

Corporate Policy & Scrutiny Committee

10:30	Tuesday, 24 October 2017	Committee Room 1, County Hall, Chelmsford, CM1 1QH
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Quorum: 4

Membership

Councillor M Mackrory
Councillor J Beavis
Councillor M Buckley
Councillor M Hardware
Councillor I Henderson
Councillor D Louis
Councillor V Metcalfe
Councillor J Moran
Councillor R Pratt
Councillor C Sargeant
Councillor W Schmitt
Councillor A Sheldon
Councillor M Steptoe
Councillor C Weston

Chairman

For information about the meeting please ask for:

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www.essex.gov.uk/scrutiny



Essex County Council

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Part 1

(During consideration of these items the meeting is likely to be open to the press and public)

		Pages
1	Apologies for Absence Any apologies to be reported by the Head of Democratic Services and the Statutory Scrutiny Officer.	
2	Declarations of Interest To note any declarations of interest to be made by Members in accordance with the Members' Code of Conduct	
3	Minutes of previous meeting To consider and approve the minutes of the meeting held on 12 September 2017.	5 - 8
4	Questions from the Public A period of up to 15 minutes will be allowed for members of the public to ask questions or make representations on any item on the agenda for this meeting. On arrival, and before the start of the meeting, please register with the Head of Democratic Services.	
5	Coroner's Service To consider Report CSC/17/17 by the Cabinet Member for Culture, Communities and Customer on the number of referrals to the Coroner's Service.	9 - 16
6	Commercial Property Fund To consider Report CSC/18/17 by the Cabinet Member for Resources on the criteria for the Commercial Property Fund.	17 - 24
7	Member Enquiries To consider Report CSC/19/17 updating the Committee on the progress made with actions since the September 2017 meeting.	25 - 30
8	Work Programme To note the current position as regards work planning and programming (CSC/20/17).	31 - 34

- 9 Date of Next Meeting**
To note that the next Committee meeting is scheduled for Tuesday 28 November 2017.
- 10 Urgent Business**
To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.

Exempt Items

(During consideration of these items the meeting is not likely to be open to the press and public)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

- 11 Urgent Exempt Business**
To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held in Committee Room 1 County Hall, Chelmsford, CM1 1QH on Tuesday, 12 September 2017

Present:

Cllr M Mackrory (Chairman)	Cllr D Louis
Cllr J Beavis	Cllr V Metcalfe
Cllr M Buckley	Cllr R Pratt
Cllr S Canning	Cllr C Sargeant
Cllr M Hardware	Cllr W Schmitt
Cllr I Henderson	

1 Apologies for Absence

Apologies for absence were received from: Cllr A Sheldon (substituted by Cllr S Canning), Cllr M Steptoe and Cllr C Weston.

2 Declarations of Interest

Cllr Canning declared a personal interest in agenda item 5, concerning the Members' Enquiries Task & Finish Group, as he had been the Cabinet Member responding to the recommendations. He would leave the meeting for the discussion of this item. (Item 5 refers.)

Cllr Pratt declared that he was chairman of South Essex Parking Partnership. (Item 5 refers.)

3 Minutes of previous meeting

The minutes of the meeting held on 26 June 2017 were approved and signed by the Chairman.

4 Questions from the Public

There were no questions from the public.

Cllr Canning left the meeting at this point.

5 Members' Enquiries Task & Finish Group

Members received report CSC/15/17, which provided an update on the consideration and implementation of recommendations on the Member Enquiries Service made by the Committee in January 2017. The Chairman welcomed Cllr S Barker, Cabinet Member for Culture, Communities & Customer, Robbie Watson-Levey, Customer and Member Enquiries Manager, and Richard Buttress, Senior Customer Services Officer.

Cllr Barker introduced the item by making several points:

- the responses to the recommendations were the result of meetings between officers, Cllr Robert Mitchell, as Deputy Cabinet Member for Highways, and herself
- there was a tendency toward Highways matters
- she would like the first recommendation to be strengthened in time, once the Report-It tool was sufficiently robust; so that all first time reports relating to Highways incidents should be made using the Report-It tool (with enquiries only being made to Members Enquiries after a two-week interval if still unresolved)
- she would also like to see every enquiry receive an email response, with a reference number, so that members can trace them more easily.

Cllr Buckley, as chairman of the Task & Finish Group, added that not only a bounceback email was needed but something to alert members when something has happened. He acknowledged that some progress had already made, although a good deal remained to do. In response to this particular point, it was noted that Cllr Mitchell was looking at improving the Report-It tool and exploring ways of introducing such features.

