

Thurrock - An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future

Extraordinary Council

To the Members of Thurrock Council

Due to current government guidance on social-distancing and the COVID-19 virus, Extraordinary Council on 8 July 2020 will not be open for members of the public to physically attend. Arrangements have been made for the press and public to watch the meeting live via the Council's online webcast channel: www.youtube.com/user/thurrockcouncil

Venue – Hybrid meeting Council Chamber, Civic Offices, New Road, Grays, Essex, RM17 6SL (restricted numbers of Councillors) and virtual attendance.

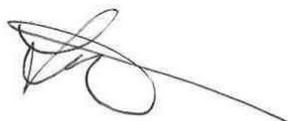
Membership of the Council:

Terry Piccolo (Mayor)
Sue Shinnick (Deputy Mayor)

Qaisar Abbas
Abbie Akinbohun
John Allen
Alex Anderson
Chris Baker
Gary Byrne
Daniel Chukwu
Colin Churchman
Gary Collins
Mark Coxshall
Jack Duffin
Tony Fish
Mike Fletcher
Oliver Gerrish
Robert Gledhill
Garry Hague

James Halden
Shane Hebb
Victoria Holloway
Deborah Huelin
Andrew Jefferies
Barry Johnson
Tom Kelly
Cathy Kent
John Kent
Martin Kerin
Angela Lawrence
Steve Liddiard
Susan Little
Sue MacPherson
Ben Maney
Fraser Massey

Allen Mayes
Sara Muldowney
Bukky Okunade
Jane Potheary
David Potter
Shane Ralph
Joycelyn Redsell
Gerard Rice
Elizabeth Rigby
Sue Sammons
Jennifer Smith
Luke Spillman
David Van Day
Aaron Watkins
Lynn Worrall



Lyn Carpenter
Chief Executive

Agenda published on: 30 June 2020

Agenda

Open to Public and Press

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Queries regarding this Agenda or notification of apologies:

Please contact Jenny Shade, Senior Democratic Services Officer by sending an email to Direct.Democracy@thurrock.gov.uk

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Information for members of the public and councillors

Access to Information and Meetings

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www.youtube.com/user/thurrockcouncil

Members of the public have the right to see the agenda, which will be published no later than 5 working days before the meeting, and minutes once they are published.

Recording of meetings

This meeting will be recorded with the audio recording being published on the Council's website. The meeting will also be filmed and live streamed. At the start of the meeting the Chair will confirm if all or part of the meeting is to be recorded.

If you have any queries regarding this, please contact Democratic Services at Direct.Democracy@thurrock.gov.uk

Guidelines on filming, photography, recording and use of social media at council and committee meetings

The council welcomes the filming, photography, recording and use of social media at council and committee meetings as a means of reporting on its proceedings because it helps to make the council more transparent and accountable to its local communities.

Thurrock Council Wi-Fi

Wi-Fi is available throughout the Civic Offices. You can access Wi-Fi on your device by simply turning on the Wi-Fi on your laptop, Smartphone or tablet.

- You should connect to TBC-CIVIC
- Enter the password **Thurrock** to connect to/join the Wi-Fi network.
- A Terms & Conditions page should appear and you have to accept these before you can begin using Wi-Fi. Some devices require you to access your browser to bring up the Terms & Conditions page, which you must accept.

The ICT department can offer support for council owned devices only.

Evacuation Procedures

In the case of an emergency, you should evacuate the building using the nearest available exit and congregate at the assembly point at Kings Walk.

How to view this agenda on a tablet device



You can view the agenda on your [iPad](#), [Android Device](#) or [Blackberry Playbook](#) with the free modern.gov app.

Members of the Council should ensure that their device is sufficiently charged, although a limited number of charging points will be available in Members Services.

