

16 DECEMBER 2016

NEW FOREST DISTRICT COUNCIL

CORPORATE OVERVIEW AND SCRUTINY PANEL

Minutes of a meeting of the Corporate Overview and Scrutiny Panel held in Bradbury Room, Appletree Court, Lyndhurst on Friday, 16 December 2016

* Cllr M R Harris (Chairman)

* Cllr Mrs A M Rostand (Vice-Chairman)

Councillors:

* A R Alvey
* W G Andrews
* M J Kendal
* Mrs A E McEvoy

Councillors:

* A D O'Sullivan
* M A Steele
* D B Tipp
* C A Wise

*Present

In attendance:

Councillors:

G R Blunden
Mrs F Carpenter
J D Heron
B Rickman
Mrs C V Ward

Officers Attending:

R Beere, A Bethune, M Callaghan, C Elliott, Miss G O'Rourke, Mrs M Sandhu and D Willis

34 COMMERCIAL PROPERTY INVESTMENT

The Panel received a report on a proposed income generation strategy through commercial property investment. This option has been pursued by a number of neighbouring councils over recent years, due to relatively poor returns from financial investments following prolonged periods of very low interest rates.

The report proposed that a task and finish group be set up to develop a strategy for investment in commercial property, either for the purpose of economic development or regeneration within the District, or for the purpose of income generation for the provision of services, or a mixture of both purposes. The report sought approval from the Panel and the Cabinet on the 'overall direction of travel', which, if agreed, would inform the detailed strategy.

It was noted that other local authorities were purchasing commercial properties in support of these goals and it appeared that although there was an element of risk, there were opportunities to secure good quality commercial property at a level that could generate a worthwhile yield.

Local authorities could borrow funds from the Public Works Loan Board to finance investment opportunities within their districts at competitive levels of interest, taking advantage of the low borrowing cost climate.

The report highlighted the Council's current low level of commercial property investments, the financial strategy and business case, one - off and ongoing costs, prospective opportunities, finance examples, a recommended purchase process and scoring matrix, and risk factors.

An indicative example given suggested that an investment of £25m funded by borrowing on a repayment basis may be required to achieve a net annual profit of £500k (after allowing for borrowing costs) based on a 6% gross target yield.

A member referred to a recent briefing from the Council's Treasury Management consultants, Arlingclose, which provided investment comparisons data. This would be discussed by the Task and Finish Group.

Opinion among Panel members was mixed. Some felt that a good spread of prudent investment, if managed well, had a reasonable chance of success. Some members opposed property investment as being speculative, especially in what were seen as unpredictable times.

Some members felt the Council should focus on enhancing existing investment types, such as cash investments in pooled property funds, which were considered to reduce risk, due to spreading investment across a larger number of properties, but potentially producing a lower yield. It was pointed out that higher yields were dependent on higher risks.

Some members supported investments other than using cash, though some only favoured certain types of property investment. One member expressed a preference for residential development, as being less risky than commercial. It was explained that residential schemes were part of a different project. Reference was made to HCC, which made strategic property purchases, often at the same time occupying such buildings itself, to avoid rental costs.

One view expressed was that £25m was too small an amount to enable risk to be spread adequately among a sufficient number of property investments.

Most members that supported commercial property investment expressed a preference for economic development and regeneration schemes, especially since these were in support of the Corporate Plan.

In response, officers indicated that they were aware of the risks and issues raised and, subject to member agreement, would proceed with prudent caution, looking at a multi-stranded approach.

RESOLVED:

- (a) That subject to the comments made, the Panel endorse the overall approach set out in this report and request that a commercial property investment strategy be developed for consideration by Cabinet.
- (b) That in light of the above, Councillors Harris, Mrs McEvoy, B Andrews and O'Sullivan be appointed to a Task and Finish Group to work with officers and the Portfolio Holder for Finance & Efficiency in developing the strategy.

35 ASSET MAINTENANCE AND REPLACEMENT PROGRAMME AND CAPITAL PROGRAMME 2017/18

The Panel received a report on the proposed revenue and reserve funded Asset Maintenance & Replacement programme (AMR) and Capital programme for 2017/18 and outline budgets to 2019/20.

The original proposal was for £2.7m to be allocated for the upkeep of Council buildings for 2017/18.

It was explained that a significant level of investment (£1.5m over 3 years) was required to bring both hardware and software up to modern standards and requirements.

Members noted that details of the local government finance settlement had recently been released, which had significant implications for NFDC. Funds had been diverted £240m from the New Homes Bonus payments (district councils) to Adult Social Care (county councils), which meant sizeable budget deficit of £726k for NFDC in 2017/18. As a result of this, the funds for the AMR programme funded directly via the General Fund Budget had to reduce to around £2.4m.

The 2017/18 AMR programme totalled £3.198m, with £2.403m being funded within the General Fund revenue budget in line with the £2.4m resources identified, £295k relating to a Leisure Business Development project being funded via use of reserves, and a 3 year 'ICT Protect and Maintain Front Line Services' sum, predominantly funded by underspends that had occurred in 2016/17.

RESOLVED:

- (a) That it be a recommendation to the Cabinet that the contents of the report be noted and that the schedule of projects as included at Appendix 3 of the report be agreed by the Cabinet for inclusion in the 2017/18 budget; and
- (b) That the figures in Appendix 2 be amended to reflect additional use of resources to the value of £295,000.

RECOMMENDED:

That it be a recommendation to the Cabinet that the contents of this report be noted and that the schedule of projects as included at Appendix 2 and 3 of the report be agreed by the Cabinet for inclusion in the 2017/18 budget.

36 VIBRANT TOWNS AND VILLAGES

The Panel received an update report on improving the vibrancy of towns and village centres.

A series of town and village workshops were held in September and October to gain a better understanding of the issues impacting local retail centres and to identify ways in which these barriers could be overcome through collaborative working.

Some themes were common to all areas, but issues varied in the different areas. One of the main themes was that customer care was a strength of local businesses.

It was noted that there would be a follow up session in Lymington to identify next steps on 9 February 2017.

Members made a number of comments and suggestions including the importance of parking availability, input from younger residents and traders, keeping the streets clean, a vibrant nightlife and a location of businesses in attractive areas.

Members felt this was an excellent report which represented a very important part of the Council's function and strongly supported the direction indicated.

RESOLVED:

That the conclusions of the report be noted.

37 DIGITAL APPRENTICESHIP SERVICE

The Panel received a report giving an overview of the changes to Apprenticeships planned for 2017, under the new title of the Digital Apprenticeship Service.

RESOLVED:

- (a) That the report is noted.
- (b) That apprenticeships continue to be supported moving forward.

CHAIRMAN