Members made various contributions and received a variety of responses:

- members of the public needed to be given a timeframe for action and an explanation if this was not met. They also needed to be given appropriate, comprehensible information, rather than being forced to find their own way through a field of largely irrelevant material
- other teams would benefit from spending time working with Members' Enquiries - such an exercise had just been arranged with officers from Highways
- all cases were managed, so that they were not held up by staff going on holiday or being unavailable through sickness, etc
- the overall average respond time had improved from 9.4 days in 2016/17 to 8 days in 2017/18 to date; but there remained a significant delay in Cabinet Office sign-off: the overall average time would be 5.6 days without Cabinet sign-off
- there were no service level agreements for providing customer data in place with Ringway Jacobs; this might be a good time to consider introducing them
- incompatibility of IT systems did not helps matters
- a Member survey was under preparation
- it was not always clear to Members when they should escalate an enquiry; when the Report-It tool works properly, there should be no need for a Member to get involved in this way.

In the wake of the discussions, the following further recommendations were **agreed**:

1. To diarise a further member training session on Report-It tool and highways matters.
2. To acknowledge the Cabinet Member's commitment to further review the Report-It tool and the production of more timely and regular responses and updates and indicative timescales for action.
3. Heartened by first indication of joint training with Highways, Members strongly encourage that further regular such initiatives are pursued with all service areas.
4. Further clarification to be provided on ECC relationship with parking partnerships in relation to accountability and responsibility and reporting of incidents
5. Cllr Mitchell to factor in a method to advise members if projects are delayed.
6. To encourage further differentiation between the management and response to non complex and complex issues.
7. That the Ringway Jacobs service level agreement be amended to include customer information timescales and quality of response as part of 5+5 contract re-negotiations.
8. Further integration of Highways and Members' Enquiries IT systems be investigated.
9. To welcome the commitment that there will be a further member survey and that it needs to be designed so that it is comparable to the previous survey.

It was agreed that the committee should receive, in good time ahead of its next scheduled meeting on 24th October, indicative timings for the implementation of recommendations and the timeline for the review being conducted by Cllr Mitchell.

The chairman thanked the Cabinet Member and officers for their submission to the committee.

Cllr Canning returned to the meeting at this point.

6 Work Programme

Members received report CSC/16/17, which provided the current position as regards work planning and programming. The Chairman reminded Members that he and the vice chairmen had met with Nicole Wood, Director for Financial Services, prior to the meeting, to prioritise the work programme in line with established criteria.

It was noted that the intention was to give value for money to residents,

with issues that would produce the greatest impact on them. It was also noted that the programme was a working document, to be amended as required.

Members approved the programme.

7

Date of Next Activity Day

Tuesday 24 October was noted as the next activity day.

Chairman

	AGENDA ITEM 5
	CSC/17/17
Corporate Policy & Scrutiny Committee	
Report title: An overview of the Essex Coroner Service	
Report author: Caroline Beasley-Murray, HM Senior Coroner for Essex	
Date: 24 October 2017	For: Information
Enquiries to: Hannah Brown, Coroner Service Operations Manager Email: hannah.brown3@essex.gov.uk Tel: 07971053546	

1. Purpose of Report

To provide the Scrutiny Committee with an overview of the Essex Coroner Service.

2. Recommendations

None – the report is for information and discussion.

3. Background

3.1 The Office of Coroner

Coroners who trace their office back to the Middle Ages are independent judicial office holders, accountable to the Lord Chancellor. Although appointed and paid for by the Local Authority, they are not employed by Local Government. The *Coroners and Justice Act 2009* provides the statutory framework.

Coroners investigate deaths that have been reported to them if it appears that

- the death was violent or unnatural
- The cause of death is unknown
- Or the person died in prison, police custody or another type of state detention.

In the words of Lord Thomas Bingham *“It is the duty of the coroner as the public official responsible for the conduct of inquests whether he is sitting with a jury or without to ensure that the facts are fully, fairly and fearlessly investigated.... He must ensure that the relevant facts are exposed to public scrutiny, particularly if there is*

evidence of foul play, abuse or inhumanity. He fails in his duty if his investigation is superficial, slipshod or perfunctory..."

In addition to investigating suspicious deaths, the coroner is also responsible for holding inquests into treasure finds.

3.2 The Essex Coroner jurisdiction

On 31 July 2013 the Essex, Thurrock and Southend coroner areas merged to form one jurisdiction. Essex County Council is the lead authority working closely with the Unitary Authorities of Thurrock and Southend.

Since the merger the Essex Coroner district has become the busiest and it is one of the most complex in the country. Last year some 7100 deaths were reported and around 763 resulted in inquests.

Essex has everything – a major HM Prison with a Young Offenders Institution, 2 major airports and a number of air-fields, 5 acute hospital trusts, motorways, busy roads, heavy industry, a long coastline, 2 major ports, heavy industry, an army garrison and rural areas. Inquest conclusions include drug overdoses, accidents from road traffic collisions, air crashes, drownings, falls, industrial disease, suicides, and lack of care in medical settings. If a death occurs abroad and the body comes into Essex, a coroner's investigation is required.

4. The Service

The coroner team in Essex consists of Caroline Beasley-Murray, the Senior Coroner; Eleanor McGann, the Area Coroner; and three assistant coroners who are utilised on request.

