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Friday, 4 September 2020

Notice of meeting / Hysbysiad o gyfarfod:

Investment Committee Remote Meeting

Monday, 14th September, 2020 at 2.00 pm,

AGENDA

Item No	Item	Pages
1.	Apologies for absence	
2.	Declarations of interest	
3.	Assessment of commercial risk appetite	Verbal Report
4.	Audit Committee Recommendations - Progress Update	1 - 8
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6.	Investment Portfolio Review	9 - 22
7.	Minutes of the previous meeting	23 - 24

Paul Matthews

Chief Executive / Prif Weithredwr

MONMOUTHSHIRE COUNTY COUNCIL
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

D. Batrouni
P.A. Fox
R.J.W. Greenland
P. Murphy
J.Watkins
S. Howarth

Public Information

Access to paper copies of agendas and reports

A copy of this agenda and relevant reports can be made available to members of the public attending a meeting by requesting a copy from Democratic Services on 01633 644219. Please note that we must receive 24 hours notice prior to the meeting in order to provide you with a hard copy of this agenda.

Welsh Language

The Council welcomes contributions from members of the public through the medium of Welsh or English. We respectfully ask that you provide us with adequate notice to accommodate your needs.

Our purpose

Building Sustainable and Resilient Communities

Objectives we are working towards

- Giving people the best possible start in life
- A thriving and connected county
- Maximise the Potential of the natural and built environment
- Lifelong well-being
- A future focused council

Our Values

Openness. We are open and honest. People have the chance to get involved in decisions that affect them, tell us what matters and do things for themselves/their communities. If we cannot do something to help, we'll say so; if it will take a while to get the answer we'll explain why; if we can't answer immediately we'll try to connect you to the people who can help – building trust and engagement is a key foundation.

Fairness. We provide fair chances, to help people and communities thrive. If something does not seem fair, we will listen and help explain why. We will always try to treat everyone fairly and consistently. We cannot always make everyone happy, but will commit to listening and explaining why we did what we did.

Flexibility. We will continue to change and be flexible to enable delivery of the most effective and efficient services. This means a genuine commitment to working with everyone to embrace new ways of working.

Teamwork. We will work with you and our partners to support and inspire everyone to get involved so we can achieve great things together. We don't see ourselves as the 'fixers' or problem-solvers, but we will make the best of the ideas, assets and resources available to make sure we do the things that most positively impact our people and places.

Nodau a Gwerthoedd Cyngor Sir Fynwy

Cymunedau Cynaliadwy a Chryf

Canlyniadau y gweithiwn i'w cyflawni

Neb yn cael ei adael ar ôl

- Gall pobl hŷn fyw bywyd da
- Pobl â mynediad i dai addas a fforddiadwy
- Pobl â mynediad a symudedd da

Pobl yn hyderus, galluog ac yn cymryd rhan

- Camddefnyddio alcohol a chyffuriau ddim yn effeithio ar fywydau pobl
- Teuluoedd yn cael eu cefnogi
- Pobl yn teimlo'n ddiogel

Ein sir yn ffynnu

- Busnes a menter
- Pobl â mynediad i ddysgu ymarferol a hyblyg
- Pobl yn diogelu ac yn cyfoethogi'r amgylchedd

Ein blaenoriaethau

- Ysgolion
- Diogelu pobl agored i niwed
- Cefnogi busnes a chreu swyddi
- Cynnal gwasanaethau sy'n hygyrch yn lleol

Ein gwerthoedd

- **Bod yn agored:** anelwn fod yn agored ac onest i ddatblygu perthnasoedd ymddiriedus
- **Tegwch:** anelwn ddarparu dewis teg, cyfleoedd a phrofiadau a dod yn sefydliad a adeiladwyd ar barch un at y llall.
- **Hyblygrwydd:** anelwn fod yn hyblyg yn ein syniadau a'n gweithredoedd i ddod yn sefydliad effeithlon ac effeithiol.
- **Gwaith tîm:** anelwn gydweithio i rannu ein llwyddiannau a'n methiannau drwy adeiladu ar ein cryfderau a chefnogi ein gilydd i gyflawni ein nodau.

SUBJECT:	Audit Committee Recommendations – Progress Update
MEETING:	Investment Committee
DATE:	14th September 2020
DIVISION/WARDS AFFECTED:	All

1. **PURPOSE:**

To provide members of the Investment Committee with an update on the progress made to implement Audit Committee recommendations agreed at their meeting on the 19th March 2020.

