

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

Minutes of the meeting of the **JOINT OVERVIEW AND SCRUTINY COMMITTEE** held in the King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Monday, 28 June 2021

PRESENT:

Councillors:	Simon Barrett	Terence Carter
	James Caston	Siân Dawson
	Paul Ekpenyong	Jane Gould
	Margaret Maybury BA (Hons) Ch Th	Mary McLaren (Co-Chair)
	David Muller BA (Open) MCM	Keith Scarff
	RAFA (Councillor)	
	Keith Welham (Co-Chair)	

In attendance:

Councillor(s):	Councillor David Busby – Chair of BDC (Suffolk Holdings) Ltd. And BDC Cabinet Member for Assets and Investments Councillor Elisabeth Malvisi - Director of CIFCO CAPITAL LTD. Councillor Gerard Brewster – Chair of MSDC (Suffolk Holding) Ltd. Councillor Peter Gould – MSDC Cabinet Member for Assets and Investments Councillor Rick Meyer – Director of CIFCO CAPITAL LTD.
Witness(es):	Sir Christopher Haworth - Chair of the Board of Directors for CIFCO CAPITAL LTD. Neville Pritchard – Director, Capital Markets JLL (Jones Lang LaSalle) Henry Coke – Director, CIFCO CAPITAL LTD. Zoe McLaughlin – Ensors Accountants (CIFCO Auditors) Helen Rumsey – Ensors Accountants Tawanda Mutenga – Commercial Business Partner – Corporate Resources
Officers:	Assistant Director – Assets and Investment (EA) Assistant Director – Environment and Commercial Partnerships (CC) Assistant Director – Corporate Resources and Section 151 Officer (KS) Assistant Director – Law and Governance and Monitoring Officer (EY) Commercial Business Partner – Corporate Resources (TW) Corporate Manager – Public Realm (WB) Service Improvement Advisor – Environment and Commercial Partnerships (SB) Senior Governance Officer (HH)

Apologies:

Kathryn Grandon

There were no declarations made by Councillors.

65 JOS/21/1 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 24 MAY 2021

65.1 Councillor Ekpenyong referred to paragraph 60.11 and asked that a 't' was added to the word '*though*'.

It was Resolved:

That with the following amendment the minutes of the meeting held on the 24 May 2021 be approved and signed as a true record:

66 TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME

None received.

67 QUESTIONS BY THE PUBLIC

67.1 The Chair, Councillor Welham referred to the tabled papers and informed Members that two questions had been received and that the question received from Mr Young would be deferred to item 8.

67.2 The Chair then read out Mr Morelli's question and informed Members that he intended to respond to it under items 13 and 14, the Babergh and Mid Suffolk workplans, to which they related.

68 QUESTIONS BY COUNCILLORS

None received.

69 EXECUTIVE SUMMARY - CAPITAL INVESTMENT FUND COMPANY (CIFCO CAPITAL LTD.) BUSINESS TRADING AND PERFORMANCE REPORT 2020/21

69.1 The Assistant Director – Assets and Investments explained the Executive Summary had been provided to assist Members with the report.

70 JOS/21/2 CAPITAL INVESTMENT FUND COMPANY (CIFCO CAPITAL LTD.) BUSINESS TRADING AND PERFORMANCE REPORT 2020/21

70.1 The Chair, Councillor Welham outlined the purpose of the scrutiny process to Members and invited the Mid Suffolk Cabinet Member for Assets and Investments to introduce the report.

70.2 Councillor Peter Gould detailed the main points and developments for CIFCO included in the report and informed Members that CIFCO's website has been updated to provide more detail about the company.

70.3 The witnesses then introduced themselves to the Committee:

- Sir Christopher Haworth - Chair of the Board of Directors for CIFCO CAPITAL LTD.
- Neville Pritchard – Director, Capital Markets JLL (Jones Lang LaSalle)
- Henry Cooke – Director, CIFCO CAPITAL LTD.
- Zoe McLaughlin – Ensors Accountants (CIFCO Auditors)

70.4 Emily Atack, Chris Haworth and Neville Pritchard then presented a summary of the Business Plan to Members including the purpose of the business plan, key investments criteria 2020/21, acquisitions and portfolio summary, key performance indicators (KPIs) and the business debt repayment plan, CIFCO Capital and Income 2017 – March 2021 and the income to the Councils.

70.5 The chair of the Board of Directors, Chris Haworth concluded that the portfolio was well balanced, however the board was always looking to improve the value of the assets. Despite a capital (book) loss of £12.5m, Councils had to date received a net income of £5.5m.

70.6 The Chair then read the question received from Mr Young, a member of the public:

Why was it necessary for CIFCO Capital Ltd. to allocate 983269 new shares on 20.01.2021 to each shareholder (BDC & MSDC) and when and where were BDC Councillors informed, and subsequently agreed to such action?".