Supporting the Coroners is an operational team of local authority officers, consisting of coroner and support officers and a small management team.

There is a Coroners Court Support Service, a registered charity, manned by specifically trained volunteers who attend all inquest hearings to assist in the smooth running of the court. This team, led and co-ordinated by Laura Logan-Wood MBE has been operating in Essex since 2006 and currently consists of 8 volunteers.

Together the Coroners and their support staff seek to serve the people of Essex, and in particular the bereaved.

The Coroners and their team work together in Seax House, where there is also a dedicated court room. The coroners and their team accommodate numerous visits to Court from people such as nursing students, trainee journalists, and police officers who greatly appreciate this valuable opportunity. The service deals with hundreds of requests each year from insurance companies and solicitors in relation to life insurance policies and pensions along with litigation enquiries. The inquest archives date back to 1939, and so the service deals with many requests from people tracing their family history.

The Senior Coroner and her team work closely with Emergency Planning Teams in Essex and Southend to ensure they have input into the appropriate plans such as a Mass Fatality Plan and the Local Resilience Forum Extra Death Plan. The Essex Coroner Service has emergency mortuary plans ready to handle some 200 fatalities in the case of a major disaster or event.

The service works closely with the Strategic Child Death Overview Panel, keeping them notified of child deaths, issues that may relate to Serious Case Reviews and the final outcome of inquests.

The service provides information to a variety of statutory agencies to assist with the prevention of drug related deaths, road traffic accidents, industrial disease, accidents and suicide prevention.

The Coroner Service has an extraordinarily high profile. There is intense local and national interest in the Coroner's jurisdiction. All hearings are held in open court, and publicised on the Coroner Service web-site, which is part of the Essex County Council web-site.

In addition to overseeing the coroner team, the Senior Coroner provides regular training, for instance, to Senior Investigating Officers and other police; to doctors, registrars and pathologists; to staff working in mental health institutions and hospices. As a member of the national Disaster Victim Investigation cadre the Senior Coroner has wider responsibilities beyond Essex; she also serves on committees of the Coroners Society of England and Wales, and will be President of the Society 2018-2019.

The Senior Coroner is on duty 24/7 – save for those times when she delegates that responsibility to her Area or Assistant Coroners. Supporting the coroner outside office hours are always two coroners' officers (on rotation) – one responsible for the North of the county, and the other for the South.

In order to exercise her duty, Essex County Council also maintains contracts for body removal services, toxicology and histology services and utilises mortuary provision at the five NHS Trusts. Additionally, the coroner instructs pathology services with both independent and NHS pathologists upon her direction to carry out post mortem examinations on her behalf.

5. Data

Performance figures for the Coroner Service are compiled during an Annual Return to the Ministry of Justice. The Annual Statistics report details for each of the 92 Coroner Areas. Table 1 on the next page outlines the number of cases referred to Essex Coroner's Service against the total number of deaths registered in Essex and the comparison with the national average of referral rates.

Table 1: Volume of deaths referred to Essex Coroner Service.

Year	Deaths registered in Essex	Number of deaths reported to Essex Coroners Service	% of registered deaths referred to Essex Coroners Service	% of UK and Wales deaths referred to the Coroner Services
2016	14,275	7100	49.74%	46.05%
2015	14,261	6869	48.17%	44.73%
2014	13,594	6432	47.31%	44.74%
2013	13,203	6373	48.27%	45.08%
2012	13,319	6253	46.95%	45.70%

Table 2 provides the detail of the Essex Coroner Service performance against national averages.

Year	Total Deaths Reported	Inquests Opened	Post Mortems	% Inquests	% Post Mortems
NATIONAL					
2016	2,741	439	983	16%	36%
2015	2,686	373	1,014	14%	38%
2014	2,544	294	1,021	12%	40%
2013	2,591	340	1,073	13%	41%
ESSEX					
2016	7,100	763	3,008	11%	42%
2015	6,869	781	2,974	11%	43%
2014	6,432	569	3,341	9%	52%
2013	6,373	570	3,469	9%	54%

Table 3 demonstrates the performance of Essex Coroner Service against similar Coronial Districts. Kent consists of four coroner areas with Sussex having three coroner areas.

Table 3.

	Total deaths reported to the Coroner	Inquests Opened	Post mortems	% Inquests	% Post mortems
Essex	7,100	763	3,008	11%	42%
Surrey	4,444	504	1,982	11%	45%
Kent	7,939	1,138	3,206	14%	40%

Sussex	5,656	738	2,298	13%	41%
Preston	2,539	352	1,007	14%	40%
Southampton	2,193	299	843	14%	38%

The Chief Coroner Report to the Lord Chancellor also reports on the number of cases not completed or discontinued within 12 months and Inquest timeliness. Essex has recorded pleasing results with the estimated time for an inquest to be held reducing from 40 weeks in 2013, 34 weeks in 2014, 16 weeks in 2015 and 12 weeks in this year's Chief Coroner Annual Report. This compares favourably with the national average of 18 weeks for an Inquest to be held. Essex also performs strongly with only 3% of cases open after 12 months, with 12% being the national average.