2. **RECOMMENDATIONS:**

- 2.1 To agree the revised terms of reference as contained in Appendix 1.
- 2.2 That a risk register is prepared and reviewed as a standing agenda item on future meetings.
- 2.3 The constitution is amended to reference the Investment Committee and its delegated functions.
- 2.4 Officers and technical advisors to complete declaration of interest forms when attending Investment Committee.
- 2.5 Members of the Investment Committee and supporting Officers to undertake an annual review of any training needs and appropriate training implemented.
- 2.6 All future investment proposals are to consider the environment impacts of the proposed investment within the business case.

3. **KEY ISSUES:**

- 3.1 The Chief Officer Resources presented Audit Committee at its March meeting with the first annual review of the investment portfolio, together with fourteen recommendations drawn for an internal audit review and changing financial practice guidelines relating to commercial investments.
- 3.2 Whilst progress has stalled in some areas as a result of the pandemic, it is appropriate to provide members of the Investment Committee at its first meeting since lockdown with an update on the recommendations.

Recommendation 1 – To review and update the Investment Committee terms of reference and Asset investment Policy

3.3 The terms of reference have been reviewed and revised as outlined in Appendix 1. The proposed changes are as follows:

- The ability for Committee members to nominate deputies with full voting rights in the event that they are unable to attend.
- The requirement for all officers and external advisors attending meetings to sign declarations of interest.
- The Investment Committee is to undertake an annual self review to determine the effectiveness of the committee and any training requirements.

3.4 The Asset Investment strategy has been reviewed as a result of the current pandemic and will form the basis of a separate update to Members by the Chief Officer at the meeting of the 14th September.

Recommendation 2 – Undertake an Annual Performance Review

3.5 An annual performance review was reported into Audit Committee in March of this year, however Castlegate had been owned by the authority since June 2018 and performance should have been reviewed prior to this meeting. Investment Committee is separately considering a report on the current performance of the investment portfolio at its meeting on the 14th September. Given the impact of covid on Newport Leisure Park, Investment Committee may consider it appropriate to have more frequent updates until such time the market conditions stabilise.

Recommendation 3 – An overarching risk assessment is produced, maintained and reported to Investment Committee on at least an annual basis with emerging risks being brought to the attention of Committee in a timely manner.

3.6 Work has commenced to create a risk register following the completion of the investment portfolio review. It is proposed that the risk register is tabled at the next Investment Committee meeting and becomes a standing agenda item on future meetings.

Recommendation 4 – To update the constitution to include details of the Investment Committee

3.7 Work on amendments to the constitution have been delayed by the pandemic. A revised date for completion of a review of the constitution to include the inclusion of the Investment Committee is scheduled for the end of the calendar year.

Recommendation 5 – Declaration of Interest forms to be completed by those attending Investment Committee

3.8 The proposed terms of reference have been amended to include an obligation for all Members, Officers and specialist advisors attending Investment Committee to complete declarations of interest prior to the commencement of the meeting.

Recommendation 6 – A performance dashboard to be developed and reported to Investment Committee at least twice a year.

3.9 Following the completion of the review of the investment portfolio, officers will now develop a dashboard that will present key information on rental incomes against target (gross and net), return on investment, arrears and void levels. It is intended that this will be presented on a quarterly basis to assist Members in monitoring performance.

Recommendation 7 – To ensure that investment proposals that are not taken forward are reported back to Investment Committee

3.10 Officers have considered two investments in the last six months, which have not progressed as detailed in the following table.

Proposal	Detail	The reason for not proceeding
Wales 1 Business Park & land adjacent to Wales 1	Proposed acquisition of Business Park and land adjacent to provide new office and production facilities for Creo Medical. Terms were agreed with both vendors and due diligence had been undertaken.	Creo were unwilling to enter into any contractual position with the Council. This would have resulted in the council exposed to unnecessary risk for both the land acquisition and subsequent development costs.
Proposed acquisition and leaseback of the new Celtic Manor hotel at the Coldra	Discussions had been on-going related to the option agreement held by the Celtic Manor on Wales 1. They confirmed that they were unlikely to progress with the option due to the impact of Covid on the ICC. They instead offered us the opportunity to acquire the new hotel being constructed at the Coldra and they would enter into a lease back arrangement.	Given the uncertainties of the ICC, the requirement for additional bed space, Covid and its impact on the leisure market and the out of county location, it was determined not to proceed with this proposal

