



**WATFORD  
BOROUGH  
COUNCIL**

# **CABINET**

**7 September 2020**

**7.00 pm**

**Virtual meeting**

**Contact**

Sandra Hancock Democratic Services Manager

[democraticservices@watford.gov.uk](mailto:democraticservices@watford.gov.uk) .

01923 278377

**Publication date: 28 August 2020**

**updated: 2 September 2020**

# Cabinet Membership

Mayor	P Taylor	(Chair)
Councillor	K Collett	(Deputy Mayor)
Councillors	S Johnson, I Sharpe, M Watkin and T Williams	

## Agenda

### Part A – Open to the Public

- 1. Apologies for absence**
- 2. Disclosure of interests (if any)**
- 3. Minutes of previous meeting**

The [minutes](#) of the meeting held on 6 July 2020 to be submitted and signed.

- 4. Conduct of meeting**

The Cabinet may wish to consider whether there are any items on which there is general agreement which could be considered now, to enable discussion to focus on those items where the Cabinet sees a need for further debate.

- 5. Petition - Victoria House, 45-47 Vicarage Road (Pages 4 - 27)**

A petition has been received regarding 45-47 Vicarage Road and signed by over 60 Watford residents.

The petition states –

“Vehicles continue to illegally park and backing out onto the Major Highway Vicarage Road, also continually blocking ingress and egress to Kimberley House Keyworker Rental HMO Accommodation since 2007, This has been reported to the Watford Council every year since 2007, Planning and Highways stated that parking in the Planning Conditions were not allowed. This highly dangerous for the public and has to be rectified urgently. NEEDS ACTION BT THE HERTFORDSHIRE HIGHWAYS AND WATFORD COUNCIL.”

- 6. Appointment to Council Companies (Pages 28 - 30)**

Report of the Group Head of Democracy and Governance

**7. Ombudsman's Decision (Pages 31 - 38)**

Report of the Group Head of Democracy and Governance

**8. West Herts Crematorium Joint Committee – Loan Agreement (Pages 39 - 43)**

Report of the Shared Director of Finance

**9. Croxley Park update (Pages 44 - 52)**

Report of the Interim Head of Property

**10. Appointment of Money Market Fund Managers (Pages 53 - 89)**

Report of the Shared Director of Finance

**11. Exclusion of press & public**

**The Chair to move:** that, under Section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during consideration of the items there would be disclosure to them of exempt information as defined in Section 100(1) of the Act for the reasons stated below in terms of Schedule 12A.

**Note: if approved, the Chair will ask members of the press and public to leave the meeting at this point.**

**12. Relocation Options for Watford Mencap (Pages 90 - 101)**

Report of the Interim Head of Property and Regeneration

# Agenda Item 5

Ref: letter Watford council Donna Nolan 18/08/20

Donna Nolan  
CEO  
Watford Council  
Town Hall  
Herts  
WD17 3EX



Date: 18<sup>th</sup> August 2020

31no. pages....Letter recorded delivery / Email

Dear Donna ,

Re: 45-47 Vicarage Road ( Victoria House Old Cottage District Hospital Watford Herts)  
Blocked Pavements , Illegal parking via vehicles at Victoria House, Local Residents protest  
Needing action to rectify urgently. We have collected the hand signed petition collected at  
the door-steps of local residents, accessing and living and walking to Watford Town Centre /  
Watford General / Watford Stadium / Accessing Public Transport.  
Restricted access to Kimberley House Key-worker Accommodations, Bins and ingress and  
egress fire / safety issues

Please can you help with this ongoing serious problem. We also enclose a petition with  
Seventy plus names, backing up the concerns.

All local residents continue to deal with the unacceptable obstructing of the pavement by  
visitors to Victoria House..(Highwoods) and the highway via the top end of Vicarage Road  
Watford by Exchange Road and adjacent to the Girls Grammar School.

This is highly dangerous and illegal and needs urgent action. We have vehicles reversing  
onto the major Highway which causes problems with Public Transport at the Bus Stop and  
other travelling Vehicles.

The horizontal parking of 5no. vehicles at the front was only acceptable and parking at the  
rear allowed....We now have all illegal vertical parking across the pavement with reverse  
gear exiting onto the Highway, and the blocking of a fire route to Kimberley House.

White lines marked on the block paving font of Victoria House have only recently been  
installed, encouraging the illegal parking.

We have issues and concerns for persons passing on the public footpath from School Children, Disabled Vehicles, Parents with Prams, Elderly, Dog Walkers, etc, Deliveries to Victoria House several companies are unable on many days to access the site and have to stop on the Major Road Highway (Vicarage Road.) thus Dangerous for the Highway. People have to risk their lives and walk into the Major Highway to pass....Highly dangerous.

The planning issued via the Watford Council for change of use in 2007 ( 07/01053/COU..... The letter to David Humby Head of Transportation planning & Policy County Hall, from Peter Oliver Development Control Engineer: stated in his report dated 12<sup>th</sup> September 2007 restricted vehicle movement at the site he recommended the application be refused.

Action petitioned for: We need all bollards to have chains installed or the highways Department to install new bollards or fencing as example recently installed via the Local Authority in Cassio Road Watford..

This area is a busy thoroughfare for access to Watford, we need prevention and cure, we need to tackle this issue, we need Street Improvement, neighbours need to feel safe, the area needs to be welcoming to all and secure for all. This area in Vicarage road is screaming out and needs investment and action to enhance Locality.

Kimberley House Continues to have serious issue with access and exit routes for the licenced Watford Council HMO for Key-workers... illegal positioned commercial bins, never allowed via planning 07/01053/cou...Fire Hazzard / vermin / insects..unlawful and environmental dangerous for 9-10 occupants

Enclosed the following photos and information:

1. Exhibit A. Highways ..via Peter Oliver Highways Engineer..2no. pages
2. Exhibit B. Neil Farnsworth Planning Officer Watford Council 3no. pages
3. Exhibit C. Plans showing Victoria House and Kimberley House.. Parking and Commercial Steel Bins, illegally installed.
4. Exhibit D. Decision Notice ..2no. pages.. Development Manager David Noble..WBC
5. Exhibit E. Cottage District Hospital old photo showing railing and hedge
6. Exhibit F. Kimberley House showing installed steel railing and Victoria House
7. Exhibit G. Kimberley House .. Key-worker affordable rental accommodation

Kind Regards

Lee Moyes

Site Manager

Kimberley House Watford

Exhil  
A1

Head of Development Control  
Watford Council

FAO Information Officer

Dave Humby  
Head of Transportation Planning & Policy  
Environment  
County Hall  
Pegs Lane  
Hertford SG13 8DN

Tel : 01992 555555  
Fax : 01923 257008  
My Ref: : WA/149/2007  
Your Ref : 07/1053/COU  
Date : 12 September 2007

**Observation on Applications for Planning Permission**

**Location:** 45-47 (Victoria House) Vicarage Road

**Proposal:** Change of use from Class D1 to B1

**Type of permission:** Full

**Recommendation:** Refuse

**Comments:**

This application is for the change of use from Class D1 to B1 of this existing building. Section 8 of the application form indicates the site is vacant but the previous use was a school. Section 15 indicates the development does not involve a new access or alteration of an existing access to the highway. Section 13 indicates there were 4 car parking spaces within the site for the previous use and the proposal will increase this by 16 to a total of 20 spaces.

In the vicinity of the site Vicarage Road is classed as a Principal road (A4145) and designated a Main Distributor in the HCC hierarchy of roads. It is County Council policy that new accesses or intensification of use of existing accesses to this class of road are not permitted and vehicles must also be able to enter and leave the highway in forward gear. It is subject to yellow line waiting restrictions.

The Design and Access Statement indicates the proposal includes demolition of two areas of the building which will decrease the floor area by 28sqm and provide vehicle access to the rear of the building. The proposal includes 2 offices with the possibility of a third office or educational facility and either a fourth office or residential unit.

The submitted drawing 639/P3 RevA shows 8 car parking spaces (2 perpendicular and 6 parallel to Vicarage Road) on the frontage forecourt and 15 spaces at the rear of the building. When I visited the site I noted there were 2 existing footway crossovers (one at the east and one at the west end of the frontage) with a post and chain fence between them which prevents indiscriminate access across the adjacent footway to the forecourt. It is consequently difficult to see how the 8 forecourt spaces can be conveniently accessed via the existing crossovers. The drawing is not dimensioned but it appears the access to the rear is only 3.0m wide which is insufficient to allow 2 vehicles to pass each other thus if 2 vehicles meet it could result in one stopping or reversing onto Vicarage Road. This access is therefore inadequate.

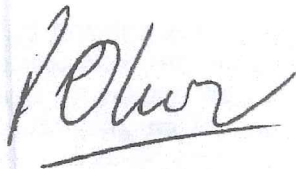
A2

The lack of on-site parking for the previous use would probably have restricted vehicle movements at this site, hence the proposed development is liable to result in an increase in vehicle use of the access.

Under these circumstances I recommend this application is refused for the following reasons;

- 1) The development if permitted would intensify the use of an existing access on a section of a Principal road (A4145) and Main Distributor. The slowing and turning of vehicles associated with the use of the access would lead to further conflict and interference with the free flow of traffic on the highway and be detrimental to highway safety.
- 2) The proposed means of access to this site is inadequate by reasons of its width and alignment to serve the proposed development with safety and convenience.

Yours faithfully



**Peter Oliver**  
**Development Control Engineer**

△

Exhibit  
B1

Justin Thomas  
Mills & Ford Trust  
Clocktower Mews  
Newmarket  
CB8 8LL

Enquiries to :  
Ext no :  
Email:  
Our Ref :  
Date :

Mr. Neil Farnsworth  
01923 278083  
neil.farnsworth@watford.gov.uk  
06/00042/PreApp  
16<sup>th</sup> January 2006

Applicant  
Development  
Location

Justin Thomas  
Possible Change of Use from D1 to B1 Offices  
Victoria House, 45-47 Vicarage Road, Watford

Dear Mr Thomas

Firstly, I would like to take this opportunity to apologise for the delay in replying to your Pre-Application advice enquiry. We have had a number of enquiries recently, and this has caused a build up in the allocation of applications for officers.

I refer to the above numbered pre-application enquiry submitted to the council for our suggestions. Your application has been allocated to me as the case officer.

I have reviewed your application based on the policy guidelines of the Watford District Plan 2000, and the Supplementary Planning Guidance. The main issues which I feel are relevant are as follows:

1. Appendix 2 of the Watford District Plan 2000, states the recommended parking provisions for the various Use Classes. A B1 Office located in this part of Watford would require a maximum of 1 space per 30m2 of gross floor area of the property. You stated in your enquiry that there were currently fifteen off road parking spaces available for the site, with an estimated number of staff expected to be around forty. It is felt that the current organisation of the parking facilities on site, including the layout and provision of parking bays could be enhanced, and adapted to provide improved accommodation. A more comprehensive marking of the bays should be considered, although it was felt by the Council's Conservation Officer that simply painting the markings for the bays is an inadequate method; the use of studs being preferred. Depending on the location of the proposed parking, whether it is to the front or rear of the property may determine the nature of any consultation with Herts Highways. If the proposed parking is to the front, details of the access points, turning circles and potential manoeuvrability within the site curtilage would be required. Herts Highways could raise objections if proposals lead to cars reversing onto Vicarage Road, as this could create safety issues concerning both the highway and the adjacent pavement.
2. It was stated in the covering letter that when the building was run as a Children's Day Centre, the surrounding traffic flow was impacted by the regularity of the 'drop-off' and 'pick-up' periods throughout the day. Whilst you dismiss a further increase in traffic, of

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B-

which I am inclined to agree, it is still felt that there would be prominent peak periods when people are arriving and leaving work. However, the nature of the property and the relatively limited number of parking spaces available on the site will potentially see traffic flow surrounding the premises be reduced from the figures expressed when the building was a Community Facility.

3. The central location of this development ensures that proximity to local transport links will enable many members of staff to utilise this rather than using cars. An estimated number of employees within the offices are stated to be forty, with fifteen off-street parking spaces to satisfy this. The remainder are thus expected to commute using Public Transport, and it is felt that a centralised location such as this should promote its potential sustainability ensure that local transport links are utilised to their full potential. If you were to find that the number of employees wishing to drive to work exceeded the provision of parking made, there are alternatives within the Town Centre car parks that are located nearby.
4. Although I realise from your letter that you have no intention of changing the appearance of the building, its designation as a Locally Listed Building ensures stringent Planning controls would restrict any alterations you would wish to make. After consultation with the Conservation Officer, it was felt to be preferred that no changes or extensions to the exterior shell of the property would be permitted, in order to retain the character of this building. Despite Planning Permission not being required for interior alterations, you are strongly advised not to gut the interior of the building. Retention of the interior features and layout of the building as they are at present are preferential, and if you do wish to undertake any changes, you are advised to check with the Planning Department prior to the undertaking of these. It is advised that many of the existing features be retained within the interior of the property; an open plan office area involving the requirement for large scale changes and demolition of walls is not preferential.
5. The Change of Use from a D1 Community Use to B1 Offices currently contradicts Policy CS3 Loss of Community Facilities in the Watford District Plan 2000. this stipulates that the Council will not permit development that results in the loss or downgrading of existing community facilities unless:
  - Demand for such facility is no longer sufficient to warrant its retention in its existing use, or as an alternative community facility; or
  - Appropriate alternative accommodation is provided with comparable access to passenger transport

As stated by yourself, the property has been unsuccessfully marketed as a D1 use over the past fifteen months, which could support the notion that demand for the facility is no longer sufficient to warrant retention in its existing use. However, consultation with Planning Policy and Strategy Officers resulted in them requiring proof of adequate provision of community facilities elsewhere; otherwise you may have difficulty in overcoming the requirements of the policy. If further evidence could be provided substantiating that demand for the facility in its present form is no longer sufficient, then the criteria required for ensuring compliance with the policy could be met. Generally, the losses of Community Facilities are not viewed particularly favourably. In spite of this, the recent unsuccessful marketing of the building, combined with proficient evidence to show that adequate provision of community facilities within Watford remains, could enable the requirements of the policy to be met.

To conclude, the proposal to which this advice relates shows certain aspects that would appear to potentially meet the standards of the Council. Theoretically, the Use Class change would generally be regarded as acceptable; however this is subject to sufficient evidence being gathered to enable

7

B3

the requirements of the respective policies to be discharged. The classification as a Locally Listed Building is not generally thought to hinder your application, as changes to the exterior of the building are not proposed at present. The main issue which could potentially hinder any application made would be the loss of a Community Facility within the Borough. However, if it can be displayed that the demand for the facility has dropped, and there is sufficient provision of similar facilities elsewhere in Watford, the application could potentially be viewed favourably.