There is a high inquest rate for the number of deaths reported: this is the result of a post-mortem examination rate of 25% in 2016 (average of 36% nationally) and an average inquest time of less than 12 weeks from the death report (average of 18 weeks nationally). Up to 25% of investigations of reported deaths are concluded based on clinical history and exclusion of unnatural causes as opposed to invasive autopsy. This enables the limited resources to be targeted on those unnatural and state detention deaths which require the most investigation.

In Essex all investigations directions are timetabled/mentioned by the Senior Coroner as to when evidence should be filed and dates are set by the Senior Coroner, as to when an investigation will be reviewed or an inquest opened or an inquest to be concluded.

Essex has a higher than national average number of jury inquests in the light of the complexity of the jurisdiction – this arises not least because of the presence of the prison and several psychiatric units, as well as health and safety issues relating to the County's heavy industry.

Recent legislation relating to those who die whilst under a Deprivation of Liberty Safeguarding Order (DoLs) resulted in an increase in the number of deaths reported to the coroner, for all of which inquests were to be held and an increase in the 'death from natural causes' conclusions as this was the majority of DoLs inquest conclusions. This legislation was updated on 3 April 2017, so that from that date only deaths which would normally be reported to a coroner, would need to be reported, even if they are under a DoLs order.

Regulation 28 of the *Coroners and Justice Act 2009* provides coroners with the duty to make reports to a person, organisation, local authority or agency where the coroner believes that action should be taken to prevent future deaths. In 2016 the Senior Coroner generated 18 Regulation 28 reports. These were addressed to NHS bodies including Mental Health Services, prison Services, Highways England, and Secretaries of State, covering a wide variety of issues from health-care provision within state detention settings to improving communication between local mental health services providers to implement road safety measures and clearer information documentation protocols.

6. Horizon scanning

The current Essex Coroner Service case management system requires attention. Steps are being taken to explore the sourcing of an up-to-date forward-looking electronic case-management system. The aim is to use portals for information-input and to achieve a less paper dependant office process.

There are pressures upon the mortuary provision in the five acute hospital trusts and the service works collaboratively with supporting services, including funeral directors, to manage this.

In a jurisdiction which holds a higher than national average number of jury inquests the jury accommodation within Seax House could be more appropriate.

The service will be honoured by a visit from the Chief Coroner, His Honour Judge Lucraft, on 12 January 2018. Councillors would be most welcome to attend.

The Chief Coroner has advised that coroner jurisdictions should have a strong working team of assistant coroners. Essex, as a large jurisdiction, intends to ensure that it has sufficient resilience in this area.

Reforms to the death certification process were introduced in Chapter 2 of Part 1 of the *Coroners and Justice Act 2009*, which has yet to enter into force. The primary legislation provides the legal framework for proposing a unified system of scrutiny by independent medical examiners of all deaths in England and Wales that are not investigated by a coroner. A number of pilots of a Medical Examiner role were conducted across the UK, with Mid Essex Hospitals Service NHS Trust continuing to use the role of the Medical Examiner in reviewing death processes. Although proposed some while ago, the introduction of a national role of Medical Examiner and the corresponding changes to cremation and Registration regulations has yet to be introduced with no clear timeline for any implementation.

Developments within the examination of bodies after death include the use of non-invasive post mortem examination technology. The digital technology allows the scanning of a body with the interpretation of the results by a Pathologist in determining a medical cause of death. Whilst the technology can offer a cause of death within a short period of time and reduces family members' distress from more invasive techniques, the digital nature of non-invasive post mortems also satisfies requirements within certain religions and addresses a national clinical shortage in pathologists.

7. Expressions of appreciation

7.1 Compliments received

Each year we receive many compliments from bereaved families which demonstrate our commitment to putting them at the heart of the service. Some examples are:

'Thank you for all the help and support you have given me over the months. you have ability to put people at ease. Also thank you for being so kind when we attended court on 4 May'

'We would like to thank you for everything you have done since the death of our Dad. We wouldn't have been able to manage it as well as we did without your help. you were so professional and empathetic and went through everything we needed to know and made sure we received our letter before we had to catch our flight back to Ireland. We are all so grateful and you will forever be in our thoughts for your kindness.'

'I wanted to thank you both again for the professionalism, care and attention in my Dad's case'.

7.2 A final word

The Senior Coroner would like to express gratitude to Essex County Council for its ongoing support to the Coroner Service in so many different ways. She would also like to express her gratitude to the Area Coroner and to her assistant coroners; and her heart-felt thanks to everyone involved in the service.