70.7 The Assistant Director – Assets and Investments responded that shares were allocated to the shareholders on the acquisition of new assets by CIFCO to represent the equity element invested by the shareholders. Due to the process involved these were often grouped together and issued as a single allocation of shares – the allocation referred to above was in respect of 4 property acquisitions by CIFCO and represents 10% of the costs of acquiring the properties, which was the agreed equity investment by the shareholders. This process for issuing shares had been in place since CIFCO was originally set up and ensured that the shareholders equity is appropriately recorded and protected.

70.8 The Chair then read the supplementary question from Mr Young:

Why has a resolution dated 27 Sept 2019, giving authority for the CIFCO CAPITAL Ltd. Directors to allot shares, and signed on behalf of BDC (SUFFOLK HOLDINGS) Ltd., only just been registered some 20 months late?

70.9 The Assistant Director – Assets and Investments responded that CIFCO's lawyers noted that this resolution was not showing on the Companies House website when undertaking some company housekeeping. A copy of the

resolution was sent to Companies House at the time; however, it was not uncommon for documents to go missing or be filed erroneously by Companies House. It was decided therefore to refile the resolution for completeness.

- 70.10 Councillor Dawson enquired after the value of the shares and the Assistant Director – Assets and Investment responded they represented 10% of the value of the assets and that each held a value of £1.
- 70.11 Councillor Caston referred to the opportunistic investments in the report and if there was a way to look further afield to achieve balance for opportunistic investments.
- 70.12 Sir Christopher responded that currently there was no plans to sell any assets in the short term but in the future any possible opportunities would be considered.
- 70.13 Councillor Welham queried the investment guidelines in relation to investments in the north of the country and the Assistant Director for Assets and Investments responded that the guidelines were to invest across the country. However, the focus had been on investing in the south, as this part of the country provided better opportunity to acquire suitable assets meeting the criteria.
- 70.14 In response to Councillor Scarff's question to the late payment interests on page 30, and at what level of interest was this calculated, the Assistant Director for Assets and Investments clarified that deferred payment would be charged at 2% above the agreed interest rate for the main loan.
- 70.15 Councillor Barrett commented that the CIFCO fund 5.6% return though the whole point of CIFCO was to generate a net income to the Council. He asked if the net income return of 3.67% to the Council acceptable as he felt it was very poor return for the amount invested by the Council.
- 70.16 Assistant Director – Corporate resources and Section 151 Officer explained that the 3.67% was slightly better than the anticipated rate, when CIFCO was set up as then the anticipated rate had been 2%.
- 70.17 In a response to a further question from Councillor Barrett, the Assistant Director – Corporate Resources responded the Councils were no longer able to access the Public Work Loans Board (PLWB) for debt for yield investment.
- 70.18 Councillor Barrett asked if it would not be prudent to reduce the management costs and make CIFCO a holding company rather than an acquisition type company.
- 70.19 The Assistant Director for Assets and Investments explained that the cost related mostly to the consultants employed to manage the portfolio to ensure that CIFCO received the best advice and that the board had reviewed how

the portfolio should be managed. It was important to manage the portfolio well to maintain value and maximise opportunities. This was particularly true during the pandemic when it was important to manage a good relationship with tenants to maximise rent collection and support businesses long term prospects.

- 70.20 Councillor Maybury referred to the re-letting of properties and how she understood void period of six months were likely before a property could be re-let. She also queried the time it took to refurbish a property. The Assistant Director of Assets and Investments outlined the rental arrangements with tenants and explained how refurbishment could increase the rental charges and gain high quality of tenants for the properties.
- 70.21 In response to further questions from Councillor Maybury the Assistant Director continued that tenant engagement formed part of the contract with the management agent at no additional costs, and that there was an allowance in the budget for additional costs such as costs for transactions such as rent reviews and re-lettings to be undertaken.
- 70.22 Councillor McLaren asked the Section 151 Officer whether in her professional opinion, she thought that the KPI measures were appropriate.
- 70.23 The Section 151 officer responded that her professional opinion did not extend to property, hence the professional advice received, however she was comfortable in relation to the Councils' finance.
- 70.24 Councillor McLaren asked when CIFCO would be allowed to pursue debts in relation to the Government's regulations for the recovery of rental debt.
- 70.25 The Assistant Director for Assets and Investments explained that the current pandemic Government regulations suspended usual rent recovery actions until June 2022. However, in the meantime the Government would be introducing arbitration to support agreements regarding rental arrears being made between landlords and tenants.
- 70.26 Councillor Ekpenyong referred to the weighted average unexpired lease term (WAULT) of approximately eight years and six months, page 19 in relation to the assets liquidity outlined in the Strategic Priorities on page 22 and asked how these two objectives sat together.
- 70.27 The Assistant Director for Assets and Investments responded that this was the average length of the lease term for the portfolio and that leases were renegotiated to ensure rental growth she then outlined the liquidity for assets and explained that liquidity relates to whether assets could be easily sold. Investors would consider lease length when acquiring assets and different lease lengths are attractive to different investors.
- 70.28 Chris Haworth continued those reviews of leases and lease renewals added value to the portfolio and enabled an increased to the rental income over

time. Currently the portfolio performed well in this respect.