I hope this has provided an acceptable response to your query, and has answered any issues that you may have had regarding the site. Again, I would like to apologise for the delay in the response.

Please be advised that any opinions expressed are those of the officer's of the Council and therefore are not binding on the Council in the determination of any application you may submit. All comments are based on the information provided in the submission. If you require further clarification as to the content of this letter, or if you wish to make further submissions to me, please do not hesitate to contact me again.

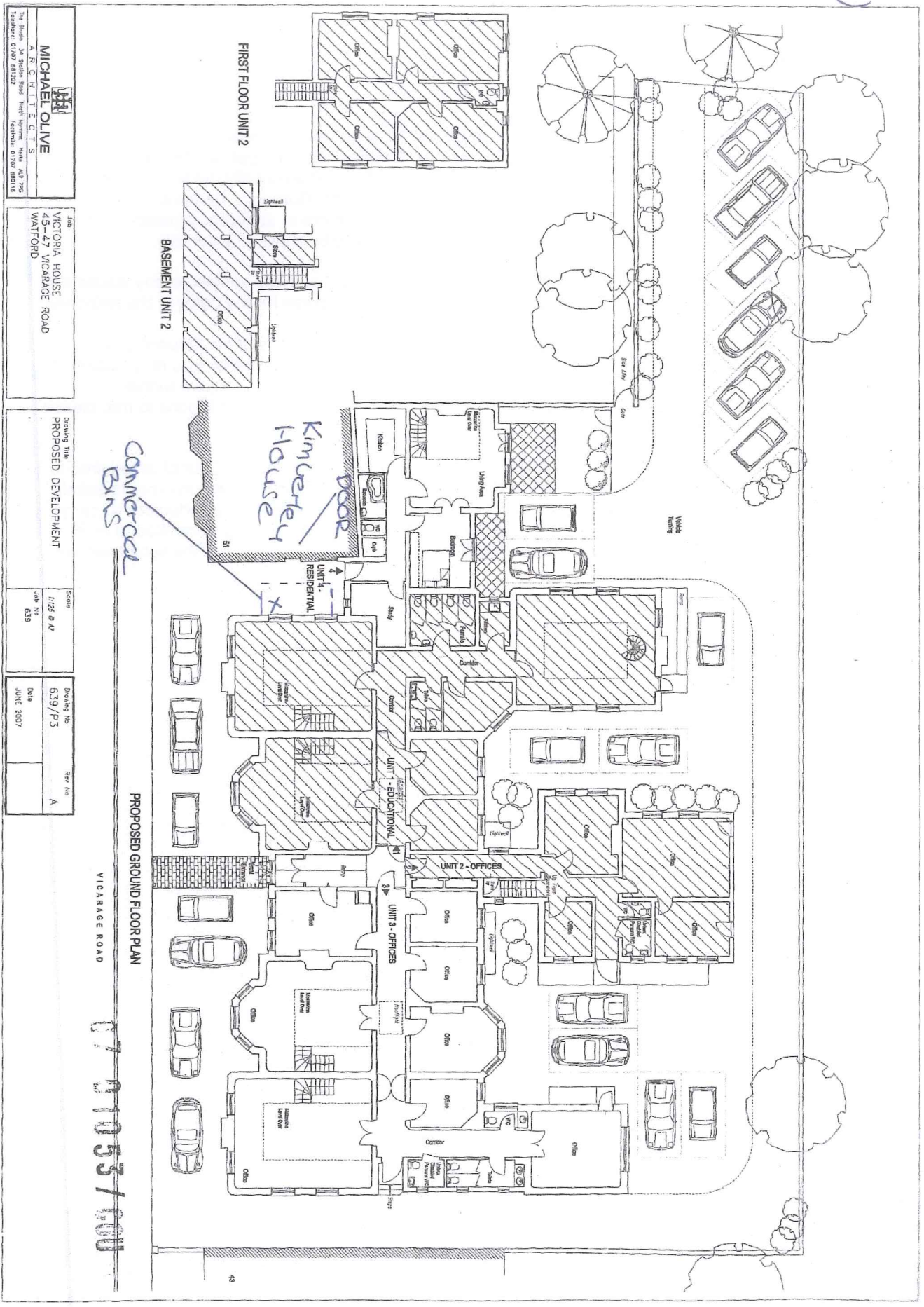
Should you wish to submit a planning application, you are reminded that the Council is required to determine such applications within a specified timescale (currently eight weeks) in order to satisfy Government targets. Accordingly, once submitted, there will be only limited opportunities to carry out minor changes to the proposal before a decision is made. The Council is committed to high quality development and encourages pre-application discussions in advance of the submission of planning applications.

Yours Sincerely

Mr Neil Farnsworth  
Planning Officer

6.9

Exhibit C



**MICHAEL OLIVE**  
 ARCHITECTS  
 The Studio, 3rd Station Road, North Sydney, NSW 1585 290  
 Telephone: 01707 681200 Fax: 01707 680114

Job  
 VICTORIA HOUSE  
 45-47 VICARAGE ROAD  
 WATFORD

Drawing Title  
 PROPOSED DEVELOPMENT

Scale  
 1/125 @ A2  
 Job No. 639

Drawing No. 639/P3  
 Date JUNE 2007

Rev. No. A

PROPOSED GROUND FLOOR PLAN  
 VICARAGE ROAD  
 07 01053/000

7.10-



Exhibit  
D1

**Watford Borough Council**

Town Hall · Watford · Hertfordshire · WD17 3EX

Tel 01923 226400 Fax 01923 278100

DX 4514 Watford 1

Website [www.watford.gov.uk](http://www.watford.gov.uk) Email [enquiries@watford.gov.uk](mailto:enquiries@watford.gov.uk)

**TOWN AND COUNTRY PLANNING ACT 1990**

**DECISION NOTICE**

Planning Ref. No. 07/01053/COU

Highwood Property Holdings Ltd  
C/O M Cross  
ARH Associates  
5-6 Bartholomew Place  
London EC1A 7HH

**Conditional Planning Permission**

Applicant	Highwood Property Holdings Ltd
Development	Change of use from Class D1 to B1
Location	Victoria House 45 - 47 Vicarage Road Watford WD18 0DE

In pursuance of their powers under the above Act and the Orders and Regulations in force thereunder, the Council hereby grants the development proposed by you in your application received with sufficient particulars on 30th July 2007, and as shown on drawing no(s) 639/P2, 639/P3 A

- 1 The development to which this permission relates shall be begun within a period of three years commencing on the date of this permission.

**Reason:** To comply with the requirements of Section 91 of the Town and Country Planning Act 1990 as amended by Section 51 of the Planning and Compulsory Purchase Act 2004.

**INFORMATIVES :-**

- 1 The Local Planning Authority's reasons for granting planning permission in this case are as follows:



INVESTOR IN PEOPLE

The Development is in accordance with the policies of the Development Plan (namely the Watford District Plan 2000 and Hertfordshire Structure Plan); and the Development is considered to comply with the provisions of the appropriate Supplementary Planning Guidance (setting out acceptable standards for new development) adopted by the Council following public consultation and having regard to the sites location, the character of the surrounding area and the impact upon surrounding buildings and uses, there are considered to be no other materials planning interests that would as a result of the development being carried out be materially harmed.

In reaching its decision on this application the Council has had regard to the following policies in the Watford District Plan 2000 and Supplementary Planning Guidance:-

CS3 Loss of Community Facilities

- T21 Access and Servicing
- T22 Car Parking Standards

- U1 Quality of Design
- U2 Design and Layout of Development
- U3 Integration of Character
- U15 Buildings of Local Interest

You are advised that this Change of Use application covers solely the change of use from D1 to B1 of Victoria House. The residential Unit 4 shown on plan 639/P3 A, if not in residential use at present would require the submission of an additional planning application.

- 2 This approval only relates to the change of use of the building from a community facility within class D1 to offices within class B1. The proposal does not relate to any works of external alterations, nor does it include any provision for educational and residential uses or the formation of any car parking spaces. Hence the original drawing accompanying the application form and the subsequent drawing submitted to the Council on 21st September 2007 have been disregarded.

Signed David N...  
Development Manager

24th September 2007

Exhibit  
E



10-14

Exhibit F



15.

Exhibit

# Kimberley House For Rent.

## Key-Worker Studio Bedsits £420-500

**DISCOUNT NOW FOR NHS WORKERS.**

Private Landlord / Watford Council Licenced Property.



### Kimberley House.

ONE VACANCY AVAILABLE NOW.

KEY - WORKERS / NURSE / DOCTORS/ETC;

- SHARED HOUSE / OWN SHOWER & KITCHEN.
- STUDIO BEDSITS FOR SINGLE PERSONS.
- KIMBERLEY HOUSE / VICARAGE ROAD.
- CENTRAL WATFORD / FURNISHED.
- CLOSE WATFORD GENERAL HOSPITAL.
- NEXT GIRLS GRAMMAR SCHOOL.
- RESPECTABLE PERSONS RESIDE.
- COUNCIL LICENSED PREMISES 2020.
- RENT: £420- 500 PCM INCLUSIVE.
- Tel: 07774 - 622685
- Email: rhodespc1@gmail.com

Office: 07774-622685  
 Tel: 07774- 622685  
 Email:  
 rhodespc1@gmail.com

Rhodes Property  
 Company

Rhodes House  
 Watford  
 Herts

16.





17

(1)



**(Victoria House (Old Cottage Hospital)**

**45-47 Vicarage Rd Watford Herts WD18 0DE**

**Vehicles Continue to illegally park and are backing out onto the Major Highway Vicarage road, also continually blocking ingress and egress to Kimberley House Keyworker Rental HMO Accommodation since 2007, This has been reported to the Watford Council every year since 2007, Planning and Highways stated that parking in the Planning Conditions were not allowed. This highly dangerous for the public and has to be rectified urgently. NEEDS ACTION BY THE HERTFORDSHIRE HIGHWAYS AND WATFORD COUNCIL.**

Petition summary and background	Vehicles continually illegally park and backed out onto the highway since 2007. Blocking access to Keyworker Accommodation Kimberley House 49. This has been reported to the Watford Council every year since 2007, planning and highways stated that parking in the planning condition was not allowed. Plus illegally positioned waste bins adjacent front emergency door of <b>Watford Council Licenced HMO Kimberley House for nine occupants (Key-Workers)</b>
Action petitioned for	We, the undersigned, are concerned citizens who urge our leaders to act now to stop the parking and illegal crossing of the pavement / Bus Stop obstructed and backing a vehicle onto the major Highway, to prevent a serious accident.. Stopping of impeded access to Kimberley House. (Health & Safety / Fire / reasons) We want the Vehicles crossing the pavement illegally to stop and bollards installed along the boundary, with a chain as was in situ previously...The cottage Hospital and highways department never allowed vertical parking Waste bins of Highwood to be re-positioned to the rear of their building to prevent fire hazard at Kimberley House

1

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KIMBERLEY HOUSE KEYWORKER STUDIO BEDSITS.  
VICTORIA HOUSE SHOWING ILLEGAL PARKING AND  
OBSTRUCTED PAVEMENT FOR PEDESTRIANS.

(71)



VICTORIA HOUSE / OLD COTTAGE HOSPITAL.  
PEDESTRIANS / PARENTS WITH CHILDREN /  
DISABLED PAVEMENT BLOCKED.  
VEHICLES BACKING ONTO THE HIGHWAY  
BUS STOP IMPEDED AND UN-USABLE  
DANGEROUS AND ILLEGAL

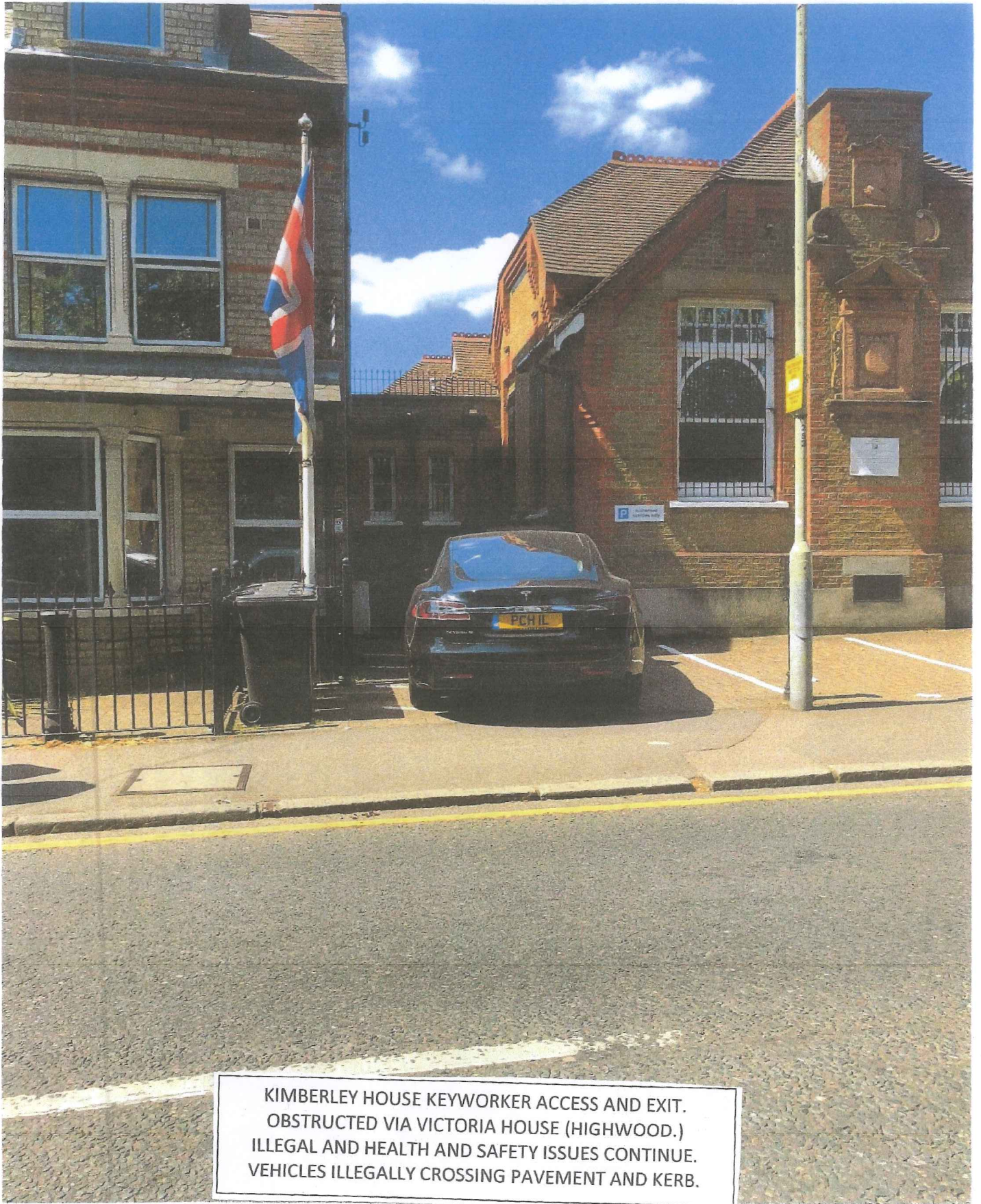
KIMBERLEY HOUSE KEYWORKER STUDIO BEDSITS.  
VICTORIA HOUSE SHOWING ILLEGAL PARKING AND  
OBSTRUCTED PAVEMENT FOR PEDESTRIANS.



