

Minutes of the meeting of the Corporate Policy and Scrutiny Committee, held online, on Tuesday 29 September 2020

Present

Councillor M Mackrory (Chairman)
Councillor A Turrell
Councillor M Buckley
Councillor G Butland
Councillor M Garnett

Councillor V Metcalfe (Acting Chairman)
Councillor J Moran
Councillor R Pratt
Councillor S Lissimore

1. Membership, Apologies, Substitutions and Declarations of Interest

There are no changes to the membership of the committee since the last meeting.

Apologies were received from Cllr Maddocks.

No declarations of interest were noted.

2. Minutes

Members approved as a correct record Minutes of the meeting held on 28 June 2020.

3. Questions from the Public

There were no public speakers

4. ECC Reserves

Members received report CPSC/08/20. Cllr Metcalfe welcomed the following Members and officers to the meeting to support the discussion:

- Cllr Christopher Whitbread, Cabinet Member for Finance
- Stephanie Mitchener, Director for Finance
- Adrian Osborne, Head of Strategic Finance and Insight

Cllr Whitbread talked members of the committee through a presentation. Key points raised included:

- The Council holds reserves to provide some resilience to cope with unpredictable financial pressures and long term contractual commitments.
- We have a statutory requirement to provide for an adequate level of reserves

- Section 151 Officer must advise the Council about the level of reserves to hold and report to Members of the Council where reserves have become seriously depleted
- Members are responsible for ensuring that the Council's reserves are appropriate for local circumstances, taking into consideration the advice provided by the Section 151 Officer
- Without adequate reserves, it may be necessary to take remedial urgent action in-year to mitigate challenges that arise, which could lead to longer term consequences
- Our reserves allowed us to get through a particularly challenging period at the start of 2020/21 when a number of emergency decisions were required at the start of the COVID-19 pandemic and we had yet to receive any additional funding from Government
- There are different types of reserve:
 - Restricted use funds: Held for long term contractual commitments or on behalf of others. These are not available for use.
 - Other revenue reserves: Earmarked for transformation and savings projects.
 - General balance reserves: Open reserves used to regulate a working balance, protecting against unexpected cost pressures.
- Return on holding reserves – The council earns interest on some of its reserves. The return on investments from reserve balances achieved an income of £3.7 million in 2019/20. Cash balances were also used to temporarily defer external borrowing, avoiding an estimated £5 million in debt refinancing costs.

Following the discussion, members were invited to ask questions. Key points raised included:

- The waste reserve – The recent court ruling freed up this reserve, but it's unclear yet what will happen to this money.
- Negative interest rates – There is a robust process in place to monitor the state of the interest rates on our reserves. We are looking at what potential negative interest rates would mean for our reserves with the association of county treasurers and CIPFA.
- Investment in technology – drawdowns in 2018-19 helped enable homeworking during the crisis.

Cllr Metcalfe thanked the Cabinet Member and officers for their attendance.

5. Commercial Property Strategy Update

Members received report CPSC/09/20 outlining ECCs current commercial property portfolio and proposed changes to the investment strategy. Cllr Christopher Whitbread remained for this item and was joined by:

- Tina French, Head of Finance, Commercial Insight

Key points raised during the presentation include:

- Original ambition £150m over a number of phases. Cabinet approved initial phase of £50m in July 2017
- Original policy decision to invest outside Essex, driven by financial return.
- £34m invested in property portfolio 3 locations (balanced portfolio – retail, light industrial, office)
- Paused 2018 (Brexit, MRP, borrowing ahead of need guidance etc.)
- Phase 1 saw £34 million invested in 3 locations. These include Keighley retail park, Moorfield Centre in Guildford and 45 Clarendon Road, Watford.
- Expected that the 2020/21 budget will be achieved
- Overall year to date collection rate is currently at 82%.
- Forecast rent collection is 92%
- Value of the portfolio has decreased by £2m to £29.1m
- Work underway on next phase investment strategy within Essex to deliver commercial return and economic growth benefits

Following the presentation, members of the committee were invited to ask questions. Key points raised included:

- Investments in Essex – the committee welcomed the announcement that future investments were to be made in Essex, rather than outside of county boundaries.
- Retail investments – these have held up better than retail investments in town centres because they are out of town retail parks.
- Lambert Smith Hampton (LSH) – members asked how the fee for LSH was calculated. It was noted that LSH receive a set fee rather than an incentive based fee calculated as a percentage of profit from the portfolio.
- Consultancy contract arrangements – the contract falls into the existing MITIE property management contract. This framework is currently under review. Regular check in meetings take place between LSH and the Cabinet Member/s151 officer to monitor progress.
- Drop in value overall – members noted that with all things considered, the value of the properties had actually dipped by £2 million in the round. Members were assured that the market is in a state of flux, and it would be wise to revisit this conversation once the market has settled.

ACTION: the following questions were submitted by the committee to be answered offline:

- *What are the performance metrics on Lambert Smith Hampton?*
- *Have any comparative asset valuations been undertaken to better gauge the current value of our portfolio?*

ACTION: Members requested that this item be scheduled for an update at the March meeting of the committee, before the new investment strategy is finalised.

Cllr Metcalfe thanked the Cabinet Member and officers for their attendance.

6. Future Meeting Dates

Members approved the list of future meeting dates

7. Date of Next Meeting

The next full committee day will be Tuesday 27th October

8. Urgent Business

None received

<Close of public portion meeting>

Members of the committee passed the following formal resolution:

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

9. Urgent exempt Business

None received

Close of meeting

The formal meeting closed at 11.45