- 70.29 Mr Pritchard added that leases were usually for 10 years, often with a break clause at 5 years but depended upon the markets for different properties. Leases expired could be advantageous, as it was possible to apply rent at market value to properties when leases were up for either re-negotiations or for new tenants.
- 70.30 Councillor Gould referred to sustainability and initiatives and asked if there were other targets for sustainability than the EPC.
- 70.31 The Assistant Director for Assets and Investments explained that whilst the Board of CIFCO was keen to have targets for sustainability, only ECP data was currently available to measure against, but other sustainable targets would be considered in the future as further benchmarks are developed by the industry.
- 70.32 Chris Haworth explained that it was difficult to set targets for sustainability, as each property and tenant were different. However, investing in some properties might be considered by the Board in the future. In a response to a further question from Councillor Gould, The Assistant Director for Asset and Investments confirmed that JLL had a sustainability department, which CIFCO collaborated with. CIFCO shared the sustainability challenge with tenants, but that she thought the CIFCO was at the forefront of this changing model.
- 70.33 Councillor Welham asked for clarification of the management fee.
- 70.34 The Assistant Director responded that company management costs equated to circa 17.5% of the annual income and this covered all of the running costs of CIFCO.
- 70.35 In response to a further question from Councillor Welham regarding the shortfall of repayments, the Assistant Director responded that the repayments would be discussed at the end of three years and would either be repaid or added to the debt if this was not possible.
- 70.36 Members debated the issues and Councillor Caston felt that CIFCO was in a better place than he had thought based on the information he had received at this meeting.
- 70.37 Members considered the recommendation to make to Council and there was a general agreement that the Committee thought the Business Plan was robust and that Members had scrutinised the four bullets point detailed in the Executive Summary.
- 70.38 Councillor Barrett proposed that the Committee had considered the four bullets point in the Executive summary and that the Committee was satisfied that the Business Plan was robust for 2021/22.

70.39 Councillor Ekpenyong seconded the recommendations.

By 10 votes for, 1 abstention

It was resolved: -

That the Joint Overview and Scrutiny Committee had considered the four bullets points in paragraph 1.2 of the Executive Summary and that the Committee was satisfied that the CIFCO Capital Ltd Business Plan and Investment Plan was robust for 2021/22.

71 JOS/21/3 SCRUTINY AND REVIEW OF THE JOINT PARKING STRATEGY PROCESS AND TIMELINE

71.1 The Assistant Director – Environment and Commercial Partnerships introduce paper JOS/21/3 and informed Members that the timeline had changed, as an external consultant for parking surveys had been engaged. The pre-consultation period would now be concluded in the summer 2022 rather than December 2022.

71.2 Councillor Welham enquired whether the timeline for Cabinet and Council could be altered due to the governance process. The Assistant Director responded that the resources were in place to accommodate this new timeline.

71.3 Councillor Muller pointed to the issues around parking on pavements and future government legislation.

71.4 Councillor Ekpenyong was concerned how this exercise would address the issues for parking on pavements, as this was for Suffolk Highways Authority. He stated that there was an increasing demand for residential parking permits. He also thought that the final drafting and cabinet decision timeline of six months was a long time.

71.5 In response to Councillor Maybury's questions the Assistant Director for Environment and Commercial Partnerships clarified that the Joint Area Parking Plan was the background of the report and that the Joint Area Parking Management Plan was the strategy. She also explained that on-street parking was outside the Councils' responsibilities. She hoped that the consultation would provide feedback from residents.

71.6 Councillor Welham queried how the strategy would be planned.

71.7 The Assistant Director – Environment and Commercial Partnerships responded that the strategy would be short, and that data would be available for residents and specific details would be provided for each place. She thought that a review of specifically towns in the districts was due by SCC and would like to see this conducted during this review.

71.8 The Chair then read out questions receive from Councillor Grandon:

“I did not see community groups specifically mentioned in the paper – and I need to ensure that there is specific provision made for such groups when the new parking regime enters in to force. A lot of community groups in Hadleigh use the car parks to attend their community meetings, for example, groups associated with dementia and their careers. Some of these meetings last almost all day and take place currently (pre-covid) at the Hadleigh Leisure Centre and Ansell Centre. Currently, one of these groups already has an arrangement with Babergh that they can display special tickets in their window to extend free parking beyond three hours without incurring a fine and I have lodged a request with another group to do the same. Such groups need to be specifically catered for in the future and needs to be considered in the paper.