To view any “exempt” information that may be included on the agenda for this meeting, Councillors should:

- Access the modern.gov app
- Enter your username and password

DECLARING INTERESTS FLOWCHART – QUESTIONS TO ASK YOURSELF

Breaching those parts identified as a pecuniary interest is potentially a criminal offence

Helpful Reminders for Members

- *Is your register of interests up to date?*
- *In particular have you declared to the Monitoring Officer all disclosable pecuniary interests?*
- *Have you checked the register to ensure that they have been recorded correctly?*

When should you declare an interest *at a meeting*?

- **What matters are being discussed at the meeting?** (including Council, Cabinet, Committees, Subs, Joint Committees and Joint Subs); or
- If you are a Cabinet Member making decisions other than in Cabinet **what matter is before you for single member decision?**



Does the business to be transacted at the meeting

- relate to; or
- likely to affect

any of your registered interests and in particular any of your Disclosable Pecuniary Interests?

Disclosable Pecuniary Interests shall include your interests or those of:

- your spouse or civil partner's
- a person you are living with as husband/ wife
- a person you are living with as if you were civil partners

where you are aware that this other person has the interest.

A detailed description of a disclosable pecuniary interest is included in the Members Code of Conduct at Chapter 7 of the Constitution. **Please seek advice from the Monitoring Officer about disclosable pecuniary interests.**

What is a Non-Pecuniary interest? – this is an interest which is not pecuniary (as defined) but is nonetheless so significant that a member of the public with knowledge of the relevant facts, would reasonably regard to be so significant that it would materially impact upon your judgement of the public interest.

Pecuniary

If the interest is not already in the register you must (unless the interest has been agreed by the Monitoring Officer to be sensitive) disclose the existence and nature of the interest to the meeting

If the Interest is not entered in the register and is not the subject of a pending notification you must within 28 days notify the Monitoring Officer of the interest for inclusion in the register

Unless you have received dispensation upon previous application from the Monitoring Officer, you must:

- **Not participate or participate further in any discussion of the matter at a meeting;**
- **Not participate in any vote or further vote taken at the meeting; and**
- **leave the room while the item is being considered/voted upon**

If you are a Cabinet Member you may make arrangements for the matter to be dealt with by a third person but take no further steps

Non- pecuniary

Declare the nature and extent of your interest including enough detail to allow a member of the public to understand its nature



You may participate and vote in the usual way but you should seek advice on Predetermination and Bias from the Monitoring Officer.

PROCEDURE FOR MOTIONS

No speech may exceed 3 minutes without the consent of the Mayor [Rule 19.8], except for the proposer of any motion who shall have 5 minutes to move that motion (except on a motion to amend where the 3 minute time shall apply) [Rule 19.8(a)]			
All Motions will follow Section A and then either Section B or C			
A.	A1 Motion is moved A2 Mover speaks A3 Seconded A4 Secunder speaks or reserves right to speak		[Rule 19.2] [Rule 19.8(a) (5 minutes)] [Rule 19.2] [Rule 19.3] (3 minutes)
Then the procedure will move to either B or C below:			
B.		C.	
IF there is an AMENDMENT (please see Rule 19.23)		If NOT amended i.e. original motion	
B1	The mover of the amendment shall speak (3 mins).	C1	Debate.
B2	The seconder of the amendment shall speak unless he or she has reserved their speech (3 mins).	C2	If the seconder of the motion has reserved their speeches, they shall then speak.
B3	THEN debate on <u>the subject</u>.	C3	The mover of the substantive motion shall have the final right of reply.
B4	If the seconder of the substantive motion and the amendment reserved their speeches, they shall then speak.	C4	Vote on motion.
B5	The mover of the amendment shall have a right of reply.		
B6	The mover of the substantive motion shall have the final right of reply.		
B7	Vote on amendment.		
B8	A vote shall be taken on the substantive motion, as amended if appropriate, without further debate.		

Our Vision and Priorities for Thurrock

An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future.

