium to low surface water flood risk zone. The tenant is to remain responsible for buildings insurance but future leases could change. (Evidence of adequate buildings insurance should be provided by the tenant.) The current flood risk would not cause difficulties at present were the council required to arrange insurance cover.</p> <p>Construction materials and methods, alarm status etc will be determined during survey. Claims history generally is unknown and should be sought from the tenant. In the past 18 months the following crimes have been reported in or near the area, presumably due to its location near the town centre: Building</p>

	<p>damage 2. Theft of / from property 3. Bike theft 4. Vehicle crime 4. Violence / sexual assault / public order 19.</p>
<p>Health and wellbeing – issues and impacts:</p>	<p>N/A</p>
<p>Equality, diversity and human rights considerations, and whether Equality Impact Assessment required:</p>	<p>N/A</p>
<p>Environmental Sustainability</p>	<p>The building is of modern construction, less than 20 years old. The EPC score is good and in line with similar modern construction office buildings. The building has a pitched roof with half south facing, which assists in the possibility for future solar panel improvement/investment.</p>

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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