Second, it was agreed that charging would only be introduced 1st October at the earliest. What are going to be the ‘trigger points’ for the start date and will there be an economic and other test?

71.9 The Assistant Director – Environment and Commercial Partnerships welcomed the work and assured Members that the Councils were liaising with community groups to ensure that this kind of work was ongoing in the community. Cabinet would make the decision on the short-term Parking charges in Babergh introduced in Babergh and it would be no sooner than October.

71.10 Councillor Dawson queried the outsourcing of the parking survey and why the Councils did not have the expertise for this.

71.11 The Assistant Director – Environment and Commercial partnerships explained that only West Suffolk Council (WSC) had officers with the expertise to undertake a parking survey and that this cost incurred for using consultants outweighed the cost for engaging WSC. The outsource costs would be approximately £35K, however the quality of the survey would be better.

71.12 Councillor Barrett recommended that the completion date for the Joint Parking Strategy to be June 2022.

71.13 Councillor Maybury referred to electrical charging points in paragraph 11.2, and was concerned that there was not enough power supply in the villages. She asked that a list of consultees was included in the policy.

71.14 Councillors Muller, Scarff, Carter and McLaren each provided further requests to be included in the Strategy:

- Parking permits schemes in urban areas and the implications of the residents parking scheme.
- Parking for vehicles for the disabled.
- Park and ride facilities
- Carparking for centres where satellite care was taking place
- Hospital and health and social care centre car parks

71.15 Councillor McLaren felt the low risk attached to influencing motorist's behaviour in relation to parking was unrealistic given the public's response during the pandemic around tourist areas especially Shotley Peninsula and after Alton Water's increased oof parking charges.

71.16 Councillor Gould disagreed and felt that motorist behaviour could be influenced and changed.

71.17 Members debated the issues including emergency services, pavement parking, on- street parking in town centres, carpooling, park and ride/walking/cycling, management of climate change, car park maintenance and the urgent need for resident car parking permit.

71.18 The Chair read out possible wording for the recommendations, which was proposed by Councillor Ekpenyong and seconded by Councillor Muller.

NOTE: Councillor Simon Barrett and Councillor Sian Dawson left the meeting at 1:13 pm

71.19 Councillor Scarff proposed an additional recommendation, that the Joint Overview and Scrutiny Committee recognised that there was an urgent need for a resolution to resident parking permit scheme's issues within both Districts and in doing so recognised that both Districts would have to consider potential financial commitments to such a scheme and that work on this subject must be carried out within the Joint Parking Strategy.

71.20 Councillor Ekpenyong and Councillor Muller agreed the additional recommendation.

By 9 votes for

It was resolved:

1.1 That the Joint Overview and Scrutiny Committee noted the contents of report JOS/21/3.

1.2 That the Joint Overview and Scrutiny Committee noted that, by employing consultants to carry out some of the identified tasks, the timeline can be amended, and requested that the final report be presented to Cabinet in June 2022.

1.3 That the Joint Overview and Scrutiny Committee recommended that the following should be added to the list of stakeholders in paragraph 4.6:

- **Voluntary groups**
- **Emergency services**
- **Electricity supply companies and EV charging providers.**

And that the following topics should be considered:

- Pavement parking
- Town centre on-street parking
- Impact of car park maintenance and management on climate change
- Park and ride, park and walk, park and cycle
- Hospital and health and social care centre car parks
- Car pooling
- Opportunities for using the strategy to encourage walking, cycling and public transport

1.4 That the Joint Overview and Scrutiny Committee recognised that there was an urgent need for a resolution to resident parking permit scheme's issues within both Districts and in doing so recognised that both Districts would have to consider potential financial commitments to such a scheme.

1.5 That work on this subject must be carried out within the Joint Parking Strategy.

72 INFORMATION BULLETIN

NOTE: Councillor Jane Gould left the meeting at 1:27pm

The meeting was declared inquorate at 1:28pm and therefore ended. The remaining business will be considered at the next ordinary meeting on the 19 July 2021.

73 TASK AND FINISH GROUP FOR SCOPING OF TRANSPORT IN THE DISTRICTS

74 FORTHCOMING DECISIONS LIST

75 JOS/21/4 BABERGH OVERVIEW AND SCRUTINY WORK PLAN

76 JOS/21/5 MID SUFFOLK OVERVIEW AND SCRUTINY WORK PLAN

77 RESOLUTION TO EXCLUDE THE PUBLIC (WHICH TERM INCLUDES THE PRESS)

78 JOS/21/2 CAPITAL INVESTMENT FUND COMPANY (CIFCO CAPITAL LTD.) BUSINESS PLAN

Note: Members' questions and debate did not necessitate that the meeting went into closed session.

The business of the meeting was concluded at 1.28 pm.

.....

Chair