1. **People** – a borough where people of all ages are proud to work and play, live and stay
 - High quality, consistent and accessible public services which are right first time
 - Build on our partnerships with statutory, community, voluntary and faith groups to work together to improve health and wellbeing
 - Communities are empowered to make choices and be safer and stronger together

2. **Place** – a heritage-rich borough which is ambitious for its future
 - Roads, houses and public spaces that connect people and places
 - Clean environments that everyone has reason to take pride in
 - Fewer public buildings with better services

3. **Prosperity** – a borough which enables everyone to achieve their aspirations
 - Attractive opportunities for businesses and investors to enhance the local economy
 - Vocational and academic education, skills and job opportunities for all
 - Commercial, entrepreneurial and connected public services

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8 July 2020		ITEM: 3
Extraordinary Council		
Investment Briefing		
Wards and communities affected: All	Key Decision: No	
Report of: Councillor Shane Hebb, Cabinet Member for Finance		
Accountable Assistant Director: Not Applicable		
Accountable Director: Sean Clark, Corporate Director of Finance, Governance and Property		
This report is Public		

Executive Summary

On 22 May 2020, the Financial Times published a story on Thurrock Council's investments and borrowing position. Whilst the FT asked a number of questions, the council was not given sight of the article or the right to respond before publication and it therefore did not fully reflect the council's investment approach since 2014.

In response to this printed article, the Leader of the Opposition, supported by members of the Labour Group, has called for an Extraordinary Council meeting to "address the issues of concern raised by the Financial Times article".

Whilst we do not recognise the concerns set out within the article – and all questions from the reporters were responded to in the lead up to the publication of the article – this report sets out a formal response to the key themes included within the article.

The investment approach to generating income to protect council services, began in 2014 and was supported by the unanimous agreement at Full Council of a new Investment Strategy in October 2017. The implementation of this Strategy has achieved, and continues to achieve, significant income giving the council the ability to protect services for the most vulnerable in the borough, provide time to reform services, provide additional services that are important to residents, and increase the council's overall financial resilience. This approach has been agreed at Full Council since 2017.

1. Recommendations:

That the Council:

1.1 Notes this report.

2 Introduction and Background

Article Introduction

- 2.1 Whilst the FT article focused on Thurrock Council, the introduction provides the context of “the build-up of debt by local authorities since the financial crisis in 2008 as spending cuts forced councils to look for ways to supplement their income”.
- 2.2 This position reflects the experience of the wider public sector as authorities have considered a range of approaches to ensure key services can be delivered within a budget that must be balanced annually, as well as being able to fund services above and beyond the statutory minimum, and build further financial resilience.
- 2.3 Members will recall that, previously in Thurrock, the Medium Term Financial Strategy (MTFS) forecasts only presented a one year balanced budget up until the Investment Strategy was agreed. Future years were shown with significant deficits projected for the remaining years. This short term approach meant the Council had to focus on efficiencies and service reductions to deliver the budget in the relevant financial year without the ability to think longer term to transform services more effectively.
- 2.4 While there has been a greater focus on commercial investment in the public sector in the last five years, it is important to note that councils have always carried out investments – traditionally through money markets but also including commercial property such as industrial units.
- 2.5 In 2014, the council changed its approach with its first investment in the Churches, Charities and Local Authorities (CCLA) property fund of £20m. In 2015, two further investments were made in this fund bringing the overall total to £50m. In May 2016, the council made its first investment in the renewable energy sector. These two investment streams have different characteristics.
- 2.6 Whilst it is possible to withdraw funding from CCLA, with notice, this is more unusual. It is seen as a long term investment and has no pre-agreed repayment dates.
- 2.7 The renewable energy investments are different though. They are all for set periods but, in each case, the bond issuer – the borrower – has the right to repay the bond in full to the bond holder – the council in this case – at any earlier time.
- 2.8 Following the success of the initial investments in CCLA and renewable energy, the council unanimously agreed a new, formal Investment Strategy at its meeting in October 2017. This was again supported by Council in February 2018, February 2019 and February 2020. Whilst the approach was again agreed at Council in February 2020, a specific request was raised to further improve democratic oversight of the investment process – a

commitment that the Cabinet had already given. A report will come forward in due course.