VICTORIA HOUSE / OLD COTTAGE HOSPITAL,  
PEDESTRIANS / PARENTS WITH CHILDREN /  
DISABLED PAVEMENT BLOCKED.  
VEHICLES BACKING ONTO THE HIGHWAY  
BUS STOP IMPEDED AND UN-USABLE  
  
DANGEROUS AND ILLEGAL

(91)

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KIMBERLEY HOUSE KEYWORKER ACCESS AND EXIT.  
OBSTRUCTED VIA VICTORIA HOUSE (HIGHWOOD.)  
ILLEGAL AND HEALTH AND SAFETY ISSUES CONTINUE.  
VEHICLES ILLEGALLY CROSSING PAVEMENT AND KERB.

(111)



KIMBERLEY HOUSE ENTRANCE AND EXIT.  
SHOWING ILLEGAL POSITIONED REFUGE BINS.  
FIRE SAFETY /HEALTH & SAFETY FOR HMO OCCUPANTS

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12



13



KIMBERLEY HOUSE ENTRANCE AND EXIT.  
SHOWING ILLEGAL POSITIONED REFUGE BINS.  
FIRE SAFETY /HEALTH & SAFETY FOR HMO OCCUPANTS

(131



**WATFORD  
BOROUGH  
COUNCIL**

Town Hall, Watford, WD17 3EX  
T 01923 226400 F 01923 278100  
DX 51529 Watford 2  
[enquiries@watford.gov.uk](mailto:enquiries@watford.gov.uk)  
[watford.gov.uk](http://watford.gov.uk)

Mr Stuart Taylor  
Rhodes Property Company

**Enquiries to:** Mark Jefferies  
**Phone no:** 01923 278423  
**Email:** [mark.jefferies@watford.gov.uk](mailto:mark.jefferies@watford.gov.uk)  
**Our reference:** 19/00513/HMO/HMAFLP  
**Date:** 25th April 2019

Dear Mr Taylor,

**Housing Act 2004 – Application to licence a HMO  
49 Vicarage Road, Watford, WD18 0DE**

I write further to your application to licence the above property as a house in multiple occupation (HMO). We are pleased to advise you that the application has been approved and the licence granted.

Enclosed with this letter is a Notice of Approval to licence the property as well as a copy of the licence. As you are aware the licence includes a number of conditions and requirements that you must comply with, this includes specifying the total number of persons and households that can be accommodated in the property. These conditions have been decided following consideration of any representations made by relevant persons and the verification of the details you provided on the application form.

We have found that a number of properties are not displaying a sign detailing the contact details for the current manager of the property. It is a requirement of the licence that these details are displayed within the common parts of the property so that all tenants are aware of who to contact in the event of an issue with the property.

If any changes occur relating to ownership, management, the way the property is occupied or in the design or layout of the property (for example an extension) then please contact us as soon as possible to discuss these changes as they may impact on the terms of your licence.

You are reminded that failure to operate in accordance with a licence condition is a criminal offence for which the Council may withdraw your licence; issue a Civil Penalty of up to £30,000 or take prosecution action that could result in an unlimited fine upon summary conviction.

Please be aware that the granting of this licence does not imply or confer ongoing compliance with the Council's HMO guidance documents for fire safety and amenities. Nor does it confirm that the property is free from hazards requiring works as identified by the Housing Health and Safety Rating System. Although the licence does indicate that the property was suitable for use as a HMO as set out in the licence, subject to the



Michael Gould  
Highwood Financial Services  
45 / 47 Victoria House  
Vicarage Road  
Watford  
Herts WD18 ODE

Tel: 08443 573573  
Fax: 0843 573575

Date: 1<sup>st</sup> July 2020

Dear Michael

**RE: ENTRY TO ACCOMMODATION FOR KEY-WORKERS AT KIMBERLEY HOUSE. PROPERTY NEIGHBOUR 45 - 47 VICTORIA HOUSE HIGHWOOD FINANCIAL SERVICES**

We have had in the past problem, which have left us peeved, but we have tried to look to the future concerning being a good neighbour who shares access.

We continue to have complaints from our occupants that access to the front door has been blocked, we are aware that a steel bollard has been removed and has given opportunity for vehicles to park and block access to Kimberley House front door.

As Licenced HMO Landlord this is a Health and Safety concern and a Fire Risk. The large refuse bins have damaged our Post Box and Waste Pipes, also the Electric Consumer Box, there is also a metal grill fence gate which swings onto our door.

As good etiquette we are asking in a polite manor, please can you rectify this pressing matter, and understand we continue to clean and sweep, the bin area, and access leading up to Kimberley House front door.

We hope to continue to work as good neighbours now and in the future; I would like us to resolve this issue directly with each other.

We enclose several photos of the predicament and have proposed a resolution to the recent problem, which cannot be unreasonable in protest. Before we have to speak to the Council.

We would appreciate the relocation of the bin area to the rear of your premises, we have continuing issues with vermin, flies and person urinating around the bin area and because of the ingress and egress fire door of Kimberley House, this is a fire risk for so many Occupants.

Regards

Enclosed photo dated 27.1.2020 previously  
Email / letter

Stuart Taylor  
Manager

# Agenda Item 6

Part A

**Report to:** Cabinet

**Date of meeting:** Monday, 7 September 2020

**Report author:** Group Head of Democracy and Governance

**Title:** Appointment to Council Companies

## 1.0 Summary

1.1 Due to the imminent departure of Elaine Tuck Group Head of Commercial from the council it is necessary to replace her on the board of directors for both Hart Homes (Watford) limited, Watford Commercial Services Limited and also on the Partnership Board of Watford Health Campus Partnership LLP.

## 2.0 Risks

2.1

<b>Nature of risk</b>	<b>Consequence</b>	<b>Suggested Control Measures</b>	<b>Response</b> (treat, tolerate, terminate or transfer)	<b>Risk Rating</b> (combination of severity and likelihood)
Failure to appoint	The council will have insufficient directors in place.	To appoint the officers as indicated in this report	Treat	1

## 3.0 Recommendations

3.1 That Alan Gough Group Head of Community and Environmental Services be appointed to the Board of Hart Homes (Watford) Limited with immediate effect.

3.2 That Andrew Cox Group Head of Service Transformation be appointed to the Board of Watford Commercial Services Limited with immediate effect.

3.3 That Tom Dobrashian Group Head of Place Shaping be appointed to the Partnership Board of Watford Health Campus Partnership LLP with immediate effect.

### **Further information:**

Carol Chen

carol.chen@watford.gov.uk

Tel: 01923 278350

**Report approved by:** Donna Nolan Managing Director

#### 4.0 **Detailed proposal**

- 4.1 Elaine Tuck Group Head of Commercial is due to leave the council's employment imminently. She had been appointed by cabinet to the board of both Hart Homes (Watford) Limited, Watford Commercial Services Limited and Watford Health Campus Partnership LLP at its meeting on 20 January 2020.
- 4.2 It is therefore necessary to make new appointments. It is recommended that Alan Gough Group Head of Community and Environmental Health be appointed to Hart Homes (Watford) Limited. He was a director on this board prior to January 2020 and stepped down to allow the Group Head of Commercial to replace him.
- 4.3 It is further recommended that Andrew Cox Group Head of Service Transformation be appointed to Watford Commercial Services Limited.
- 4.4 It is finally recommended that Tom Dobrashian be appointed to the Partnership Board of Watford Health Campus Partnership LLP. Tom has previous knowledge of this Board as he was the project manager for the Health Campus project and sat on the operations board at the inception of the LLP.

#### 5.0 **Implications**

##### 5.1 **Financial**

- 5.1.1 The Shared Director of Finance comments that there are no financial implications in this report

##### 5.2 **Legal Issues (Monitoring Officer)**

- 5.2.1 The Group Head of Democracy and Governance comments that it is for cabinet to nominate representatives to the various companies and joint ventures. The council has a limit of two directors to appoint to Hart Homes (Watford) Limited and 3 members to the Partnership Board of the Watford Health Campus Partnership LLP

##### 5.3 **Equalities, Human Rights and Data Protection**

- 5.3.1 Having had regard to the council's obligations under s149 Equality Act 2010, it is considered that there are no equalities or human rights implications in this report.

##### 5.4 **Staffing**

- 5.4.1 Not applicable

5.5 **Accommodation**

5.5.1 Not applicable

5.6 **Community Safety/Crime and Disorder**

5.6.1 Not applicable

5.7 **Sustainability**

5.7.1 Not applicable

**Background papers**

No papers were used in the preparation of this report.

Part A

**Report to:** Cabinet

**Date of meeting:** Monday, 7 September 2020

**Report author:** Group Head of Democracy and Governance

**Title:** Ombudsman's Decision

## 1.0 Summary

1.1 Under the Local Government and Housing Act 1989 the council's Monitoring Officer is legally obliged to make a report to cabinet of any finding by the Local Government and Social Care Ombudsman of maladministration.

1.2 On 7 August 2020 the council received the Ombudsman's final decision in a matter relating to the handling of a claim for housing and council tax benefits. The decision is attached at appendix 1.

## 2.0 Risks

2.1

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
That the lessons learned are not followed	Further complaints and resulting action by the Ombudsman leading to a loss of reputation	That the recommendations are followed and agreed actions are monitored	Treat	4

## 3.0 Recommendations

3.1 That the Ombudsman's decision be noted.

**Further information:**

Carol Chen

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Tel: 01923 278350

#### 4.0 **Detailed proposal**

4.1 Under s5A of the Local Government and Housing Act 1989 the council's Monitoring Officer is legally obliged to report to cabinet any findings of maladministration by the Local Government and Social Care Ombudsman.

4.2 On 7 August 2020 the council received the Ombudsman's final decision in relation to a complaint by a couple in relation to the handling by the Revenues and Benefits Department of their claim for Housing Benefit and Council Tax reduction.

4.3 The decision letter attached at appendix 1 sets out the history of the matter and acknowledges the fact that the Head of Revenues and Benefits appreciated before the complaint had reached the Ombudsman that the claim had not been handled well and that an independent investigator had been used to try to learn lessons from it. As a result new processes and procedures were introduced to try to avoid a similar situation arising in the future.

4.4 The council has accepted the Ombudsman's findings in full and a letter of apology and the suggested payment of compensation has been made.

4.5 All Ombudsman decisions are now published on their website in anonymised form.

#### 5.0 **Implications**

##### 5.1 **Financial**

5.1.1 The Shared Director of Finance comments that the Council will meet the compensation payment of £600 from existing budgets.

##### 5.2 **Legal Issues (Monitoring Officer)**

5.2.1 The Group Head of Democracy and Governance comments that as stated in the body of the report all findings of maladministration are required to be reported to cabinet by virtue of the Local Government and Housing Act 1989

##### 5.3 **Equalities, Human Rights and Data Protection**

5.3.1 Having had regard to the council's obligations under s149 Equality Act 2010, it is considered that there are no direct equalities impacts arising from this report

##### 5.4 **Staffing**

5.4.1 As a result of this case staff training has been instituted and is ongoing.



## 5.5 **Accommodation**

5.5.1 Not applicable

## 5.6 **Community Safety/Crime and Disorder**

5.6.1 Not applicable

## 5.7 **Sustainability**

5.7.1 Not applicable

### **Appendices**

- Ombudsman's final decision

### **Background papers**

No papers were used in the preparation of this report.

## **The Ombudsman's final decision**

Summary: The Council was at fault in the way it dealt with Mr and Mrs X's benefit claims. The Council has apologised and made several service improvements. Mr and Mrs X say the Council was malicious in its actions. The Ombudsman has found no evidence of further fault by the Council but has asked it to make a financial payment for the distress and uncertainty caused to Mr and Mrs X.

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## **The complaint**

1. Mr and Mrs X complain about the way the Council handled their Housing Benefit and Council Tax Reduction. They said this resulted in a summons for unpaid council tax and threats of eviction from their landlord because of rent arrears. Mr and Mrs X say that officers were malicious and deliberately sabotaged their case.

## **What I have investigated**

2. I have investigated the Council's handling of their claims. But I could not investigate decisions about the amount of Housing Benefit awarded or the decision to recover overpayment because Mr and Mrs X could have appealed these matters to a statutory tribunal.

## **The Ombudsman's role and powers**

3. The law says we cannot normally investigate a complaint when someone can appeal to a tribunal. However, we may decide to investigate if we consider it would be unreasonable to expect the person to appeal. (*Local Government Act 1974, section 26(6)(a), as amended*)
4. The Social Entitlement Chamber (also known as the Social Security Appeal Tribunal) is a tribunal that considers housing benefit appeals. (*The Social Entitlement Chamber of the First Tier Tribunal*). The Valuation Tribunal deals with appeals against decisions on council tax liability and council tax support or reduction.
5. We investigate complaints about 'maladministration' and 'service failure'. In this statement, I have used the word fault to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. I refer to this as 'injustice'. If there has been fault which has caused an injustice, we may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1), as amended*)

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6. If we are satisfied with a council's actions or proposed actions, we can complete our investigation and issue a decision statement. (*Local Government Act 1974, section 30(1B) and 34H(i), as amended*)

### **How I considered this complaint**

7. I have spoken to Mr and Mrs X and considered the Council's response to my enquiries.
8. I sent Mr and Mrs X and the Council a copy of my draft decision and invited their comments. I considered all the comments I received before issuing my decision.