	AGENDA ITEM 6
	CSC/18/17
Report title: Property Investment Fund – Investment Criteria	
Report to: Corporate Policy & Scrutiny Committee	
Report author: Nicole Wood, Director, Finance and Procurement	
Date: 24th October 2017	For: Discussion
Enquiries to: Nicole Wood – Director, Finance and Procurement or Rob Manning, Head of Finance email Robert.manning@essex.gov.uk , telephone 0333 013 0215	
County Divisions affected: All Essex	

1. Purpose of Report

- 1.1 Essex County Council faces significant financial shortfalls between demand and available funding. Cabinet has allocated £50m capital for the purpose of investment in UK commercial property to generate income to help deliver the outcomes key to residents and business in Essex.
- 1.2 The report outlines the investment criteria (upon which the transactions will be assessed).

2. Recommendations

- 2.1 Discuss and note the investment criteria as set out in this report, upon which Commercial Property transactions will be compared and scored.

3. Summary of issue

- 3.1 ECC continues to explore opportunities to develop sustainable income streams to help fund ongoing and new services. If ECC can secure alternative sources of income then ECC will be financially more sustainable and will have greater ability to provide services for our residents.
- 3.2 An agreed way of doing this is by investment into commercial property.

Proposed Investment Criteria

- 3.3 It is proposed that ECC should adopt the following strategy :
 - 3.3.1 Acquisition of properties located throughout the UK, this will mitigate the risk of declines in the property market in any one geographical area.
 - 3.3.2 No single asset should be acquired at a value of greater than £15m. This avoids the risk of a catastrophic event leading to significant loss of income.

£15m is 30% of the initial programme, but would be 10% if the programme increases to £150m. Any decision to increase the programme would be taken by Cabinet.

- 3.3.3 It is proposed to acquire only UK commercial property based on the following indicative split, to ensure that ECC is not over exposed to one sector of the property market.

- Offices 35%
- Retail 35%
- Industrial 30%
- Alternatives 10%

- 3.3.4 These percentages add up to 110% because these are indicative maximum percentages although it is acknowledged that in practice the percentages will vary. The plan is to ensure that once the portfolio is acquired, the percentage of money invested in each sector does not exceed the percentages above. The precise split will depend on the opportunities available for purchase. Should an exceptional opportunity arise that deviates from this spread it can be considered on its own merits, but a key principle will override: that is not to concentrate too much risk into any one asset. The decision making will remain transparent for high value transactions through a Cabinet Member action.

- 3.3.5 The average weighting balance for a) the IPD (MSCI) Monthly Index which tracks the performance of £45.9 billion of UK commercial investments held in a number of funds/portfolios and b) Association of Real Estate Fund (AREF) All Balanced Funds Index which covers the pooled property fund market.

- 3.3.6 The average sector weightings for the IPD(MSCI) Monthly Index are as follows :

- Retail 36%
- Offices 35%
- Industrials 21%
- Alternatives 8%

- 3.3.7 The average sector weightings for the Association of Real Estate Fund (AREF) All Balanced Funds Index are as follows :

- Retail 31%
- Offices 31%
- Industrials 22%
- Alternatives 9%
- Cash 7%

- 3.3.8 The above data supports the proposed weightings for the Commercial Investment Portfolio. Industrial has now become a far more attractive sector over the past couple of years (due to the significant shift in retail shopping patterns with internet retailing) and this is why the % weightings for industrial

in the IPD and AREF indexes are behind the curve and we will see the weighting balance in industrial increase over the coming years.

- 3.3.9 The portfolio will target prime established assets of value between £3m to £15m, on an initial property programme targeted at around £50m.
- 3.3.10 Investment decisions will be taken on commercial grounds only based on advice from external professionals. This is similar to the existing Essex Pension Fund property portfolio.
- 3.3.11 The target gross rate of return for portfolio assets will be 5% - 7%. This is based upon advice from external consulting experts, as well as the intelligence of the specialist officers and leadership. This is a target only. The projected rate of return over a 5 to 10 year holding period will inform the individual purchase decisions.
- 3.3.12 LSHIM have researched the IPD (MSCI) Quarterly Universe Income Return data which is as follows:
- 1 Year 4.7%
 - 3 Year 4.8%
 - 5 Year 5.1%
- 3.3.13 ECC have a set a target gross rate of return which is a gross operating income/return of between 5% to 7%. This is marginally different to the IPD figure as this figure is measured net of all irrecoverable costs incurred by the investor i.e. property management costs and other irrecoverable expenditure. Nevertheless, it appears local authorities investing in commercial property use a variety of return target criteria with some often being as simple as a target net initial yield and these vary from between 4.5% up to 7.5%.
- 3.3.14 All investors in the market have their own target return criteria depending on risk appetite, borrowing availability and costs, time and preference for income or capital growth. ECC have set a gross income target of between 5% to 7%, which LSHIM recommend to be reviewed annually, as ECC will not want to compromise the risk balance of the portfolio with incorrect return criteria. i.e. to achieve the above income return, ECC would have to buy properties with shorter lease terms or poorer covenants.
- 3.3.15 The decision on investments will be taken by the Executive Director for Corporate and Customer Services (Section 151 Officer) or by the Cabinet Member for Resources. Performance will be reported within the existing quarterly Cabinet Finance reports.
- 3.3.16 The independent professional advisors will develop a detailed risk matrix for the initial evaluation of potential investments. This will ensure all key risks are highlighted and evaluated on an identical basis across all opportunities and cover the following
- Lease Terms

- Covenant strength
- Economic Conditions
- Loan to value
- Portfolio and Property Management

3.3.17 Each proposal will be accompanied by detailed analysis of those items outlined paragraph above, as well as a full financial model with professional input on specialist areas such as refurbishments and repair costs.