2.9 Whilst there has also been significant focus on the council's level of debt, it is important to remember that the amounts relating to these investments will all be repaid at the end of the term or, as explained in 2.7 above, earlier.

2.10 Set out below is key financial information on the council's investment performance and position as at 31 March 2020. The overall debt position is £100m higher than it would normally be as the Council, like a number of authorities, increased its cash balances as the COVID restrictions commenced. As the year progresses, this will naturally reduce.

Source	£m	£m
PWLB – GF (March 2020)	100	
PWLB – HRA (2012)	161	
LOBOS (Various Pre May 2005)	29	
Other Public Bodies – Short Term (rolling debt built since start of council)	1,063	
Other Public Bodies – Long Term (rolling debt built since start of council)	63	
Gross Debt		1,416
Less:		
COVID Related Borrowing	100	
Investments – Bonds, CCLA, etc	985	
Total Repayable		1,085
Net Debt		331

2.11 The net hard-debt shown above largely relates to the historic and current capital programme expenditure.

The overall surplus from investments in 2019/20 was a net position, after borrowing costs and fees where applicable, of £35.7m, annually (or circa £80m since October 2017), which is delivering services beyond statutory minimum.

Scrutiny

- 2.12 The FT article comments on the approval process associated with new investments and states these decisions are signed off by an unelected official without an appropriate level of scrutiny.
- 2.13 It is common practice for Treasury and, therefore, investment decisions to be delegated to the responsible financial officer so that day to day activity can be managed and opportunities taken as they arise. The council's constitution delegates this authority to the S151 Officer. It was this delegation that was followed for the first three investments in the CCLA property fund in 2014 and 2015 as well as for the first renewable energy bond in May 2016. The Investment Approach was then further developed to set out a formal approach to be followed.
- 2.14 The Council Spending Review (CSR) is a meeting open to the Leaders and Deputy Leaders of the main political parties of Thurrock Council and was set up to consider the council's financial position and options to close any forecast deficits. The CSR considered taking an Investment Approach as a key contributor to the MTFS at the meeting on 20 September 2017 and this was fully endorsed with a request to report to Full Council. On 25 October 2017 the referral from CSR was unanimously agreed by Full Council. The new Strategy set out a process that for any new investment opportunities, of greater than one year and higher than £10m, the opportunity would be shared with Leaders and Deputy Leaders of the Opposition thus introducing a greater level of transparency.
- 2.15 A briefing on the largest single council investment was then provided at an Extraordinary CSR on 2 November 2017 and was fully supported.
- 2.16 Reports were taken to CSR between August to October 2018 to consider the opportunity to refinance some existing investments that resulted in increases to both the period of investment and financial returns. These were fully supported. There has also been discussion at Corporate Overview and Scrutiny Committee on more than one occasion on investments.
- 2.17 A new opportunity was then discussed at CSR on 23 January 2019 and again, fully supported. These investments have formed the basis of the majority of the council's investments along with CCLA, with other investments being far smaller in nature or as a result of changes to existing investments. In line with the Investment Strategy agreed by Full Council in October 2017, those investments which required discussion at CSR were all supported at these meetings.
- 2.18 In summary, there is a formal approach in place which has been followed to deliver a sustainable income stream which supports the delivery of core services and enables additional spend in priority areas.

Inter-Local Authority Borrowing

2.19 The Council has borrowed from other public bodies. The overall total is set out above with the reasons for the approach set out below alongside some further wider context to consider.

2.20 In March 2020, CIPFA published an article in the Municipal Journal that included:

“Inter-authority lending may well appeal as a low-risk strategy. It can be mutually beneficial for both the lending and borrowing council.

This is because lenders should benefit from the higher credit quality that local authorities offer, while borrowers get a rate preferable to sources like PWLB and can earn more interest, with similar low risk, than by investing elsewhere.

