

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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