### **What I found**

9. Councils are responsible for administering housing benefits and must tell people about their decisions in writing. If a council decides a person does not qualify for a certain benefit the written notice must give reasons for this. The notice must also tell the person about their right to ask for more information and to appeal.
10. People have a right to appeal most housing benefit decisions. The person can first ask the council to review its decision. However, they can also ask it to send the appeal directly to the Tribunal.
11. If a person asks for an appeal the council can reconsider its decision. If it decides not to change its decision or its revised decision is not to the other person's advantage, the Council should send the appeal to the Tribunal "as soon as is reasonably practicable". (Rule 24(1A) of the Tribunal procedure (First-tier Tribunal) (Social Entitlement Chamber) Rules 2008)
12. The Ombudsman cannot look directly at decisions about entitlement to benefit. This includes issues such as overpayment of housing benefit or recalculations of housing benefit. This can only be done by a Tribunal. However, the Ombudsman can look at a council's actions and how it administered the process.

### **What happened in this case**

13. Below is a chronology of key events. It is not meant to show everything that happened.
14. In August 2018 the Council wrote to Mr and Mrs X and explained that it had reviewed their housing benefit and council tax reduction claim. The Council determined that Mr and Mrs X did not qualify for housing benefit and council tax reduction from September 2016 to April 2019. The basis for its decision was that Mr and Mrs X's son had loaned them £30,000 in August 2016 and they had failed to show how that money had been spent. The Council therefore considered the £30,000 loan as capital. It said that they had been overpaid £22,902.20 in housing benefit and £4210.84 in council tax reduction. The Council also adjusted discretionary housing payment (DHP) from April 2017 to April 2018 and determined an overpayment of £1,544.44.
15. In September Mr and Mrs X requested a review of the Council's decision. On 30 October the Council concluded that the capital of £30,000 was given to Mr and Mrs X over a period of 26 days in 2016 and had been used to support family needs. It said that Mr and Mrs X held a property with an equity values in excess of £16,000 and therefore upheld the original decision. At the same time, the Council decided to re-instate benefit from 27 August 2018 and this was determined on 2 November.

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16. On 1 November Mr and Mrs X made an application for Discretionary Housing Payments (DHP). The application was considered by a senior manager (Officer 2) and was rejected on 27 December 2018. Mr and Mrs X were informed in writing of the Council's decision.
  17. On 22 November Mr and Mrs X appealed against the Council's decision about their benefit claim and overpayment. He requested that the appeal be forwarded to the independent appeal tribunal.
  18. On the 7 January 2019, the Council suspended the benefit payment but failed to inform Mr and Mrs X of its decision and the period of suspension.
  19. On 11 January Officer 1 spoke to Mrs X about the benefit claim. Mrs X said that Officer 1 was harsh and intimidating. Specifically Mrs X said that Officer 1 repeated requests for information which they had already provided; asked Mr and Mrs X to attend the Council office with evidence of how they had spent the loan from their son; disregarded what she said and harassed and threatened her.
  20. On the same day Mr X sent an email to the Council and repeated that he wanted to appeal against the decision of 30 October. Officer 1 wrote to Mr and Mrs X and requested details about their income and copies of bank statements. The letter stated that the information should be provided within one calendar month, by 10 February.
  21. On 8 February Mr and Mrs X's landlord contacted them about a missing rent payment. It was at this point Mr and Mrs X became aware that the Council suspended its benefit on 7 January.
  22. On 1 February, the Council submitted details of Mr and Mrs X's appeal to the independent appeal tribunal. The Council incorrectly stated that they were appealing against the decision of 24 August 2018 and not the decision made on 30 October. Mr and Mrs X complained about the quality of the appeal submission and said that key documents had been omitted.
  23. On 6 and 8 February Mr X submitted further evidence in support of their claim. On 13 February, the Council requested more information and Mr X responded on the same day. He asked the Council to de-suspend the benefit payments. The Council sent another letter on 20 February and explained that it had completed a review of their application for housing benefit and council tax reduction. It confirmed that payments would resume from 7 January. When Mr X checked his online account, he found that payments had been suspended again on 20 February.
  24. On 26 February Mr X received another letter from the Council dated 22 February. The Council asked Mr X to provide further evidence including company bank statements and payslips. Mr X said that this information had already been provided to the Council on numerous occasions.

### **The Council's response to Mr and Mrs X's complaint**

25. The Council commissioned an independent investigation into Mr and Mrs X's complaint. The investigation and the Council's response that followed has already highlighted several areas where it was at fault. However, Mr and Mrs X complained that the Council failed to address their complaint about Officer 2 and the way she handled their DHP application in November 2018. Mr and Mrs X said this was a deliberate omission by the Council.
26. The Council acknowledged that this aspect of Mr and Mrs X's complaint was not part of the stage two investigation. It said that the investigating officer was

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provided with a copy of Mr X's substantive complaint dated 11 March 2019. The Council accept that it did not include supplementary issues raised by Mr X in an email sent to Officer 2 on 16 April. The Council says this was a simple oversight on its part. I am satisfied with this explanation.

27. The Council took eight weeks to reach a decision on the DHP application. This was fault. However, it explained that it was satisfied that it considered a range of information in reaching its decision to decline the application.
28. The Council's accepts that there was a delay in Officer 2 responding to Mr and Mrs X's complaint. The Council explained that due to the complexity and allegations of prejudice, harassment, discrimination and senior officer conspiracy it decided that an independent investigation was necessary. I note that Mr and Mrs X were given an opportunity to speak with the investigating officer but declined to do so.

### **Service improvements made by Council**

29. The Council has already made a number of service improvements as a result of Mr and Mrs X's complaint. This includes:
  - Staff training and workshops
  - Improved quality assurance
  - New procedures for complaints and appeals for benefits and council tax
  - Increase in DHP resources

### **Analysis**

30. The Council commissioned an independent investigation into Mr and Mrs X's complaint. The investigation and the Council's response that followed has already highlighted several areas where it was at fault. Therefore, I have considered whether to make any further findings of fault and whether it has taken sufficient action to remedy the injustice it caused.
31. The Council accepts it made flawed decisions on 24 August 2018 and 30 October 2018
32. The Council has put Mr and Mrs X to significant, unnecessary time and trouble. It has given wrong information, made repeated requests for information already provided, denied appeal rights, suspended benefits without notice and wrongly said it owed £28657.48 in overpayments. But for these faults I consider that the Council could have paid Mr and Mrs X's claims for housing benefit and council tax reduction from the end of August 2018. Because of these faults Mr and Mrs X experienced uncertainty and significant distress in not knowing what was happening with their claim. They were faced with the fear of losing their home and struggled to cope financially.
33. I also have concerns about some of the Council's communication with Mr and Mrs X. It simultaneously issued decision notices saying they did not qualify for benefit and letters inviting them to provide further information so that their benefits could be re-instated. The Council failed to explain to Mr and Mrs X why it was requesting further information from them. The telephone conversation Officer 1 had with Mrs X in January 2019 makes little sense and I can appreciate why Mrs X felt "harassed" by repeated requests for information. I consider these poor communications also justify a finding of fault. They too will have added to Mr and Mrs X's uncertainty and distress.
34. I do not consider the Council's delay in handling Mr and Mrs X's DHP application can escape criticism either. The Council's policy states that it will send a written

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notification of its decision within seven days “or as soon as practicably possible”  
The Council took eight weeks to decide Mr and Mrs X’s application and fell considerably short of the expected timescales. This was fault. This would also have added to Mr and Mrs X’s uncertainty and distress. I note that the Council has since taken on extra staff which has reduced delays.

35. Mr and Mrs X have said many times that Council officers lied, were rude, malicious and deliberately sabotaged their case. Whilst I have found fault in the actions of the Council, there is no evidence to support these claims.
36. We publish guidance on remedies. We usually suggest payment of between £100 and £300 for unnecessary time and trouble. We also recommend a payment between £100 and £300 for distress. I consider the time and trouble and the distress the Council caused Mr and Mrs X is at the top of our scales and will recommend a remedy accordingly.

### **Agreed action**

37. To put matters right for Mr and Mrs X within one month of my final decision the Council will:
  - a) Apologise to Mr and Mrs X
  - b) Pay Mr and Mrs X £600 for their distress and time and trouble.

### **Final decision**

38. I have found fault by the Council causing injustice to Mr and Mrs X. The Council has accepted my recommendations and I have completed my investigation on this basis.

### **Investigator’s decision on behalf of the Ombudsman**

Part A

**Report to:** Cabinet

**Date of meeting:** Monday, 7 September 2020

**Report author:** (Shared Services) Director of Finance

**Title:** WEST HERTS CREMATORIUM JOINT COMMITTEE – LOAN AGREEMENT

## 1.0 Summary

- 1.1 To seek Council approval for Watford as one of the authorities that make up the West Herts Crematorium Joint Committee (WHCJC), to enter into a loan facility agreement on behalf of the WHCJC together with the other member authorities with Dacorum Borough Council (also a member authority) for a loan facility of £6 million as part funding towards a c.£8 million development of a new crematorium in Hemel Hempstead.
- 1.2 Also to seek Council approval to sign a Deed of Contribution and Indemnity with all five member authorities of the WHCJC and thereby underwriting one fifth of the loan should the WHCJC default on repayment of the loan.

## 2.0 Risks

- 2.1 Key risks were identified and discussed in the business case which was considered and approved by the WHCJC.
- 2.2 The business case also included various financial modelling and appraisals, the project budget also includes contingency funding to mitigate the risk of increased costs.
- 2.3 Subject to funding approval, a full competitive tender process will be undertaken to appoint a suitably experienced development partner.
- 2.4 The project is being managed by Watford Borough Council as lead authority for the WHCJC.

## 3.0 Recommendations

- 3.1 That Cabinet recommends to Council that Watford, as one of the member authorities of the West Herts Crematorium Joint Committee, signs a loan facility agreement between Hertsmere Borough Council, St Albans City and District Council, Three Rivers District Council and Watford Borough Council as borrowers with Dacorum Borough Council as lender for £6 million to part fund a new Crematorium in Hemel Hempstead, subject to all the other 4 borrowing authorities passing similar resolutions;
- 3.2 That Cabinet recommends to Council that Watford also signs a Deed of Contribution and Indemnity with all five partner authorities of the West Herts Crematorium Joint Committee, namely Dacorum Borough Council, Hertsmere Borough Council, St Albans City and District Council, Three Rivers District Council and Watford Borough subject to all the other member authorities passing similar resolutions; and

- 3.3 That Cabinet recommends that Council notes that in agreeing to 3.1 and 3.2 above that Watford are underwriting one fifth of the £6 million loan facility should the West Herts Crematorium Joint Committee default on repayment of the loan.
- 3.4 That delegated authority be given to the Director of Finance to agree the final terms of the loan and indemnity agreements

**Further information:**

alison.scott@threerivers.gov.uk

**Report approved by: Alison Scott**

**4.0 Detailed proposal**

- 4.1 The WHCJC is a statutory Joint Committee of five local authorities: Dacorum Borough Council, Hertsmere Borough Council, St Alban's City and District Council, Three Rivers District Council and Watford Borough Council with the responsibility for managing crematorium services for the five councils.
- 4.2 The WHCJC is currently responsible for the operation of one Crematorium, West Herts Crematorium in Three Rivers that has been serving the local community since 1959.
- 4.3 The WHCJC has been operating the West Herts Crematorium successfully for many years and it makes an annual return to the five member authorities of £250k, whilst also setting aside surplus funds for reinvesting in the crematorium.
- 4.4 The operation of crematoria is a competitive market and in light of competition by private operators in the local area the WHCJC commissioned a feasibility study to examine the possibility of building a new second Crematorium in Hemel Hempstead. The following is an extract from the resulting business case:

"The demand for cremations has risen considerably in recent years with this trend set to continue as the UK's ageing population grows in size, with the proportion of those aged 65 and above predicted to significantly increase in future years. In 2017 cremations accounted for 77 % of all funerals in the UK.

The increasing demand for cremations has been identified by the private sector as a lucrative business opportunity and has resulted in the majority of new crematoria being built and run by private sector businesses in recent years.

WHCJC is still at risk of losing its catchment through increased competition because it has no further expansion space, therefore limiting its ability to meet growing demand for more flexible, creative services, and it would also lose the opportunity to serve a wider area."

- 4.5 WHCJC therefore agreed that a further Business Case should be produced examining:
- The financial projections and implications of building a new second crematorium in Hemel Hempstead
  - Pricing models and their commercial viability
  - The likely demand at both sites and the impact this would ultimately have on WHCJC
  - The strategic options for financial consideration



- 4.6 An options appraisal was carried out as part of the further Business Case examining the benefits and dis-benefits of the following three delivery models, assessing each option against a list of criteria reflecting the objectives of WHCJC:
- Option 1 - Do nothing
  - Option 2 - Build a new second crematorium in Hemel Hempstead
  - Option 3 - Look for an alternative site for building a second crematorium
- 4.7 Based on the scoring, the options appraisal concluded that option 2 to build a new second crematorium at the Hemel Hempstead site was the recommended option. The project was viable and WHCJC had the capability and resources to successfully deliver the project. The benefits outlined below could be delivered and significantly outweighed the expected dis-benefits and it was therefore considered worth the investment.
- 4.8 The Business Case concluded that building a new crematorium at the Hemel Hempstead site by WHCJC would be commercially viable, would allow WHCJC to improve and enhance the services provided to residents at both sites whilst increasing their resilience and capacity to meet future service demands.
- 4.9 Having considered the business case the WHCJC agreed to pursue option 2 and have since been progressing this option.
- 4.10 The cost of the development is close to £8 million and is to be funded partly by the accumulated surpluses of the WHCJC and by way of a £6 million loan facility from Dacorum Borough Council who own the land in Hemel Hempstead where the Crematorium is to be built.
- 4.11 As the WHCJC has no legal capacity in its own right it requires each of the member authorities to agree to take on responsibility for the loan as each would be liable in the event of a default. As the taking on of this loan is not in the capital programme it requires Council approval. The Cabinet could decide not to recommend that the Council agree the loan, which must be supported by all five partner authorities otherwise the project cannot proceed.
- 4.12 As this is a competitive market and Hemel Hempstead is not currently well served with a local Crematorium this could severely impact on the market share of the WHCJC should a competitor open a new facility in the local area.
- 4.13 The proposal enables a new second crematorium to be built whilst ensuring the strongest financial position for WHCJC.
- 4.14 Since the WHCJC agreed to pursue option 2 a loan agreement between Dacorum Borough Council and the other member authorities of the WHCJC has been drawn up. Agreement to enter into a loan facility agreement now requires formal approval by the four member authorities who will be entering into it as the WHCJC has no legal capacity to take on the loan itself. Also as Dacorum Borough council is providing the loan it cannot enter into a loan agreement with itself. In order to ensure that Dacorum as a member of the WHCJC also has responsibility for repaying the loan it has agreed with the four other member authorities to enter into a Deed of Contribution and Indemnity. By agreeing to enter into a Loan Agreement and a Deed of Contribution and Indemnity, each council is underwriting a one fifth share of the £6 million loan and would be liable for up to £1.2 million should the WHCJC default on the loan. Cabinet is requested to recommend that the Council approve that Watford enter into a Loan Agreement and a Deed of Contribution and Indemnity, on the proviso that each of the other member authorities also pass similar resolutions
- 4.16 It is also recommended that the Director of Finance be given delegated authority to approve the final terms of both agreements.