While this short-term rate is variable, as each month might be slightly different, cumulatively the savings could be significant. There is a risk that rates may go up, but it can be expected that a one-month rate will not change too drastically in the short term. Short-term inter-authority lending can also prove cheaper than variable rate PWLB due to the higher flexibility of rates, whereas the PWLB rate reset is at least once a quarter.”

2.21 Up to August 2010, the council was more traditional in its approach with the majority of funding coming from the PWLB with inter-local authority borrowing being used for short periods to meet temporary cash flow requirements.

2.22 In August 2010 the council redeemed its PWLB debt that was circa 6% on average with the intention of replacing it with cheaper PWLB debt. However, accounting requirements meant that this could not be done simultaneously and so the council needed to use a different source for a short period of time. This started the council’s approach to significant borrowing from other local authorities but at much lower rates. Whilst rates between local authorities for short periods have stayed significantly below PWLB and the level of those funds – a £12bn market – has remained available, there has been no reason to change track.

2.23 The MTFs assumes a gradual switch to longer term debt when deemed prudent to do so but this would largely focus on the council’s net debt position.

2.24 A question was raised as to why the council would concentrate its borrowing on short term loans. The reason is two-fold. Firstly, the rates are far more favourable but secondly, and as importantly, is the ability for the bond issuer to repay earlier. The council would be open to criticism for taking out a ten year loan to finance something that could be repaid after a much shorter period.

Commercial Property Investments

2.25 The impact of COVID restrictions has now highlighted the likely loss of income for those authorities who purchased, for example, shopping centres, airports

or retail parks. Some councils are reporting up to 25% loss of income in property-related investments.

- 2.26 The administration have always maintained that owning a shopping centre or retail park leaves any council with long term borrowing costs – fixed costs – but variable income streams, as has been evidenced in recent months.
- 2.27 This potential risk is not the case for Thurrock where the investments have been in bonds and where the drive to increase investment in renewable energy schemes is well documented at a national level.
- 2.28 There has been no adverse impact from the start of the COVID pandemic on the council's investments, through to current day. Income streams remain stable,

Rockfire

- 2.29 Further information relating to Rockfire Capital in terms of the council's investments into solar energy. Rockfire Capital was the promoter of the Bonds and the council does not have any legal agreement with Rockfire Capital. This was misrepresented in the article despite clarification having been provided.
- 2.30 Instead, the bonds are held between the Council and RIF PLC with the funds then made available to Toucan Gen Co Ltd that is the company that oversees a portfolio of solar farms.
- 2.31 With regard to security and viability, the following should be noted:
- Approximately 63% of the portfolio's total forecast revenue over the period of the bond term consists of government backed subsidies;
 - The UK solar and power industry is underpinned by a strong regulatory framework;
 - Baringa forecasts GB power prices will increase by real terms in the medium term, driven by rising commodity prices, tighter capacity margins and higher profit margins of conventional power producers;
 - The largest site has a long term PPA with a large bank, which increases the power price we receive and continues for over 10 years from now;
 - Solar irradiance can be seen over the past years to be relatively consistent. The geographical spread of the portfolio in the UK helps reducing local area variances against long term averages;
 - Toucan has a diverse portfolio of 56 assets and generally performs preventive maintenance in the winter (as solar resource is lower) so the assets are ready for the summer;

- All the assets were constructed between Q1 2014 and Q1 2017, ahead of Thurrock's involvement, and the portfolio has a history of performing strongly since being constructed, and put into operational sites;
- Key equipment was sourced from reputable manufacturers with the latest available technology;
- O&M agreements provided by experienced operators;
- Quintas Energy have been appointed as the asset manager. Quintas Energy specialises in and is the leading provider of solar asset management services in Europe and manages more than 400 sites with capacity over 3 GW across 8 countries with a team of 170+ people;
- The portfolio benefits from full market standard insurance cover, provided by a regulated insurer, to protect against the risk of interruption to revenues received owing to damage of the solar PV projects;
- All sites have lease agreements and planning approval to more than cover the Bond term;
- The council holds security against each of the assets; and
- The bond issuer has always paid the bond coupon in full and on time.