3.3.18 The property manager will have completed a site visit prior to any opportunity being provided to the Council, to prevent any unforeseen issues that may not be clear from the data provided by the agent themselves, including discussions with existing tenants and neighbouring businesses also where feasible, to ascertain economic conditions and any localised risks.

3.3.19 The Executive Director for Corporate and Customer Services and the Cabinet Member for Resources will consider the opportunity, in consultation with officers with professional experience, with a view to making a bid within a few days of the initial report from the fund manager. This will enable ECC to have credibility with the market and act with appropriate speed to acquire the right investment opportunity.

3.3.20 A formal decision to acquire would be taken by the Executive Director for Corporate and Customer Services (under £2m) or by the Cabinet Member (over £2m) before a formal bid is made.

3.3.21 Subject to the bid being accepted in principle, the property advisers will draw up heads of terms and appropriate surveys will be undertaken. This should be complete within 10 days and subject to that being satisfactory, lawyers can be instructed and the aim would be to complete within 20 days.

4. Risk Implications

4.1. As with any investment, the asset value can decrease as well as increase. A review of benchmark information over the last 15 years illustrates that there are years of capital and income decreases as well as growth – however the evidence over the long term – in recent years - is one of capital and income growth. This is not simply a national benchmark but has been a key component of Essex's existing Pension Fund and also Treasury Management Strategy (ECC already invest cash into an existing property fund vehicle in accordance with the approved Treasury Management Policy). It is important to understand the inevitability of investment asset volatility, but this should be understood in the context of the long term nature of these investments and the opportunity to generate investments at a higher rate of return than would otherwise be the case.

4.2. A significant and material decrease in an asset value could potentially impact the revenue budget and balance sheet through the deterioration of asset

values, as could falls in rental yield or voids. However the margin between the gross income yield and cost is sufficient to mitigate some volatility. If there was a catastrophic collapse of the UK property market, then ECC will still own the asset but more fundamentally, any such collapse would cause a significant issue to all local government finances, tax revenues and services.

- 4.3. The potential of Brexit clearly represents a risk to the performance of any investment portfolio; at this point there is no detail known of the terms of Brexit or the implications for the economy. The margin on the cost versus rental income is sufficient to accommodate volatility in rental income, but there could of course be ramifications for asset values. Those asset values can go up as well as down as a result of Brexit (and the purchases be made at low points in the market too should assets prices fall). However, the proposal is that of a long term outlook: the fundamentals of UK market supply and demand and current low long term fixed interest rates, mean that the commercial asset sector remains an attractive long term investment, and source for new commercial income. The entry into the market will be considered carefully for each proposed investment and if the evidence (borne of the prevailing economic outlook) is such that market entry looks to be high and the investment criteria cannot be met, then then purchasing will be suspended.
- 4.4. Many of the risks around this type of investment are linked to the quality of the asset being purchased and the incumbent tenant, which is addressed through the due diligence completed by the property advisors. The prospectus for each site will be comprehensive and lean heavily on the advisors' consideration of the evidence and professional judgement with which the Executive Director for Corporate and Customers Services and the Cabinet Member for Resources will use to aid their decision making. This due diligence will include site specific maintenance costs, capital refurbishment needs, and the need to understand operational risks (for example if ECC becomes responsible for the direct management of any common areas such as shared car parks).
- 4.5. All acquisitions will be subject to a rigorous due diligence process, overseen by LSHIM, as thorough as that carried out for any of their private or public sector clients. This will include providing or commissioning:
- an independent valuation, validating the purchase price.
 - Full Legal report from lawyers appointed by ECC
 - Building and Environmental surveys
 - Measured survey
 - Assessment of local economy and key risk indicators
- All the above are reported upon in a Purchase and Recommendation Report prepared by LSHIM.
- 4.6. The inclusion of structural void (at an assumed 5 %) within the modelling means that ECC is protected against periods of non-rental to achieve the MTRS target, however there would have to be around a 50% reduction across all rental income for the total portfolio to not cover costs. As mentioned in

section 5.9, such a fundamental property market collapse would signal far greater economic issues for ECC than this rental income. However, this can be partially mitigated through good due diligence of sites and a wide geographically split portfolio to spread the risk.