## 5.0 Implications

### 5.1 Financial

5.1.1 The Shared Director of Finance comments that the financial implications are set out in the report.

### 5.2 Legal Issues (Monitoring Officer)

5.2.1 The Group Head of Democracy and Governance comments that as WHCJC does not have legal capacity in its own right each of the member councils that are on the WHCJC must individually approve of entering into this arrangement. They will also have liability for the loan.

5.2.2 As stated in the report Dacorum cannot enter into a loan agreement with itself so the loan will be taken out by the other four councils but Dacorum is signing a separate indemnity agreement with the other councils.

5.2.3 Watford is acting as lead authority in relation to the development of the new crematorium.

5.2.4 As this loan is not currently in the capital programme it needs to be approved by Council.

### 5.3 Equalities, Human Rights and Data Protection

5.3.1 A full equalities impact assessment is being compiled by the project manager of the lead authority, Watford Borough Council. The EIA will cover all five local authority areas party to the West Herts Crematorium Joint Committee.

#### Data Protection Impact Assessment

5.3.2 Having had regard to the council's obligations under the General Data Protection Regulation (GDPR) 2018, it is considered that officers are not required to undertake a Data Processing Impact Assessment (DPIA) for this report.

### 5.4 Staffing

5.4.1 None

### 5.5 Accommodation

5.5.1 None

### 5.6 Community Safety/Crime and Disorder

5.6.1 None

## 5.7 **Sustainability**

5.7.1 None

### **Background papers**

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

New Crematorium in Hemel Hempstead Business Case, Watford Borough Council, lead authority for the West Herts Crematorium Joint Committee

# Agenda Item 9

## Part A

**Report to:** Cabinet

**Date of meeting:** 7 September 2020

**Report author:** Interim Head of Regeneration & Property

**Title:** Croxley Business Park – Update Report.

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### 1.0 Summary

- 1.1 This report provides an over view of the current position in regard to the financial performance of Croxley Business Park (The Park) over the course of the last year, letting activity, the impact of Covid 19 and lockdown and the ongoing development and asset management initiatives that will assist in ensuring The Park remains a relevant and attractive location and setting for local and national occupiers.
- 1.2 Whilst Covid 19 has had a significant short term impact on some tenants leading to a number of requests for rent concessions, the Council, through its advisors have taken an active approach in negotiating suitable deferment terms, respective of the tenant's financial status and importance to The Park as well as the Council's financial position.
- 1.3 At the time of acquisition, Grant Thornton prepared a financial model to support its viability. A new model has recently been produced by Grant Thornton to enable accurate forecasting and scenario planning. This will be operational from Q3 this year. As part of the work to create this operational model, the original assumptions (relating to re-letting, voids, rent incentives and marketing) have been found to remain accurate. Therefore the original expected income is consistent with the contracted income as set out in the table below at paragraph 20.
- 1.4 The development of Building 1 remains on track for completion in Spring 2021 and The Park as had recent success in attracting three new tenants with lettings totalling nearly 35,000 sq ft. Such success will necessitate that further vacant suites are brought forward for refurbishment and that the current void rate for the office component compares favourably with other business parks of similar stature and scale.

## **2.0 Recommendation**

- 2.1 That Cabinet notes the contents of this report and that it will be shared with and discussed at the Finance Scrutiny Committee meet on the 10<sup>th</sup> September.

## **3.0 Introduction**

- 3.1 In July 2019 Watford Borough Council acquired a 40 year head lease in The Park structured as an “income strip” deal with the Council having the option to acquire the freehold of the Park at the end of the 40 year term for £10 from Croxley 1 Limited and Croxley 2 Limited as nominees of Croxley Master Trustee Limited, trustee of Croxley Master Property Unit Trust (the current freeholder).
- 3.2 The Council receives the full passing rental income from occupational tenants on the Park in return for paying a rent of £9.2m per annum which was indexed annually linked to RPI (based on June RPI figures), subject to a collar of 0% (minimum increase) and a cap (maximum increase) of 5%. The Council, in addition to retaining the profit rent, is responsible for all rental risk and planned and preventative maintenance (PPM).
- 3.3 Columbia Threadneedle Investments (CTi), the investment and asset management company who were the vendors of the Park, also made a payment to the Council of £92m to cover rent top ups and Planned and Preventative Maintenance. This payment was broken down as follows; £24m of this sum represented a rent top up for the first three years from purchase to cover any rent free periods on occupational leases whilst the £68m balance of the sum has been set aside to be used for planned and preventative maintenance over the term of the 40 year lease. This funding will be required in later years so has been invested to generate returns for the Council in the interim period.

## **4.0 Croxley Business Park**

- 4.1 The Park adjoins and compliments the Western Gateway core policy area of Watford Borough and the 67 acre Watford Business Park (which the Council owns the freehold of). The Park sits in 75 acre parkland and the space provided includes 510,000 sq. ft. of office accommodation with a further 85,000 sq. ft. in the course of construction (which is being funded by CTi) and 189,000 sq. ft. of industrial space. Additional amenity space comprising circa 15,000 sq. ft. has been developed and funded by CTi in 2019, providing a gym, café and meeting space for 200 people which aids in tenant attraction and retention as well as being a useful facility to have on site.

- 4.2 The office accommodation that dominates the Park is provided in 9 standalone buildings which are let to a variety of tenants. Most buildings contain multi-let tenants apart from one. The Park is home to around 60 businesses including corporate occupiers such as Smith & Nephew, Kodak, Howden Joinery, Medtronic, Corona Energy, Glenmark Pharmaceuticals and Regus (the serviced office provider).
- 4.3 The industrial accommodation consists of industrial and warehouse accommodation totalling 189,000 sq. ft, contained in four separate blocks and split into 25 units the majority of which are under 8,000 sq. ft.
- 4.4 The Park usually has over 2,400 people on site and whilst this reduced to 100 in the depths of Covid lockdown, the current level is c400 with the expectation that this number will ramp up in September as schools reopen. The onsite facilities will also be reopening in September and the managing agents have put in place appropriate return to work plans and offered guidance and advice to occupiers on the Park.
- 4.5 Despite Covid 19 and the impact of lockdown, the Park has had success in attracting 3 businesses (all new to Watford) in the last 6 months, and fitting out works on c35,000 sq ft is currently underway in advance of their occupation.
- 4.6 Vibrant Foods, a leading producer of ethnic foods, has taken 14,230 sq ft on a 10 year lease on the ground floor of Croxley Park's Building 3. CSL Dualcom Limited, a provider of connectivity solutions, has also taken 10,045 sq ft of space on the second floor of Building 4 on an 11 year lease. Both lettings achieving a rent in the region of £30.00 per sq ft. Finally, medical devices supplier Clinisupplies Limited, is moving into 10,147 sq ft on the first floor of the Park's 1 Blackmoor Lane property on an 11 year term. The businesses are all new to the Park.
- 4.7 Proposals for further refurbishment of vacant floorspace are likely to come forward as a result, to ensure there is a range of suitable office product available for immediate occupation by tenants, in either any internal or external relocations.
- 5.0 **Building 1**
- 5.1 CTi have an ongoing responsibility to deliver the completion of Building 1 (comprising c85,000 sq ft of contemporary offices) in Spring 2021. They continue to provide an asset advisory service linking in with and instructing the agents and property management and professional teams.

- 5.2 During early lockdown only a limited amount of construction works was able to be undertaken on site, in order to make the site safe. However as restrictions were lifted, construction work accelerated and at this stage there is no expected delay to completion of the development in Spring 2021.
- 5.3 CTi, as well as having the responsibility of managing the construction of Building 1 take a lead on managing the letting of the development and a team of letting agents have been appointed. In addition to the Park's usual agents of Stimpsons and Bray Fox Smith, CBRE have been appointed to ensure the property is fully exposed to a national occupier audience utilising their connections with major UK and global corporates.
- 5.4 During the course of late 2020 and early 2021, the marketing activities for this development will be developed and enacted with a major push in the immediate pre and post completion period. Enquiries are generally quiet at present due to Covid and the usual summer lull, however the Park's benefits as a spacious and edge of town location is likely to be a positive benefit in such a campaign. It may well be the sort of desired location away from city centres that some occupiers want in a 'Covid world'.

## 6.0 **Financial Viability**

- 6.1 As noted above, the Council now has an operational cashflow model, built by Grant Thornton in conjunction with Council officers and Lambert Smith Hampton Investment Management (LSHIM). This will enable accurate forecasting in the future and scenario planning as required.

The current position as at Quarter 2 is shown below.

As noted in the summary, the original assumptions made at the point of acquisition remain correct. Therefore the contracted income figure reflects expected income required by the Council. Contracted income is the rent on the lease for each tenancy and ignores any rent free periods the tenants may be on at the quarter day. Demanded rent allows for rent free periods and does not include rent where a tenant is in a rent free period. In the current conditions, demanded rent is higher than contracted at the time of reporting as rent is being demanded on a monthly basis (in some cases) and in some cases higher to allow for rent concessions made in March and other requests from tenants, for example to be invoiced a larger amount in advance. In order to establish the extent to which the investment is operating at the expected levels, the quarterly rent received compared to quarterly contracted income shows a difference of £372,703.

Planned and preventative maintenance (PPM) figures are excluded from the calculation of net income because the top-up fund provided covers this cost.

<b>Croxley Park</b>	<b>Q2 2020</b>	<b>Q1 2020</b>	<b>Change</b>
<b>Annual Contracted Income</b>	£12,138,176	£11,827,478	£310,698
<b>Quarterly Contracted Income</b>	£3,034,544	£2,956,869	£77,675
<b>Quarterly Demanded Rent</b>	£3,535,917	£2,640,263	£895,654
<b>Quarterly Received Rent</b>	£2,661,841	£2,398,997	£262,843
<b>Vacancy (% by sq ft excluding Building 1)</b>	17%	14%	+3%
<b>Aged Debt (90 days plus)</b>	£1,300,498	£122,960	£1,177,518
<b>PPM Costs</b>	£123,730	£358,825	£235,095
<b>Ground Rent</b>	£2,225,000	£2,225,000	£-
<b>Net Income</b>	£436,841	£173,997	£262,844

LSHIM provide regular updates post quarter rent day and the table below highlights the progress made in the 6 week period after the June quarter day. It should be noted that 4.62% of rents are on agreed monthly repayment terms, ie not quarterly. LSHIM undertake similar investment and asset management mandates for other private and public sector clients. The



information provided by LSHIM suggests that the rent collection data of over 75% rent collected at the 42 day point is close to and slightly above the average of 5 comparator funds.

#### Rent & Service Charge Collection Rates post June Quarter Day

	<b>Gross Rent Demanded</b>	<b>% Collected</b>	<b>Gross Service Charge Demanded</b>	<b>% Collected</b>
26 <sup>th</sup> June	£2,595,456	28.09%	£700,227	27.03%
7 Days	£2,595,456	36.74%	£700,227	33.97%
14 Days	£2,595,456	64.73%	£700,227	55.44%
21 Days	£2,595,456	67.00%	£700,227	57.09%
28 Days	£2,595,456	67.88%	£700,227	58.22%
35 Days	£2,595,456	73.14%	£700,227	63.16%
42 Days	£2,595,456	75.57%	£700,227	64.51%

## 7.0 Impact of Coronavirus

7.1 The coronavirus outbreak forced most of the working population and certainly the majority of the office based sectors to work from home over the last 6 months. This has the potential to kick start rapid and widespread digital progress and technical upskilling for individuals, leading to longer term structural changes in how and where people work. There is a possibility that real estate could look quite different after the coronavirus pandemic. These changes might have happened over time naturally however this pandemic has accelerated the change dramatically.

7.2 As at the end of the June quarter, the Office void rate (excluding Building 1 which is under construction) stood at 17% (of which 5% was under offer at the time) and the Industrial void rate stands at 25%. The relatively high vacancy rate for the industrial component reflects on the high office content that these units were developed in the late 1980's with, whereas modern day businesses require typically a 10-15% office content. The service charge levels on The Park may also be a factor for such occupiers and the Council is expecting our advisors to bring forward recommendations to address these

issues. The office vacancy rate at 12% (allowing for the recent lettings) is compatible with other business parks such as Chiswick Park at a vacancy rate of 15%. The figure however may also be distorted by the high occupancy turnover rate in Building 6 which comprises a series of small starter and incubator units, and where tenants have been particularly impacted by Covid.