Advisers

- 2.32 The FT article further went on to report that the Council had previously used Arlingclose as its Treasury Advisers but terminated this arrangement in March 2019.
- 2.33 Arlingclose provided the Council credit rating advice for other financial institutions such as building societies and banks, interest rate forecasts, and treasury related accounting advice, especially for end of year accounts. In addition the Council used them to invest with money market funds such as Investec and Investco.
- 2.34 Arlingclose still provide an excellent service to the market in these areas and, rather than pay an annual fee, the council has since used Arlingclose on an ad hoc fee basis when required.
- 2.35 The agreement with Arlingclose never covered investment advice on the types of investments that the council has entered into more recently. For that reason, the council has never received any advice on these investments nor sought any advice from Arlingclose.
- 2.36 Instead, the council has taken advice from other institutions depending on the nature of the investment being considered. These have included but are not limited to: Grant Thornton, APSE, Eversheds, Bevan Brittain, TLT, Deloitte and Fitchner.

3 Issues, Options and Analysis of Options

- 3.1 There are no options related to this report as it is simply a commentary on the article published by the Financial Times on 22 May 2020.

4 Reasons for Recommendation

- 4.1 The report outlines the council's position and provides further context to the operation of the investment strategy.

5 Consultation (including Overview and Scrutiny, if applicable)

- 5.1 Whilst there has been scrutiny through the Corporate Overview and Scrutiny, Council Spending Review and Council annually, there has been no consultation on this information report.

6 Impact on corporate policies, priorities, performance and community impact

- 6.1 The council made a unanimous decision in October 2017 to supplement the council's budget through an investment approach. This has allowed investment across all of the council's front line services and includes additional services such as increasing the police presence across the borough.
- 6.2 There are other obvious benefits such as supporting renewable energy, a key approach against the impact of climate change.

7 Implications

7.1 Financial

Implications verified by: **Sean Clark**
**Corporate Director of Finance, Governance
and Property**

The benefit of the investment approach has been set out in the report.

It is clear that the approach has significantly contributed to the provision of services to Thurrock's residents against a national norm of service reductions and closures.

It had always been intended that the level of investment would reduce over time and the nature of the bond periods facilitated this.

Members need to be aware that there are significant commercial considerations when discussing investments and Local Authority inter-lending.

7.2 Legal

Implications verified by: **Ian Hunt**
**Assistant Director of Legal & Governance -
Monitoring Officer**

The Council has a requirement to finance its operation in order to deliver services to residents and to have a balanced budget.

The legislative framework underpinning local government financing permits Councils to undertake borrowing and lending activities as part of their routine treasury management.

In considering the approach to scrutinising the Councils activities Members should have regard to the commercial sensitivities which can arise from detailed discussions of the Councils investment and borrowing portfolio. Members are reminded that the Councils own commercial interests can be considered as a ground for excluding the press and public from a meeting under schedule 12A Local Government Act 1972, however in assessing the need for this Members should also consider the public interest and need for transparency in the Councils operations. The information contained in this report is provided in a public form balancing the competing interests.

7.3 Diversity and Equality

Implications verified by: **Natalie Smith**
**Community Development and Equalities
Manager**

There are no specific diversity and equalities implications as part of this report. A comprehensive Community and Equality Impact Assessment (CEIA) will be completed for any specific savings proposals developed to address future savings requirements and informed by consultation outcomes to feed into final decision making. The cumulative impact will also be closely monitored and reported to Members.

7.4 Other implications (where significant – i.e. Staff, Health, Sustainability, Crime and Disorder)

The Council's financial position has allowed for additional investment across all services with additional funding, specifically, for services to the vulnerable, fighting Anti-Social Behaviour and Climate issues including allocations for tree planting and air quality measures.

8 Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Financial Times, 22 May 2020.

9 Appendices to the report

- None

Report Author:

Sean Clark

Corporate Director of Finance, Governance and Property