- 4.7. By directly investing in property ECC becomes liable for the asset. This means that ECC reaps any reward from the increase in property values but it also means that it suffers any loss if the value of the asset diminishes. The asset value can diminish as a result of changes to market conditions, or as a result of failure to invest (such as capital expenditure) or as a result of a catastrophic incident (such as a fire). Such an event can give rise to claims for compensation as well as a loss of the asset. It is therefore extremely important to ensure that ECC has appropriate insurance arrangements in place. ECC has been advised that investors with large portfolios typically bear the risk of rent voids arising from catastrophic events and ECC does not propose to insure against risk of loss of rent. This risk will be mitigated by having a broad range of assets and strong management of the portfolio, so any loss of rental is likely to represent a small share of the total income from the investment portfolio.

5. Legal implications

- 5.1. The Council has the power to acquire property for any of its functions under the Local Government Act 1972. It also has the power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or right) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions: Local Government Act 1972 s 111(1). Section 12 of the Local Government Act 2003 gives the Council the power to invest for any purposes relevant to its functions or for the purposes of prudent management of its financial affairs. The term 'invest' is not defined in the 2003 Act.
- 5.2. It is therefore likely to be lawful to invest in property for the purposes of the prudent management of its financial affairs. Where ECC acquires property for the purposes of achieving an income stream, the importance of undertaking appropriate checks taking appropriate advice cannot be overstated. There are risks inherent to any investment and the key risks associated with this project are set out in the risk section above. This project appears to offer the opportunity to take some risk but earn the opportunity to receive significantly higher income than would otherwise be achievable. In deciding whether or not to proceed with this scheme the Cabinet will need to balance the risks with the benefits.
- 5.3. It should also be noted that any owner of commercial property is required to invest in that property from time to time in order to ensure that the property remains marketable in order to retain existing tenants and, when necessary, attract new ones. It is important that any assessment takes account of this continuing requirement to invest.

6. Equalities

- 6.1. The Public Sector Equality Duty applies to ECC when it makes decisions. The duty requires us to have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 8.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 8.3. The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

9. List of Appendices

10. List of Background papers

All background papers include exempt information on the grounds of commercial sensitivity.

		AGENDA ITEM 7
		CSC/19/17
Committee:	Corporate Policy and Scrutiny Committee	
Date:	24 October 2017	
Enquiries to:	Name: Robbie Watson-Levey Designation: Customer and Member Enquiries Manager, Corporate and Customer Services Contact details: 0333 01 36680 robbie.watson-levey@essex.gov.uk	

MEMBER ENQUIRIES

Action required by members at this meeting:

- 1. To consider the progress made with actions since the September 2017 meeting.**

Corporate Scrutiny Committee – 12 September 2017

Member Enquiries – further recommendations – update 16 October 2017

1. Diarise further member training session on Report-It tool and highways matters.

Update:

- Essex Highways have arranged a briefing session for Members for 13 October regarding Winter Service
- Report It tool briefing to be arranged following the completion of the Report It Tool and Essex Highways communications review (Essex Highways TBC).
- Essex Highway to be programme further Members briefing sessions (Essex Highways TBC)
- As part of the Member Enquiries survey Members have been invited to visit Member Enquiries Team – either drop in or book an appointment to meet the team or to discuss specific enquiries.

2. Acknowledge Cabinet Member commitment to further review Report-It tool and the production of more timely and regular responses and updates and indicative timescales for action.

Update:

- Essex Highways continue to investigate options and improvement for both the report it tool and the provision of communications. These are subject to consideration as part of Cllr Mitchells review (Essex Highways TBC).

3. Heartened by first indication of joint training with Highways and strongly encourages further regular such initiatives are pursued with all service areas.

Update:

- Member Enquiries Team have programmed further joint training in collaboration with Essex Highways on a range of topics
 - Winter Maintenance - October 2017
 - Parking Partnership - October 2017
 - Inspectors Workshops - October 2017
 - Street Lighting – November 2017
 - Permits – December 2017
 - Road Surface Dressing – January 2018 (tbc)
 - Flood Management– January 2018 (tbc)
 - Vegetation and grass cutting – February 2018 (tbc)
- Other training
 - Local Government and Social Care Ombudsman Training Children and Children Social Care Complaints - October 2018
 - Statutory Complaints Training for Children and Families Team/Service Managers – December 2017 (tbc)

4. Further clarification to be provided on ECC relationship with parking partnerships in relation to accountability and responsibility and reporting of incidents

Update:

- Essex Highways to produce information to Members on Essex Parking Partnerships for Members (Nov/Dec 2017) and arrange a Member briefing session (Essex Highways TBC)

5. Cllr Mitchell to factor in a method to advise members if projects delayed.

Update:

- Essex Highways are currently identifying what additional or complementary processes they could introduce to provide updates for both Members and resident where schemes change (Links to Cllr Mitchell review) (TBC)
- Essex Highways reviewing Roadwork information boards to (Essex Highways to advise)

6. Encourage further differentiation between the management and response to non-complex and complex issues.

Update:

- Member Enquiries Team Training and guidance is to be provided to identify and resolve simple enquiries more effectively (October). In addition we will continue to work with the Cabinet Office to identify ways to improve the process for those enquiries which require sign off (Ongoing).