- 7.3 Many occupiers will now be asking themselves whether they need the quantum of office space in the future. There will be occupiers who had rolling leases with serviced operators across the UK who are able to exit their contract at a months' notice, and for them the decision has been more immediate.
- 7.4 For other companies on traditional leases, they will not be able to make these decisions until their lease expiry or if they have the benefit of a break option event.
- 7.5 There are individual cases where tenants on Croxley Business Park have requested rent holidays / payments plans, these are being looked at on a case by case basis and with the long term income of the Park in mind. It is likely however that the post-pandemic office will need to adapt after a prolonged period of remote working. There will be a cultural shift and a greater acceptance from everyone around flexible working.
- 7.6 As at 30<sup>th</sup> June 2020, the total debt at Croxley Park rose from £1,292,291 (inclusive of VAT) at the end of Q1 to £2,402,206 (inclusive of VAT) by the end of Q2. The 10 largest outstanding amounts are tracked by LSHIM and reported quarterly to the Property Investment Board (PIB),.. The risk associated with debt is under constant review. Two occupiers have entered administration since lockdown in March. It is difficult to determine whether there will be others, but the risk is mitigated by work being done to negotiate packages with other tenants experiencing financial difficulty, ensuring deferred income packages to ease their immediate cashflow issues but provide greater assurance that they will remain as tenants and that the Council will recoup the income over the life of the lease (and in some cases receive a greater overall income as a result).
- 7.7 It is unlikely that everyone will work from home all the time but demand for office space will be lower, with a greater demand for flexibility. It will also be important that employees have adequate space within the office environment to social distance; this will be far easier in those offices that have a larger employee to sq ft ratios. We therefore may experience occupiers seeking larger floorplates in order to accommodate this, with Croxley (and other business parks) generally well positioned to support this.
- 7.8 Croxley Park is well placed to be able to offer employers and employees greater flexibility and a better work / life balance. The park benefits from its campus like feel with green environment and open spaces. The events that

are run by the park management team will continue to attract those employers and employees who are looking for their office space to provide not only a place to work but also a place for social interaction with other workers.

- 7.9 LSHIM were appointed as the Council's investment and asset managers in 2016, and following the acquisition of the long lease interest at The Park (where they provided advice to the Council), their scope has widened to incorporate a regular review of all activity at Croxley Park and the provision of quarterly reports which are presented to PIB, which provides further detail on ongoing and proposed asset and property management activities, and as such remains confidential.

## 8.0 **Conclusion**

The impact of Covid 19 was an unforeseen 'Black Swan' event which has disrupted all forms of working and domestic life, the long term impacts of which remain to be seen and understood. In relation to the real estate industry, there is a significant degree of uncertainty as to when and in what numbers office workers will return to the office and to what extent the technological advances made during lockdown enabling a higher degree of homeworking will accelerate a further shift to agile working between home, office and elsewhere.

Most commentators however agree that a workplace is necessary for collaborative working and the need to respect social distancing measures will impact on tenant demand for office space. Despite such uncertainty the level of contracted rent has increased since purchase and significantly, risen over the period between Q1 and Q2. The Park, with its level of amenity, spacious setting of buildings and lower storey levels (max of 4 storeys in Building 1) has continued to operate throughout and lockdown and allows tenants to put in place measures to ensure their workforce are within as safe a surrounding as can be provided and as such, the letting agents remain confident that the Park will continue to receive an encouraging level of tenant interest, as demonstrated by the recent lettings.

## 9.0 **Implications**

### 9.1 **Financial**

- 9.1.1 The Council is actively monitoring all aspects of the investment through the financial model and conducting scenario planning where necessary. As noted above, the performance of the investment continues to be monitored closely

to ensure that the Council receives the expected returns. The current challenge regarding the impact of Covid19 is the key reason for any variance from the original modelling. Debts continue to be investigated and, as noted above, relief packages negotiated. This is in the context of the emergency legislation which came into effect in April as a result of Covid19 which has reduced the ability to take action to recover debts. It is anticipated that this will cease at the end of September, after which normal enforcement activity is likely to resume.

## 9.2 **Legal Issues** (Monitoring Officer)

9.2.1 The Group Head of Democracy and Governance comments that there are no legal implications in this report.

### **Background papers**

None

### **Further information:**

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Vivien Holland [Vivien.holland@threerivers.gov.uk](mailto:Vivien.holland@threerivers.gov.uk)

Report approved by Head of Place Shaping

Part A

**Report to:** Cabinet

**Date of meeting:** Monday, 7 September 2020

**Report author:** (Shared Services) Director of Finance

**Title:** Appointment of Money Market Fund Managers

## 1.0 Summary

- 1.1 In July 2019 the Council acquired Croxley Business Park by way of 40 year finance lease. As part of the acquisition the Council received a reserve fund of £92M in cash, made up of £68M towards planned programme maintenance and £24M in respect of a rent guarantee fund to cover rental losses due to future voids. The financial appraisal took into account this income in assessing the overall value for money of the project.
- 1.2 Council, noting that this reserve fund is earmarked specifically to mitigate risk within the proposal, authorised that the Director of Finance make appropriate investment of the top up fund in accordance with the financial model, providing the right balance between security, liquidity and yield, based on advice from the Council's investment manager and amend the Treasury Management Policy accordingly.
- 1.3 This report seeks endorsement of the investment of the reserve fund with Royal London Asset Management.

## 2.0 Risks

- 2.1 No Treasury investment is risk free, leaving the money in the Government's Debt Management Office protects the initial capital but is currently making a return lower than inflation so is losing value in real terms. Money Market Funds invest money across a range of investments and instruments to manage that risk and are suitable for investments over the longer term where longer term growth should outweigh shorter term volatility. By working with the fund managers and regularly reviewing the Croxley Park cash flows, the relevant proportion of the cash will be kept in cash plus funds to provide short term liquidity and avoid having to withdraw funds from the main investment at a sub-optimal time.

<b>Nature of risk</b>	<b>Consequence</b>	<b>Suggested Control Measures</b>	<b>Response</b> (treat, tolerate, terminate or transfer)	<b>Risk Rating</b> (combination of severity and likelihood)
Failure to invest Croxley Park Money outside of DMO.	Returns are not made in line with Croxley Park model. Money loses in value in real terms as interest is less than inflation.	Investment proposed with Royal London Asset Management	Treat	6
Money not available when needed for Croxley Park	The Council would have to borrow short term incurring interest costs.	Investment to be managed working with fund managers based on cash flow projections that are regularly reviewed.	Manage	6
Capital at risk	£92M is not available when needed.	The investment is not risk free and the capital is at risk. The Money Market Fund offers the opportunity to balance risk and yield over the longer term. A conservative benchmark of out-performing inflation is used for yield.	Manage	6
Treasury Management Risks	Security Liquidity and Yield are not appropriately balanced.	All treasury management activity is subject to risk. The Treasury Management Policy details treasury risks and sets out how these are managed.	Manage	6

### 3.0 Recommendations

- 3.1 That Cabinet endorse the investment of the Croxley Park reserve fund with Royal London Asset Management using its Sustainable Managed Growth Trust Fund and Sustainable Diversified Trust. The final placement of the money between the two funds based on the advice of the fund managers given the expected cash flows within the Croxley Park model.

- 3.2 Notes that, in order to facilitate the longer term investment and give flexibility over timing of the initial investment, the money will be transferred initially into a suitable cash fund within RLAM.

**Further information:**

Alison Scott

alison.scott@threerivers.gov.uk

**Report approved by: Alison Scott**

**4.0 Detailed proposal**

**Background**

- 4.1 In July 2019 the Council acquired Croxley Business Park by way of 40 year finance lease. As part of the acquisition the Council received a reserve fund of £92M in cash, made up of £68M towards planned programme maintenance and £24M in respect of a rent guarantee fund to cover rental losses due to future voids. The financial appraisal took into account this income in assessing the overall value for money of the project.
- 4.2 Council, noting that this reserve fund is earmarked specifically to mitigate risk within the proposal, authorised that the Director of Finance make appropriate investment of the top up fund in accordance with the financial model, providing the right balance between security, liquidity and yield, based on advice from the Council's investment manager and amend the Treasury Management Policy accordingly.
- 4.3 The Part B appendix to the report contains details of the appointment process. The Council's treasury management advisers, Link Asset Management provided advice throughout the process.

**5.0 Implications**

**5.1 Financial**

- 5.1.1 The Shared Director of Finance comments that the investment of the £92M with RLAM will allow the council to achieve the returns assumed in the Croxley Park Model. Councillors should note, however, that investments of this type are not without risk both in terms of returns and capital values. This investment is long term in nature allowing the Council to manage short term volatility and leaving the £92M in the Governments deposit facility would result in the value of the £92M falling behind inflation so losing real value.

5.1.2 Attention is drawn to the risks outlined in the Councils Treasury Management Policy and the changes to the Policy consequent on making the investment outlined in this paper. An updated Treasury Management Policy is attached at Appendix 1.

## 5.2 **Legal Issues** (Monitoring Officer)

5.2.1 The Group Head of Democracy and Governance comments that a competitive process was undertaken to acquire the Fund Manager in accordance with the council's contract procedure rules

## 5.3 **Equalities, Human Rights and Data Protection**

5.3.1 None.

## 5.4 **Staffing**

5.4.1 None

## 5.5 **Accommodation**

5.5.1 None

## 5.6 **Community Safety/Crime and Disorder**

5.6.1 None

## 5.7 **Sustainability**

5.7.1 The investment will be in Royal London Asset Management's sustainable funds which specifically target investments in companies with high environmental social and governance ratings.

## **Appendices**

Appendix 1 – Revised Treasury Management Policy  
Part B – Confidential Appendix - Detail of the Appointment Process

## **Background papers**

The following background papers were used in the preparation of this report. If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.

- Confidential: Link - External Fund Manager Selection Additional Statistical Analysis July 2020



# Watford Borough Council

## Capital Strategy

2020/21



## 1. Introduction

- 1.1 The purpose of the capital strategy (the Strategy) is to tell a story that gives a clear and concise view of how the council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 1.2 The framework the government uses to control how much councils can afford to spend on capital investment is known as the Prudential Framework. The objectives of the Prudential Code, which sets out how this framework is to be applied, are to ensure that local authorities' capital investment plans are:
- affordable, prudent and sustainable;
  - that treasury management decisions are taken in accordance with good professional practice; and
  - that local strategic planning, asset management planning and proper option appraisal are supported.
- 1.3 This capital strategy sets out how Watford Borough Council will achieve the objectives set out above.

## 2. CAPITAL INVESTMENT PROGRAMME

### *Capital Investment Programme - Expenditure*

- 2.1 Capital Investment is the term used to cover all expenditure by the council that can be classified as capital under legislation and proper accounting practice. This includes expenditure, normally above £15k, on:
- property, plant and equipment
  - heritage assets, and
  - investment properties.
- 2.2 Property plant and equipment includes assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes. They are expected to be used during more than one financial year. Expenditure on the acquisition, creation or enhancement of these assets is capitalised on an accruals basis, provided that the Council is likely to benefit from the future economic benefits or service potential and the cost of the item can be measured reliably. Expenditure on repairs and maintenance is charged to the revenue account when it is incurred.
- 2.3 Heritage Assets are held with the objective of increasing knowledge, understanding and the appreciation of the Council's history and local area.
- 2.4 Investment properties are those that are used solely to earn rentals and/or for increases in value. The definition is not met if the property is used in any way for the delivery of services or production of goods or is held for sale.

- 2.5 The Council does not capitalise borrowing costs for assets under construction with the exception of development in relation to its commercial portfolio. The council has a number of joint ventures for development where borrowing costs in relation to assets under construction are routinely capitalised and repaid from the proceeds of sale.
- 2.6 Detailed accounting policies in relation to assets and capital expenditure may be found in the annual statement of accounts.
- 2.7 Appendix 1 shows the latest MTFs position on the capital programme.

### ***Capital Investment Programme - Funding***

- 2.8 The Capital Investment Programme can be funded from the following sources:
- 2.9 Government Grants & Other Contributions: These are grants for specific purposes which may be available from the Government, e.g. Disabled Facility Grants. The Council can also attract partnership funding from other local authorities and agencies e.g. Local Enterprise Partnership (LEP). The Council has also benefited in the past from other funding such as lottery grants.
- 2.10 Section 106 Contributions: These are contributions from developers to the public services and amenities required for the development. These have been in part replaced by the Community Infrastructure Levy.
- 2.11 Capital Receipts: Capital receipts are derived when selling assets such as land. The main receipt relates to the arrangements made when the Council sold its housing stock to Watford Community Housing; the Transfer Agreement included a Right to Buy (RTB) Sharing Agreement whereby the Council is entitled to a share of the post-transfer receipts from RTB sales and a 'VAT Shelter Agreement' whereby the Council benefits from the recovery of VAT on continuing works carried out by Watford Community Housing.
- 2.12 Revenue Contributions: Revenue balances from the General Fund may be used to support capital expenditure.
- 2.13 Capital Expenditure Reserves: The Council has reserves which it has put aside for capital expenditure.
- 2.14 Borrowing: The Council is allowed to borrow to support its capital expenditure as long as this is prudent, sustainable, and affordable. Whilst the Council does not currently borrow, with the exception of LEP funding, it is likely that borrowing will be required to finance the future capital programme.
- 2.15 The capital programme includes an assessment of likely available resources to finance capital expenditure this is included at Appendix 2.

## **Property investment**

- 2.16 Lambert Smith Hampton (LSH) were commissioned by the Council in 2014 to undertake a strategic property review. The outcome of this process was reported to the March 2015 Cabinet which resulted in a number of decisions on the general aims of the Council, including establishing a Property Investment Board. The terms of reference include authority to agree a reinvestment programme and to determine the level of receipts to be recycled into new investments to support the Council's capital or revenue programme.
- 2.17 The Portfolio Holder for Property and Housing has delegated powers to agree to acquisitions and disposals up to £5,000,000 and the Head of Place Shaping/ Property Section Head have delegated powers to agree to acquisitions and disposals up to £3,000,000. Both of these subject to a full written business case being prepared and signed off by Finance and Legal and the acquisition/disposal being in line with the Property Investment Board Investment Strategy.
- 2.18 The LSH review identified that the property investment portfolio is unbalanced with an overloading of retail property. Re-profiling of the portfolio over time in accordance with a property investment strategy has been agreed by the Property Investment Board with some non-conforming properties being replaced by higher yielding conforming properties.

## **Other investments**

- 2.19 Watford Borough has established a commercial trading company Watford Commercial Services Ltd, of which it has 100% ownership. At present the only activity carried out through the company is Watford's investment in Hart Homes Development LLP, of which it has a 50% share. This is a joint venture with Watford Community Housing set up to deliver housing development within the area. In addition Watford Borough Council has a direct 50% share in Hart Homes (Watford) Ltd which was set up for the ongoing management of rental properties developed by Hart Homes Development LLP.
- 2.20 Watford Borough Council has set up a Local Asset Backed Vehicle (LABV) (the Watford Health Campus Partnership LLP) with Kier to develop Watford Health Campus. Under the LABV model, the public sector transfers land into to the partnership and the private sector matches the value of the asset to deliver the joint venture's objectives. Empowering the joint venture (by way of land and money) to deliver the regeneration and transformation activities agreed between the parties.
- 2.21 In July 2019, the Council acquired Croxley Park (a local business park) by way of a finance lease. Both the asset and lease liability are recognised on the Council's balance sheet. Because of the size of the finance lease, this is shown separately with the Council's authorised limit and operational boundary for borrowing. As part of the transaction the Council received a cash pot of £92M, this is invested with Royal London Asset Management as the Council's Money Market Fund managers.
- 2.22 All investment activity in relation to other investments is managed through the capital programme and revenue budget process. The activity of the joint venture and

investments in partnerships and companies is included within the Group Accounts which are prepared as part of the Annual Statement of Accounts.