Recommendation 8 – To implement the Estates Restructure to fill current vacancies

3.11 Following external adverts the Asset Manager role has been filled by Nicola Howells and the Development Manager by Nick Keyse, both are internal appointments. We currently have 2 Asset Officer vacancies, a Development Surveyor vacancy and an Energy assistant vacancy. The Asset Officer roles have been advertised and received no applications and recruitment agencies subsequently contacted. Three candidates were put forward, but none had the requisite skill sets or experience. Discussions with recruitment consultants have indicated that the salary levels are a barrier to recruitment with the private sector able to offer more attractive financial and wider remuneration packages.

3.12 All four posts will be advertised in the next few weeks. If we remain unable to recruit, we will need to consider other options such as market supplements and or a review of the job descriptions and a further job evaluation. Supporting the asset management team is the

current priority with, work where appropriate being externalised e.g. County Farms lease negotiations, but this may need to be extended further in the short term.

Recommendation 9 – To assess training needs of Members and staff involved in the decision making process for commercial investments

- 3.13 The terms of reference have been amended to include an obligation for the Investment Committee to annually review its training needs and if required targeted specialist training can be put in place via Officers or external advisors
- 3.14 Officers involved in the decision process to date from Legal, Finance and Estates are professionally qualified and obligated to abide by their relevant professional bodies code of conduct, which will involve not acting in areas they are not suitably qualified to do so. Where skills or knowledge gaps have been identified, external specialist has been sought and this practice will continue. An annual review will be undertaken of Officers to identify any areas of practice where additional training would be beneficial.

Recommendation 10 – To consider the merit of independent members being added to the Investment Committee.

- 3.15 Members will recall that this was discussed at a previous committee meeting and discounted on the basis of confidentiality, the broad and changing skill set requirements and potential conflicts of interest that may arise. Together with the legal of external advice that is received as part of the due diligence undertaken by officers and that is presented and shared with Investment Committee. The opportunity remains however for this decision to be reviewed on a periodic basis to reflect changing circumstances of the portfolio and the wider economic market.

Recommendation 11 – To consider the need to re-introduce a sinking fund in earmarked reserves to act as a buffer against any in year deficits caused by investment performance.

- 3.16 The report presented to members on the performance of the investment portfolio on the 14th September includes a recommendation to re-introduce the sinking fund in line with the above proposal.

Recommendation 12 – To maintain a close ongoing review of further advice and guidance

- 3.17 This recommendation applies equally to Members and Officers. The Chief Officer Resources provided a comprehensive update on recent guidance and best practice in his report to Audit Committee in March. It is proposed that this practice continues with regular updates to be reported to Investment Committee as guidance, practice rules or legislation are amended.

Recommendation 13 – To procure a new investment advisor for commercial property investments.

- 3.18 A revised tender brief has been prepared and discussed with the procurement team, however in light of the potential changes to the Asset Investment Policy this has been put on hold. In the event that investment advice is required, a mini competition will be undertaken using the Crown Professional Services (CPS) framework. No further instructions have been given to Alder King and where possible existing proposals have

transferred to MCC, e.g. the proposed acquisition of Newport Road, Caldicot to progress the Caldicot Regeneration Scheme.

- 3.19 When appropriate, tenders will be invited through an open invitation on the sell to wales website.

Recommendation 14 – To ensure that adequate consideration is given to the climate emergency and environmental considerations of any investments.

- 3.20 It is proposed that any future proposal include an evaluation within the business case of the environment considerations of the investment. Evaluations should reference the sustainable development principles referenced in the Future Generations Well-Being Act and alignment with the Councils emerging climate change action plans.

4. REASONS

- 4.1 The recommendations were developed as a result of an audit committee review, changing practice standards and guidance and to mitigate risks for future investment decisions made by the Investment Committee.
- 4.2 Investment Committee members and supporting officers have an obligation to ensure that decisions are made in accordance with prevailing Council Standing Orders and that the best possible advice is provided by appropriately qualified technical experts.
- 4.2 The adoption of regular portfolio performance and risk monitoring will ensure assets are being effectively managed, potential issues are identified and mitigation is implemented in a timely manner.

