

ACTION NOTES

SCRUTINY COMMITTEE

WEDNESDAY, 5 APRIL 2017



COMMITTEE MEMBERS PRESENT

Councillor Phil Dilks
Councillor David Mapp
Councillor Bob Russell
Councillor Bob Sampson (Chairman)
Councillor Jacky Smith (Vice-Chairman)

Councillor Mrs Judy Smith
Councillor Ian Stokes
Councillor Mrs Sarah Stokes
Councillor Mrs Brenda Sumner
Councillor Frank Turner

OFFICERS

Strategic Director Corporate (Daren Turner)
Corporate Finance Manager (Richard Wyles)
Executive Manager Property (Neil Cucksey)
Executive Manager Corporate (Lucy Youles)
Community Engagement and Policy
Development (Carol Drury)
Democratic Officer/Scrutiny Officer
(Lucy Bonshor)

OTHER MEMBERS

Councillor Bob Adams
Councillor Teri Bryant
Councillor Frances Cartwright

Councillor Adam Stokes

50. MEMBERSHIP

The Committee was notified that Councillor Ian Stokes was substituting for Councillor Kaberry-Brown for this meeting only.

51. DISCLOSURE OF INTERESTS

None disclosed.

EXCLUSION OF THE PUBLIC

It was anticipated that, in accordance with Section 100A(4) of the Local Government Act 1972 (as amended) the public may be excluded from the meeting during consideration of the following item of business because of the likelihood that exempt information, as described in paragraph 3 of the Act (as amended) would be disclosed to the public.

Your council working for you

52. EXECUTIVE MEMBER DECISION 21ST MARCH 2017 - INVESTMENT PROPOSAL

Decision:

That no further action was to be taken.

The Non Key Decision made by the Executive Member of Finance & IT on 21st April 2017 – That approval is granted in accordance with the Investment Strategy took immediate effect.

The Scrutiny Officer outlined to Members the reason for the committee meeting, who called the decision in and the order of proceedings that the call-in would take.

On behalf of three of the Members who had called the decision in Councillor Adam Stokes stated that he felt that inadequate and insufficient consultation had taken place. Why were properties not being looked at within the district, why invest in a property outside the district where business rates would be given to another authority. No other facts or information on any other options considered seemed to be available. The investment could be seen as a big risk, smaller investments could yield bigger income with smaller risks attached.

Councillor Ian Stokes stated that nobody seemed to know about any investment outside of our own district until the decision had been made. He felt that investments should be looked at within the district.

Councillor Jacky Smith stated that she had looked in detail at the information available and she felt that it wasn't a brilliant investment proposition as the owners of the site had changed three times which usually wasn't a good sign. She felt that companies could have good profits but they could also quickly become unprofitable. She felt that investment should be with businesses within South Kesteven, it did not give confidence to those business within South Kesteven when the Council was seen to be investing in property outside the district. She felt that there were far too many unknowns.

A vote was taken by the Committee as to whether to proceed with the call-in.

Decision:

It was agreed to continue to proceed with the call-in.

One Member asked for clarity about what money came to the Council if the proposal went ahead. Rental income came to the Council, business rates would go to the authority where the property was situated.

The Executive Member then gave his reasons for making the decision. The decision had been taken in accordance with the Investment Strategy. The Investment Strategy had been discussed at length at the Resources PDG in November 2015 and agreed by the Executive at their meeting in December 2015. Officers had brought forward numerous investment cases within the

district but it was getting the appropriate business within the district. Members were welcome to ask questions of Executive Members at any time about proposed decisions scheduled to be made by the Executive but nobody had contacted him in connection with this proposed decision.

The Strategic Director Corporate and the Corporate Finance Manager gave some background context. All Members were aware of the position with local authorities and the financial position with the withdrawal of Government grants. The current rate of return on investments was very poor. Reserves needed to be used in the best possible way by the Council to be able to continue with front line services. Ways were being looked at for funds to be invested to enable a greater level of return and the Commercial Investment Strategy was one of these ways, this was different to the Economic Development Strategy. Criteria for the Investment Strategy had been debated at the Resources PDG in November 2015 and agreed by the Executive at their meeting in December 2015. The criteria included that where possible investment should be looked at within the district, however if after four to six months it became apparent that this was not happening then officers could look outside the district at opportunities on a case by case basis. The Investment board had actively looked at 20 properties, however properties within the district were few and far between. The portfolio of property looked at was diverse, not solely industrial properties but office and commercial also. Information was then given to Members about the current tenant and the lease in place. A full survey had been carried out on the property and the bid offered was appropriate in the current market. Reference was then made to acquiring smaller lots but these could require intensive management and have lower yields, they also tended to have a higher turnover of tenants.

The Executive Member then detailed the proposed return that would be expected on the investment again he reiterated that the decision he had made was in accordance with the Investment Strategy and the investment money had been accounted for within budget the proposals which had been agreed by Council.

Questions were then asked about management costs, the lease, risk and business rates to which the Executive Member, the Executive Manager Property and the Strategic Director Corporate replied.

A question was asked about the tenant to which the Executive Manager Corporate replied that they had been at the location since 2007.

Further comments were made about investing within the district rather than outside and also about having smaller investment opportunities and encouraging business locally.

The Strategic Director Corporate reiterated to Members the need to find alternative funding for front line services following the decrease in the Revenue Support Grant to zero. A specific amount had been allocated in the budget to look at opportunities in line with the Investment Strategy following stringent criteria. Officers had worked hard to get properties locally but it was very difficult and the Strategy did allow for businesses to be looked at outside of the

district. Diverse income streams had been explored and examined and many properties had been looked at.

The Corporate Finance Manager referred to the new Investment Strategy that had been discussed by the Resources PDG and which was scheduled to go to the Executive in May. The updated Investment Strategy had been unanimously supported by the Members of the PDG at their meeting in March.

A question was asked about why it was a Non Key Decision rather than a Key Decision. As money had been allocated within the budget to the Investment Strategy a Key Decision was not required.

Further comments were made about the property being outside the district and the perception of people within the district. Due diligence had been undertaken with the proposal and all relevant surveys and checks had been undertaken. The Council had to look at the level of risk against the level of return.

The Chairman then asked the Committee to vote, the Committee had two options:

- To take no further action or
- Recommend that the Executive Member reconsider his decision

On being put to the vote there was an equality of votes for each and the Chairman used his casting vote to take no further action.

The meeting closed at 11:00am.