### ***Future Investment***

- 2.23 Future Investment Schemes will be assessed on the basis of a full business case which will include full resourcing for the project and an assessment of affordability. Priority areas for future capital investment are:
- ***Schemes through the joint ventures that generate a surplus and increase the supply of housing locally.***
  - ***Schemes that generate revenue budget savings or income.***
  - ***Schemes that allow the council to benefit from future economic regeneration potential within the local area.***

## **3. TREASURY MANAGEMENT**

- 3.1 The Council is required to operate a balanced budget over the medium term which, after allowing for contributions to and from reserves, broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing the requisite liquidity before considering investment return. The Council has purchased investment properties to improve the yield on its longer term surplus cash.
- 3.2 The Treasury Management Policy Statement, details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The Council's investment strategy's primary objectives are safeguarding the repayment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. The strategy allows the Director of Finance, in consultation with the Portfolio Holder for Resources, the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of maximising the Council's returns without significantly increasing risk.

### ***The Council's Borrowing Need - The Capital Financing Requirement (CFR)***

- 3.3 The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure, which has not immediately been paid for, will increase the CFR. An increase in the CFR does not necessarily mean that the council will borrow externally to fund the increase. The Council manages its cash balances as a whole and may choose to use internal cash (generated by holding reserves and through timing differences between income and expenditure).

3.4 The table below shows the estimate of the CFR for 2019/20 and 2020/21 along with an analysis of forecast resources for 2021/22 and beyond.

	2018/19 Actual	2019/20 Forecast	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Total Proposed Capex		£42.0M	£119.7M	£36.5M	£16.2M
<u>Capital Financing -</u>					
Grants		(£3.8M)	(£7.0M)	(£1.0M)	(£0.0M)
Reserves		(£1.0M)	0	0	0
Capital Receipts		(£11.9M)	(£18.8M)	(£3.4M)	(£6.6M)
s.106 and CIL		(£0.3M)	0	(£3.0M)	0
Closing CFR	<b>£29.1M</b>	<b>£54.1M</b>	<b>£148.0M</b>	<b>£177.1M</b>	<b>£186.7M</b>
Movement in the CFR*		£25.0M	£93.9M	£29.1M	£9.6M

#### ***Minimum Revenue Provision (MRP) Strategy and Policy Statement***

3.5 The Minimum Revenue Provision (MRP) is designed to pay off an element of the capital spend which has not already been financed from existing revenue or capital I resources. The Council is required to make prudent provision, by way of a charge to the revenue account, which means that the repayment of debt is enabled over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

3.6 The Council is also able to increase the rate it reduces its CFR by undertaking additional voluntary payments (voluntary revenue provision - VRP) in addition to any MRP; this is not currently the Council's policy.

3.7 Government Regulations require the Council to approve a MRP Statement in advance of each year. The following is Watford's MRP statement:

*For all unsupported borrowing (including PFI and finance leases) the MRP policy will be:*

- ***Asset life method*** – *MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3)*

*This option provides for a reduction in the borrowing need over the asset's estimated life.*

3.8 Watford Borough Council's process is to produce for approval by the Director of Finance, in consultation with the Portfolio Holder, a business case for each scheme intended to be unfunded from other resources. This will clearly show the level of MRP which is proposed to ensure that the repayment of any debt can be made in a period

commensurate with the period over which the expenditure provides benefits or makes returns.

- 3.9 No MRP provision is made in respect of investments or payments in to Watford Commercial Services or the joint ventures as such investments are intended to be time-limited and allow for the repayment of debt. For finance leases the council will charge MRP to its General Fund each year dependant on the life of the underlying asset.

#### **Revenue Cost of Borrowing**

- 3.10 Where the council decides to borrow to fund capital expenditure the annual cost of borrowing is included within the revenue budget.

#### **Prudential Indicators**

- 3.11 There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.
- 3.12 The first key control over the treasury activity is a Performance Indicator (PI) to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

#### Treasury Management Indicator - The Operational Boundary

- 3.13 This is the limit beyond which external borrowing is not normally expected to exceed. In most cases this would link directly to the authority's plans for capital expenditure, its estimates for CFR and its estimate of cashflow requirements for the year for all purposes. The Council may need to borrow, this limit represents a contingency should the need arise.

<b>Operational Boundary</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
Borrowing - Capital Programme	£40M	£119M	£148M	£158M
Finance Lease – Croxley Park	£227M	£225M	£222M	£218M
Total	£267M	£344M	£370M	£376M

### **Treasury Management Indicator - The Authorised Limit for External Borrowing**

3.14 This PI, which is required to be set and revised by Members, controls the overall level of borrowing and represents the limit beyond which external long and short term borrowing is prohibited, and this limit needs to be set or revised by the Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (2) of the Local Government Act 2003.

<b>Authorised Limit</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
Borrowing	£55M	£125M	£155M	£165M
Finance Lease – Croxley Park	£227M	£225M	£222M	£218M
Total	£282M	£350M	£377M	£383M

## **4. Future Investments**

4.1 The Council will continue to seek opportunities to work in partnership with others to promote economic development and the provision of housing within Watford’s wider economic area. Current partners include Kier for the Riverwell project, along with Watford Community Housing as the main local registered social provider.

4.2 The council has established Watford Commercial Services to allow it to work more closely with providers and exploit future commercial opportunities. The Council currently has a joint venture with Watford Community Housing through Hart Homes Development LLP.

## **5. Skills and Knowledge and Professional Advice**

5.1 The Council has a shared service with Three Rivers District Council for the provision of the finance function allowing access to a greater range of professional skills than would otherwise be available if each council had a separate team.

5.2 Watford Borough Council uses Lambert Smith Hampton (LSH) to provide advice on and management of its investment property portfolio. LSH also provide ad-hoc advice where required on other projects. It also uses CTI as adviser on Croxley Park. The Council has a framework agreement in place with Grant Thornton to provide finance and



accountancy advice and has used Trowers for legal advice on the acquisition of Croxley Park. The council uses external advisers on all major projects.

- 5.3 The Council contracts with Link Asset Services for the provision of Treasury advice. Link Asset Services provide non-regulated advice on the management of the council's cash flows, investments and borrowings and a markets information service. The Council's VAT advisers are PSTax.
- 5.4 The Council has cash reserves invested with Royal London Asset Management making use of its Sustainable Managed Growth Trust Fund, Sustainable Diversified Trust Fund and its Cash Plus Fund. Link Asset Services advised the Council throughout the procurement process and provide assistance to the Council in the ongoing monitoring of performance.

## **6. Risk**

- 6.1 Financial risks are closely monitored as a separately identifiable part of the corporate risk management framework. The Council's risk appetite is evolving as it becomes involved in a wider range of major property lead investments both within its economic area linked to regeneration and more widely for income generation purposes.
- 6.2 The Council takes advice from its professional advisers to both identify and mitigate the key risks it faces and ensures that all decisions are made with an understanding of the risks involved. The ongoing management of risk is a key function of the Council's Property Investment Board which routinely takes advice from LSH.
- 6.3 The council currently has an income target of £7.3M pa from its commercial investment activities. This is equivalent to 28% of its total gross income (excluding housing benefit reimbursements from government). In addition the Council is using £1.5M pa from the Croxley Park investment to support its revenue budget. All other monies are being ring-fenced within the project. The Council does not receive RSG and is entirely dependent upon locally raised taxes and locally generated income to fund services. The general fund balance as at 1<sup>st</sup> April 2019 was £2M.
- 6.4 Whilst recognising the importance of generating income to support services, the Council will ensure that its external income is actively managed to safeguard the future financial sustainability of the council. In this respect it will continue to seek to balance income from its commercial investment activities against its overall level of risk and the amount of reserves available to mitigate this risk.
- 6.5 In assessing the risk of its commercial investments the Council will consider the level of risk inherent in the income stream, the security held, its ability to realise assets or other security should the need arise and the level of income received from commercial investments compared to the total income of the council.

## Capital Forecast

The capital forecast shows the forecast for the period of the current MTFS. New major schemes will be subject to individual business cases, including identification of resources and an assessment of affordability.

	2019/20	2020/21	2021/22	2022/23
Service Area	Revised Budget	Draft Budget 2020/21	Draft Budget 2021/22	Draft Budget 2022/23
	£	£	£	£
Service Transformation	2,668	14,314	1,430	1,530
Community & Environmental	10,760	12,625	4,506	825
Place Shaping & Performance	27,637	92,093	29,885	13,228
Strategic Finance	979	679	681	682
Corporate Strategy & Comms	0	25	0	0
<b>TOTAL CAPITAL PROGRAMME</b>	<b>42,045</b>	<b>119,738</b>	<b>36,502</b>	<b>16,265</b>
<b>Total over MTFS</b>	<b>214,550</b>			

## Capital Funding 2019-2022

<b>Funding Type</b>	<b>2019/20 Revised Budget £000</b>	<b>2020/21 Draft Budget £000</b>	<b>2021/22 Draft Budget £000</b>	<b>2022/23 Draft Budget £000</b>
Grants & Contributions	3,799	6,989	1,000	0
Reserves	1,022	0	0	0
Capital Receipts	11,938	18,870	3,402	6,643
Borrowing	24,953	93,879	29,100	9,622
S106/ CIL contributions	333	0	3,000	0
<b>TOTAL CAPITAL FINANCING</b>	<b>42,045</b>	<b>119,738</b>	<b>36,502</b>	<b>16,265</b>

# Treasury Management Policy

## 2020/21



## 1. Summary

- 1.1. The purpose of this report is to set out the Council's Treasury Management Policy
- 1.2. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: "the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 1.3. This report supports the Council's Capital Strategy and provides additional detail on how the Council manages its Treasury Management Activity
- 1.4. The Treasury Management Policy details the policies, practices, objectives and approaches to risk management of its treasury management activities, which is to be monitored by the Audit Committee. The Council's investment policy's primary objectives are safeguarding the repayment of the principal and interest of its investments on time, and then ensuring adequate liquidity, with the investment return being the final objective. The policy allows the Director of Finance in consultation with the Portfolio Holder Resources, the delegated authority to approve any variation to the Treasury Management Policy during the year with the objective of maximising the Council's returns without significantly increasing risk.

## 2. Risks

- 2.1. The strategy details the approach taken to management of Treasury Risk. This is principally through ensuring that the main Treasury risks are managed. These risks are:

liquidity risk – that the Council may not have the cash it needs on a day to day basis to pay its bills. This risk is managed through forecasting and the retention by the Council of an adequate working capital balance. In addition, through the Public Works Loan Board and other organisations, the Council is able to access short term borrowing, usually within 24 hours.

interest rate risk – that the costs and benefits expected do not materialise due to changes in interest rates. This risk is managed through the placing of different types and maturities of investments, the forecasting and monitoring of the interest budget (with assistance from the Council's retained advisors).

exchange rate risk – that losses or gains are made due to fluctuations in the prices of currency. The Council does not engage in any significant non-sterling transactions.

credit and counterparty risk – that the entity holding Council funds is unable to repay them when due. This risk is managed through the maintenance of a list of authorised counterparties, with separate limits to ensure that the exposure to this risk is limited

refinancing risk – that the loans taken by the Council will become due for repayment and need replacing at a time when there is limited finance available or interest rates are significantly higher. The timing of loan maturities is monitored along with interest rate forecasts. Officers ensure that due dates are monitored and seek advice from the Council's advisors about when to raise any finance needed.

legal and regulatory risk – that the Council operates outside its legal powers. This risk is managed through the Council's training and development of Officers involved in Treasury Management, the independent oversight of Internal and External Audit, and

the advice (for example on the contents of this strategy) taken from the Council's Treasury advisors.

fraud, error and corruption – that risk that losses will be caused by impropriety or incompetence is managed through the controls in the Council's financial procedures. For example, the segregation of duties between those making investment decisions and those transferring funds

market risk – that the price of investments held fluctuates, principally in secondary markets. The majority of the Council's investments are not traded, but where they are (e.g. Property investment portfolio) the main investments' value comes from the income they generate which is generally long term and secure.

### **3. Treasury Indicators: Limits to Borrowing Activity**

- 3.1. There are two limits on external debt: the 'Operational Boundary' and the 'Authorised Limit'. Both are consistent with existing plans and the proposals in the budget report for capital expenditure and financing, and with approved treasury management policy statement and practices.
- 3.2. The key difference is that the Authorised Limit cannot be breached without prior approval of the Council. The Operational Boundary is a more realistic indicator of the likely position. The difference between the authorised limit and operational boundary for borrowing is that the authorised limit includes a head room for borrowing for future known capital needs now. The Authorised Limit represents the limit beyond which borrowing is prohibited, and needs to be revised if necessary by members.
- 3.3. These indicators are set out in the Capital Strategy.

### **4. Borrowing Strategy**

- 4.1. The Council's treasury team maintains a cashflow forecast and works its liquidity requirements within this forecast; it may, on rare occasions, be necessary to borrow short-term for cashflow purposes. This will be in the form of short term debt or overdraft facilities and is normally for small amounts for minimum durations. As this is based on need and has a defined repayment period it is not normally included within the limits set above.
- 4.2. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated (ie: the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds. Any associated risks will be approved and reported through the standard reporting method.

### **5. Investment Policy**

- 5.1. The Council's investment policy has regard to the DCLG's Guidance on Local Government Investments and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are security first, liquidity second, then yield.
- 5.2. Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non-Specified' Investments categories. Counterparty limits will

be as set through the Council's Treasury Management Practices Schedules and are detailed at Annex A.