5. RESOURCE IMPLICATIONS:

- 5.1 Any additional resource implications identified as a result of the adoption of the above proposals will be managed within existing budgets.

6. WELLBEING OF FUTURE GENERATIONS IMPLICATIONS (INCORPORATING EQUALITIES, SUSTAINABILITY, SAFEGUARDING AND CORPORATE PARENTING):

The proposal does not have any safeguarding or corporate parenting implications.

7. BACKGROUND PAPERS:

Audit Committee report and minutes 19th March 2020

11. AUTHOR:

Debra Hill-Howells Head of Commercial, Property, Fleet and Facilities

12. CONTACT DETAILS:

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Appendix 1 – Proposed revised Terms of Reference

- Purpose:* To hold strategic oversight and responsibility for the acquisition and monitoring of commercial investments in line with the Asset Investment Strategy.
- Membership:* The Committee will be constituted of the following elected Members:
- The Leader
 - Deputy Leader
 - Cabinet Member with portfolio responsibility for Resources
 - Leaders of the two largest opposition parties
- The membership of the committee reflects the political balance of the current administration and will be subject to review following a local government election within the Monmouthshire County Constituency.
- Chairperson:* The Leader of the Council. In the absence of the Leader, the Deputy Leader will assume the Chair role in their absence.
- In attendance:* Leaders of the remaining opposition parties
- Chief Executive
 - Chief Officer, Resources
 - Chief Officer, Enterprise
 - Head of Law/Monitoring Officer
- Other Council Officers as required.
- Specialist advisors as required.
- Deputising:* Members of the Investment Committee are able to nominate a substitute elected Member to deputise for them if they are unable to attend a committee meeting. The deputy will be able to vote on behalf of the substantive Committee Member.

Democratic Services should be advised of any substitute Members, no less than 24 hours prior to the meeting, save in the event of an emergency.

Voting Rights: Will be limited to the members of the Investment Committee

Quorum: Three members of the committee

Frequency: The meetings will be convened as investment opportunities arise as required. A minimum of two meetings will take place per annum to review the performance of the investment portfolio.

Declarations of

Interest: All Members, Officers and external advisors will be required to submit declarations of interest prior to the meeting proceeding. Officers and external advisors with a personal or commercial interest in the proposed investment will not take part in the discussions, without the express consent of the Chair.

Investment Committee remit will be to:

1. Take decisions on proposed acquisitions or investment opportunities.
2. Scrutinise business cases and ensure that they are in accordance with the approved Asset Investment Strategy.
3. Keep under review the performance of the investment portfolio, ensuring that it meets the agreed financial benchmarks within the asset investment policy and identified risks are actively managed.
4. Agree mitigation and exit strategies for poorly performing assets, including disposals.
5. Provide an annual position statement for Audit Committee to review the performance of the investment portfolio
6. To execute the powers of authority delegated by Council
7. Members will act in the best interest of the corporate entity
8. The Committee will undertake an annual self-review to review the effectiveness of the committee and identify any training required for committee members.

By virtue of paragraph(s) 12 of Part 1 of Schedule 12A of the Local Government Act 1972.

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Public Document Pack **Agenda Item 7**

MONMOUTHSHIRE COUNTY COUNCIL

**Minutes of the meeting of Investment Committee held
at Conference Room - Usk, NP15 1AD on Wednesday, 5th February, 2020 at 12.30 pm**

PRESENT: County Councillors: D. Batrouni, P.A. Fox, R.J.W. Greenland,
P. Murphy and J.Watkins

OFFICERS IN ATTENDANCE:

Peter Davies	Chief Officer, Resources
Deb Hill-Howells	Head of Commercial and Integrated Landlord Services
Paul Matthews	Chief Executive
Matthew Phillips	Head of Law/ Monitoring Officer
Nicola Perry	Senior Democracy Officer
Joanne Chase	Solicitor

APOLOGIES:

Councillors

5. Declarations of interest

None.

6. Exclusion of Press and Public

The Committee resolved to exclude press and public from the meeting.

7. Proposed Acquisition 3

The Committee resolved to agree the recommendations as set out in the report.

8. Proposed Acquisition 4

The Committee resolved to agree the recommendations.

The meeting ended at 1.35 pm

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