7. That the Ringway Jacobs SLA be amended to include customer info timescales and quality of response as part of 5+5 contract re-negotiations.

Update:

- TBC

8. Further integration of Highways and ME IT systems be investigated.

Update:

- ECC Digital Foundations Project will enable great IT links for ECC and partners (including Essex Highways)

9. Welcome commitment that there will be further member survey and that it needs to be designed so that it is comparable to the previous survey.

Update:

- Member Enquiries survey has been issued closing date of 13 October. The results will be reviewed and analysed and shared.

Further info: the number of Cabinet Member referrals back to service area when inadequate response is presented for sign-off.

Update:

- Although we do not collect this information generally, we have gone back through our records for the last two months and are able to provide the following figures:
- 1.94% of draft responses were returned from either the Cabinet Office, Leaders Office and/or Chief Executive's Office
- Of this 1.94%, 1.39% of these draft responses related to Roads and Travel (Highways)

		AGENDA ITEM 8
		CSC/20/17
Committee:	Corporate Policy and Scrutiny Committee	
Date:	24 October 2017	
Enquiries to:	Name: Joanna Boaler Designation: Head of Democratic Services, Statutory Scrutiny Officer Contact details: 03330 134 578 joanna.boaler@essex.gov.uk	

WORK PROGRAMME

Action required by members at this meeting:

- 1. To note the current position as regards work planning and programming as agreed at the September 2017 meeting.**

CORPORATE POLICY AND SCRUTINY COMMITTEE

WORK PROGRAMME 2017-18 (ADOPTED BY SEPT 2017 COMMITTEE MEETING)

Approach to topic selection – where can the committee conduct reviews quickly, influence change and make a difference to the residents of Essex.

Date/Timing	Issue/Topic	Focus/other comments	Approach
November 2017	Budget Out-Turn	Historically these have been regular quarterly updates after Cabinet. It is proposed to only do this twice-yearly. This timing aligns with ECC's half yearly Budget Out-turn reporting	(i) To be half-yearly in future (ii) Cabinet Member to present (iii) To identify any particular issues for further 'dive' on an ongoing basis
TBC	Member Enquiries/Highways Report-It tool	Follow-up on original Task and Finish Group scrutiny report recommendations and subsequent Sept 17 full committee session with further recs.	(i) Cabinet Member to provide indicative timings for implementation of recs (ii) Follow-up date subject to above
First half 2018 – timing TBC	Business Rates retention	Opportunity to learn more about Local Government funding distribution and any early piloting of national plans.	(iii) Timing TBC – dependent on national plans and any local pilot areas.
TBC - 2018	Fees and charges	Look to influence at most appropriate time to maximise that influence. Opportunity to see this through 'residents' eyes'.	(i) Timing TBC after further discussions with key officers (ii) Could overlap with remit of other committees so there could be an opportunity for joint working.
TBC - 2018	Administration of grants	Opportunity to review how grants are distributed externally, mechanisms used, how targeted, where most needed, how get most return.	(i) Timing TBC after further discussions with key officers (ii) Could overlap with remit of other committees so there could be an opportunity for joint working.
May/June 2018	Budget Out-Turn	As November 2017 above.	As November 2017 above

Cont... 1/2

Issues previously suggested and to be 'parked' pending further information and/or discussions and further evaluation				
-	Review process for developing policy	Focus to be determined – suggestion from previous committee	(i)	To be determined
-	Emerging organisation strategies	These may fall under remit of other committees in any case	(i)	To be determined
-	Reserves	How are they set/used? This may be covered in discussions on Budget Out-turn and/or separate work on Business Rates Retention.	(i)	To be determined
	Property portfolio	Value of ECC Estate and disposal strategy. suggestion from previous committee	(i)	To be determined
	Property Investment to shape communities	Focus to be determined.	(i)	To be determined
	Procurement	Suggestion from previous committee. (Refer to task and Finish Group report). Committee could look at strategy and how contracts were procured and was it a good way to procure (the efficacy of a contract).	(i)	Actual contract performance issues should be considered by appropriate scrutiny committee (e.g. HOSC, PAF or Place)
			(ii)	Further consideration in due course.
	Registration services	Rationalisation of buildings/co-location. Can scrutiny influence the shaping of something new or will it be a review of the implementation of a strategy?	(i)	Could seek an update on where ECC are with the rationalisation programme.
			(ii)	To be determined.

Issues previously suggested and not to be pursued				
Not applicable	Libraries consultations	Place scrutiny committee has remit over library services.	(i)	It is not currently an issue being actively considered by Place committee.
Not applicable	Review of Essex Design Guide	Place scrutiny committee has remit over planning.	(i)	It is not currently an issue being actively considered by Place committee.