- 5.3. As part of its diversification of investments, the Council has invested some of its core funds (i.e: funds not immediately required for cashflow reasons) in longer-term investment property instruments. These are in the form of individual assets directly owned by the council. Although the Council has no current investments or plans to invest in pooled property funds, these are an option that could be considered in the future. All property investments are controlled through the Property Investment Board (PIB) and each investment is subject to its own business case and appraisal before a decision to invest is taken and before any Council funds are committed.
- 5.4. The Council has appointed Royal London Asset Management to manage the reserve fund in relation to the council's acquisition of Croxley Park. Due to the long term nature of this investment and the cash flow requirements with the Croxley Park financial model, this investment will be managed separately to the Council's day to day treasury management requirements.
- 5.5. In making this investment the Council's target is to outperform inflation having sufficient regard to the security and liquidity of the investment. In this case liquidity requirements will be driven by the cash flow requirements associated with Croxley Park.
- 5.6. As a minimum the council will meet with the fund manager quarterly to monitor performance and annually to review the investment strategy in light of the latest cash flow requirements in relation to Croxley Park and market conditions. The Council will be supported by Link Asset Management, the Council's treasury management advisers, in this process.
- 5.7. Reports will be taken to the Council's Property Investment Board at least quarterly by the Director of Finance.

## **6. Creditworthiness policy**

- 6.1. The Council will ensure:
  - It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.
  - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- 6.2. The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary and will provide an overall pool of counterparties considered high quality.
- 6.3. Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the Council's criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

## **7. Counterparty Categories**

7.1. The Council uses the following criteria in choosing the categories of institutions in which to invest:

- **Banks 1 - Good Credit Quality**  
The Council will only use UK banks or foreign banks trading in the UK in sterling denomination and which meet the Rating criteria.
- **Banks 2 – The Council’s Own Banker**  
For transactional purposes, if the bank falls below the above criteria, it will be included, although in this case balances will be minimised as far as possible in both monetary size and time within operational constraints.
- **Bank Subsidiary and Treasury Operations**  
The Council will use these where the parent bank has the necessary ratings outlined above and the parent has provided an indemnity guarantee.
- **Building Societies**  
The Council will use all Societies which meet the ratings for banks outlined above.
- **Specific Public Bodies**  
The Council may lend to Public Bodies other than Local Authorities. The criterion for lending to these bodies is that the loan has been approved by Council.
- **Money Market Funds AAA Rated**  
The Council may lend to Money Market Funds in order to spread its investment risk.
- **Local Authorities**  
A limit of £5m per authority will be applied.
- **Debt Management Deposit Account Facility**  
A Government body which accepts local authority deposits.
- **Council Subsidiaries (non-specified)**  
The Council will lend to its subsidiaries subject to approval of a business case by the Director of Finance in consultation with the Portfolio Holder for Resources. Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.

7.2. For details of Specified and Non-Specified Investments see below.

## **8. Use of Additional Information Other Than Credit Ratings**

8.1. Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating



watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

## 9. Time and Monetary Limits Applying to Investments

9.1. The time and monetary limits for institutions on the Council’s Counterparty List summarised in the table below, are driven by the above criteria. These limits will cover both Specified and Non-Specified Investments.

## 10. Exceptional Circumstances

10.1. The criteria for choosing counterparties set out above provide a sound approach to investment in “normal” market circumstances. Whilst Members are asked to approve this base criteria above, under the exceptional current market conditions Director of Finance may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to “normal” conditions. Similarly, the time periods for investments will be restricted.

10.2. Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMO) – a Government body which accepts local authority deposits, money Market Funds, and strongly rated institutions. The credit criteria have been amended to reflect these facilities.

## 11. Investment Strategy

11.1. In-House Funds - investments will be made with reference to the core balance and cashflow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

11.2. Investment Treasury Indicator and Limit - total principal funds invested for greater than one year. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

Treasury Indicator & Limit	2019/20	2020/21	2021/22	2022/23
Maximum Principal Sums invested for greater than one year (excluding investment of Croxley Park Reserve, property investment and loans to Council subsidiaries).	£10m	£5m	£5m	£5m
Maximum Principal Sums invested for greater than one year (Money Market Funds – Croxley Park Reserve)	£100m	£100m	£100m	£100m

## 12. Investment Risk & Security Benchmarking

12.1. These benchmarks are simple guides to maximum risk and so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with

supporting reasons in the Mid-Year or Annual Report. In line with the Treasury Management Strategy, the Council has managed to invest with those institutions who offered the best rate and the investment portfolio is above the overall benchmark during the year to date.

#### Security

12.2. Security of the investments is measured by credit ratings, which is supplied by the three main credit rating agencies (Fitch, Moodys and Standard & Poors). Where investments are made to Council subsidiaries (non-listed), the security is measured through a business case with independent viability assessment.

#### Liquidity

12.3. The Council set liquidity facilities/benchmarks to maintain:

- Authorised bank overdraft - nil.
- Liquid short term deposits of at least £5m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.5 years, with a maximum of 10 years for an individual loan with a public body (excluding loans to institutions the Council has an interest in).

12.4. The Council has the benefit of instant access to its funds on the general account with Lloyds.

### **13. Reporting Requirements**

13.1. End of Year Investment Report - the Council will report on its investment activity for the financial year completed as part of its Annual Treasury Management Report after the end of the financial year.

13.2. Mid-year Investment Report – the Council will report on its investment activity for that financial year as part of its Mid Year Treasury Management Report at the end of September of that financial year.

13.3. Capital Strategy – the Council will produce the Strategy for the next three financial years towards the end of the current financial year.

### **14. Policy on the Use of External Service Providers**

14.1. The contract for external treasury management advisors is carried out by Link Asset Services. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

14.2. The Council will also, from time to time, procure specialist advice for ad-hoc pieces of work; this will be procured in accordance with the Council's normal procedure rules.

### **15. Member and Officer Training**

15.1. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date

requires a suitable training process for Members and officers. This Council has addressed this important issue by:

- Ensuring that officers attend suitable courses and seminars to keep their technical knowledge up to date;
- Keeping up to date with CIPFA publications on Treasury Management. From December 2017 there are new codes for Capital Finance in Local Authorities and also a new Treasury Management Code;
- Regular briefings both by email and face to face with the Council's Treasury advisors;
- Reports and briefing sessions to Members on major changes to Treasury policies and strategies.

### **Annual Investment Strategy**

The investment policy for the Council is:

Strategy Guidelines – the main strategy guidelines are contained in the body of the Capital Strategy and Treasury Management Policy

Specified Investments – these investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments with:

- The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity).
- A local authority, parish council or community council.
- A body that is considered of a high credit quality (such as a bank or building society) with a minimum short term rating of F-1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies or a Building Society with assets over £1,000m. Non rated Building Societies are non-specified investments.
- Money Market Funds (triple AAA rated only).

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. These criteria are defined in the Treasury Management Strategy.

The ratings criteria and exposure limits are detailed at Schedule 1.

Non-Specified Investments – non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of

these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

Non Specified Investment Category	Limit (£ or %)
Any bank or building society that has a minimum long term credit rating of A (or equivalent), for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	£5m
The Council's own banker if it fails to meet the basic credit criteria.	In this instance balances will be minimised as much as possible
<p>Building Societies not meeting the basic security requirements under the specified investments.</p> <p>The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which were originally considered Eligible Institutions and have a minimum asset size of £5,000m, but will restrict these types of investments to £2m for up to six months.</p>	£2m
<p>Specific Public Bodies</p> <p>The Council can seek Member approval to make loans to other public bodies for periods of more than one year.</p>	£10m
<p>Loans to Council Subsidiaries</p> <p>The Council will lend to its subsidiaries subject to approval of a business case by the Director of Finance in consultation with the Portfolio Holder (Resources). Business cases must be accompanied by an independent assessment of viability, and be subjected to regular monitoring by the Director of Finance.</p>	£10m limit for any single loan
<p>Money Market Funds</p> <p>Appointed through competitive process for the investment of the Croxley Park Reserve</p>	£100m
<p>Other unspecified investments</p> <p>The strategy allows the Director of Finance, in consultation with the Portfolio Holder (Resources), the delegated authority to approve any variation to the Treasury Management Strategy during the year which may be brought about by investigating the opportunity to invest for greater than one year and also to invest in other investment instruments i.e Government bonds, Gilts and investment property with a view of to maximising the Council's returns without significantly increasing risk. This allows the addition of further unspecified investments, subject to conditions which will be generally similar to (e).</p>	£10m

The Council will also consider investment in property in accordance with its Property Investment Strategy. All property investments will be dependent on a standalone business case being proven.

#### The Monitoring of Investment Counterparties

The credit rating of counterparties is monitored regularly. The main rating agencies (Fitch, Moody's and Standard & Poor's) provide credit ratings for financial institutions. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Asset Services as and when ratings change, and counterparties are checked promptly. The Council considers minimum short term ratings as key criteria in the choice of creditworthy investment counterparties; F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard & Poor's respectively. Minimum Short Term Ratings, where given, must be met for all categories. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Finance, and if required new counterparties which meet the criteria will be added to the list.

For non-specified investments (e.g. e-f above) the progress of the entity against the approved, independently verified business case will be monitored by the Director of Finance.

Institution Type	Max Amount:			£10m	£10m	£10m	£10m	£10m
	Max Length:			10 Years	364 Days	6 Months	3 Months	1 Month
	Minimum Short Term Ratings							
	Fitch	Moody's	S&P					
UK Banks								
The Council's own Bankers	F1m	P-1	A-1	If Council's own bankers fall below the minimum long term criteria for UK banks, cash balances will be managed within operational liquidity constraints and balances will be minimised as much as possible.				
Wholly Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating
Partially Owned Subsidiaries of UK Clearing Banks - Parent Ratings	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating

UK Building Societies								
Either	F1	P-1	A-1		Backed up by AA(F), Aa2(M) and AA(S&P) long term credit rating	Backed up by single A long term ratings by all agencies	Backed up by lower than A long term rating	Backed up by lower than A long term rating
Or					Assets over £15,000m	Assets over £5,000m	Assets of £2,500m	Assets of £1,000m
Specific Public Bodies				As approved by Members				
Debt Management Deposit Facility (UK Government)						Unlimited		
Money Market Funds (AAA Rated) – excluding Croxley park Reserve								£5m per fund
Municipal Bond Agency				As approved by Members				
UK Local Authorities				The Council can invest in all UK Local Authorities whether rated or not				

Notes:-

1. F1+, P-1 and A-1+ are the highest short term credit ratings of Fitch, Moody's and Standard and Poor's respectively.
2. Minimum Short Term Ratings - Where given, these must be met, for all categories (except RBS Group).
3. Building Societies - A Building Society has to meet either the ratings criteria or the assets criterion to be included in the category, not both.
4. Maximum amount is the maximum, in total, over all investments, with any one institution (with the exception of RBS Group).



## **PROPERTY INVESTMENT STRATEGY**

### **Property Investment Policy**

The council is restricted in the different investment vehicles it is legally allowed to invest in notwithstanding the over-riding need for prudence. Of the few options open one is Property and the returns from investing in property have generally been, and currently are, greater than the limited opportunities in the money markets. This should be read in conjunction with the Asset Management Policy.

In broad terms the returns can be higher because the risks are greater. Factors to be taken into account when deciding the principle of investing in property include:

- investment will be for the long term since it may not be possible, or wise, to sell quickly
- the costs of acquisition and disposal
- there are management costs, risk of rent default and failure to honour maintenance agreements
- generally property tends to appreciate in value, although this will vary by type and area; however, in some cases the value may go down
- property can become functionally obsolete necessitating major refurbishment
- without regular repair and maintenance the condition will deteriorate and the responsibility for repairs/maintenance may not always rest with the tenant
- certain types of property may become less desirable as time goes by; this can make re-letting difficult or attract a lower calibre of tenant.

### **How much is invested?**

Approximately £200 million is currently held in the property portfolio and £ 20 million is invested in treasury investments (short term investments (less than 1 year) with UK building societies and banks).

### **What type of property?**

There are different types of property investment as follows:

- Retail
- Office
- Industrial
- Leisure

For risk management purposes it is recommended that no single asset should comprise more than 10% of the whole portfolio and locations should be diverse as should property types. Convention has often dictated an ideal balance of 30% of monies invested in each retail, office and industrial sectors, and the remaining 10% into leisure and miscellaneous

uses. The mix helps to protect the fund against movements that might adversely affect one specific sector which would otherwise have a disproportionate impact.

### **What level of financial return?**

In general, property can be categorised as prime, secondary or tertiary in terms of its desirability. 'Rack-rented' means that the maximum market rental achievable is being received. Yield derives from both capital and rent. Lower yields can indicate that the investment attracts a lower degree of risk due to the ratio of rent to capital and other factors such as location, security and regularity of income.

Property investment returns will differ depending upon the market and the nature of the asset.

The Investment Portfolio Database (IPD) index tracks total returns (income return and capital growth) on a combined portfolio of all property types and is frequently used as a benchmark by which to measure the performance of individual portfolios. Over the last 12 months the Index has demonstrated All Property returns of 16.2%, comprised of retail at 10.6%, office at 21.3%, and industrial at 20.7%. The long term average total return is 8.3%, which would be a more reliable benchmark moving forward.

### **Where should it be located?**

Within the UK the location will influence the return and the type of property and may make management more or less difficult depending on distance from the Council offices. Only property located in the UK will be considered.

Wherever possible, stock to be selected should support local regeneration and provide a community benefit, although the Council may have to consider opportunities outside the Borough in order to achieve the required results.

## INVESTMENT PORTFOLIO ASSESSMENT MATRIX

A scoring matrix allows the relative merits of an investment opportunity to be measured. The resultant score can then be assessed against a target measure or used for comparison against other opportunities. The key financial elements are covered in the following table:

SCORING CRITERIA	Score	4	3	2	1
	Weighting Factor	Excellent / Very Good	Good	Acceptable	Not Acceptable
Location	5	Major prime	Micro prime	Secondary	Tertiary
Tenant Covenant	5	Single tenant with strong financial covenant	Multiple tenants with strong financial covenant	Single or Multiple tenants with good financial covenant	Tenants with poor financial covenant strength
Building Quality	4	Modern or recently refurbished with nominal capex required	Good quality with capex likely to be required within the next 20 years	Good quality with capex likely to be required within the next 10 years	Older style or non-compliant with capex required within the next 5 years
Occupier s Lease Length	4	Greater than 10 years	Between 6 and 10 years	Between 3 and 6 years	Less than 3 years or vacant
Tenure	3	Freehold	Lease 125 years plus	Lease between 100 and 125 years	Lease between 60 and 100 years
Lot Size	3	Between £3m & £5m	Between £2m & £3m or £5m & £7m	Between £1m & £2m or £7m & £10m	Greater than £15m
Max Score		96	72	48	24

The threshold score should be set at 60.