



**Governance and Audit
Committee**

16 April 2024

Subject: Annual Report of the Monitoring Officer 2023/2024

Report by:

Monitoring Officer

Contact Officer:

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Purpose / Summary:

The Annual Report from the Monitoring Officer aims to provide an overview of governance matters relating to this Committee.

The Governance and Audit Committee are asked to RECOMMEND the report to Council.

The report has historically been accompanied by the Annual Review of the Constitution including any proposed amendments to the Financial and Contract Procedure Rules. An alternative approach has been taken for 2023-2024 review period. This report provides Members with details of that approach and the anticipated timeline for the outcome to be reported to this Committee.

RECOMMENDATION(S):

The Governance and Audit Committee are asked to:

- (1) Receive the information contained with the Monitoring Officer's Annual Report and RECOMMEND it be submitted to Annual Council for endorsement;
- (2) Note and endorse the intentions in respect of the pending Constitutional Review;

- (3) Agree that the governance outlined in Section 2 of the report, in respect of managing Commercial and Economic Growth, provides assurance that the council is taking appropriate mitigating measures against the risks identified in its commercial approach

The Governance and Audit Committee are asked to **RECOMMEND to COUNCIL:**

- (4) the appointment of Mr Richard Harvey as a Member of the Independent Remuneration Panel until Annual Council May 2028 (Section 5.1) be approved.
- (5) the appointment of Mr Andrew Middleton as an Independent Person, assisting with Code of Conduct issues, until Annual Council May 2028 (Section 5.2) be approved.
- (6) the appointment of Parish Councillor Elizabeth Hillman as Parish Councillor Representative on the Standards Committee until Annual Council May 2028 (Section 5.3) be approved.

IMPLICATIONS

Legal:

The Council is required by law to prepare, and keep up to date, the Constitution. There is no legal requirement for the Monitoring Officer to produce an annual report of this nature, however it has previously been requested by Members and aims to provide transparency in respect of the wider governance associated work the Monitoring Officer is involved with on an annual basis.

Financial : FIN/10/25/VA

No financial implications arising from this report. Lay Members do attract a remuneration fee which is established by the independent Remuneration Panel. The fees are contained within existing budget provision.

Staffing : There are no staffing implications arising from this report. The work is conducted by the Monitoring Officer, Deputy Monitoring Officer and wider departments.

Equality and Diversity including Human Rights : It is imperative that when dealing with all governance issues, people are treated equally and fairly. The Monitoring Officer, Deputy Monitoring Officer and wider team are aware of Equality legislation and due to the sensitive nature of this work, particularly that relating to complaints made under the Standards regime, ensure that equality and diversity is considered and applied as appropriate at all times.

The provisions under the Regulation of Investigatory Powers Act 2000 are founded on the premise of protecting human rights, and the governance surrounding this legislation ensures the human rights of the residents of West Lindsey are protected.

Data Protection Implications : The information contained in this report is, by its very nature, personal and often sensitive data. Therefore, staff only know about specific information if they need to, and information is kept confidential as appropriate, with care being taken in relation to the sending out of correspondence (such correspondence being marked "confidential" where necessary).

Climate Related Risks and Opportunities: The organisation is aware of its responsibilities surrounding climate change, and much of the work referred to within this report is conducted over email with limited printing of paper documents, and where possible meetings and discussions are held virtually using the MS teams function, thereby saving in fuel costs and emissions.

Section 17 Crime and Disorder Considerations: Whilst there are no direct implications, the work carried out by the Monitoring Officer and wider teams contributes to cohesion and informal resolutions within communities, and therefore promotes community safety. The Monitoring Officer and Deputy Monitoring Officer are able to provide a police contact to anyone who suspects or alleges criminality.

Health Implications: There are no health implications arising from this Report.

Title and Location of any Background Papers used in the preparation of this report :

Monitoring Officer Annual Report 2022/23 submit to Council in May 2023

Risk Assessment :

Good governance and up to date practices and procedures for decision making ensure the organisation is legally compliant, whilst protecting against ultra vires decisions. Further, good governance is essential for ensuring value for money and that the Council is acting within its own powers and procedures at all times. Ensuring good governance at all levels protects the organisation from external claims and challenges.

“Failure to comply with legislation” and “inability for the Council’s governance to support quality decision making” are strategic risks for the organisation and these risks are considered regularly by the Management Team prior to consideration at the Governance and Audit committee.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 **Introduction and Summary**

- 1.1 This report sets out the Annual Report of the Monitoring Officer for 2023-2024, which aims to provide an overview in respect of governance matters associated with this Committee.
- 1.2 The report includes for information purposes: -
- details of the governance arrangements in place to manage Commercial and Economic Growth, including WLDC owned companies;
 - presents a data analysis of the number, nature and outcome of complaints received under the Code of Conduct, during the 2023/24 civic year;
 - notification of pending appointments of Independent Lay Persons to various roles across the Council, for recommendation to Council where terms of office are due to expire;
 - support the Monitoring Officer has provided to a number of Parish Councils to ensure their continued functioning;
 - the use and frequency of urgent delegated committee decisions taken by the Head of Paid Service; and
 - information in respect of the Council's Regulation of Investigatory Powers (RIPA) Policy and the number of times the Council has used it powers.
- 1.3 Historically the Monitoring Officer's Annual report has been accompanied by the Annual Review of Constitution, including any proposed amendments to the Financial and Contract Procedure Rules.
- 1.4 An alternative approach has been taken for the 2023-2024 year, as was pre-empted in last year's review. This report provides Members with details of that approach and the anticipated timeline for the outcome to be reported to this Committee and subsequently recommended to Full Council.

Monitoring Officer's Annual Report

2. Governance arrangements in place to manage Commercial and Economic Growth

- 2.1 The Sections below provide updated positions, together with information on how the Council governs its business interests.

2.2 West Lindsey Owned Companies

- 2.2.1 West Lindsey District Council controls ownership in the four companies listed below.. These are managed using nominated representatives acting as Directors and carrying out the shareholder function. In practice the shareholder role is carried out by way of formal reporting to the Corporate Policy and Resources Committee.

Company	Reg. No.	Date incorporated	WLDC Staff/Roles		Shareholding
WLDC Trading Ltd	10547086	Jan 2017	AS – Director		Sole Shareholder
WLDC Staffing Services Ltd	10276205	Jul 2016	EF – Shareholder Representative		
SureStaff (Lincs) Ltd	06476932	Jan 2018	PD - Secretary		
Market Street Renewal Ltd	10298200	Jul 2016 – moved to wholly owned company in Sept 2023	SGS	Director	Sole Shareholder
			AM	Director	
			EF	Shareholder Representative	

Key: -

AM – Andrew Morriss – Independent Lay Member of the Governance and Audit Committee

PD- Finance Manager

EF – Director of Corporate Services and S151

AS – Ady Selby - Director of Operational and Commercial Services

SGS – Sally Grindrod-Smith – Director of Planning and Regeneration, Projects and Growth

- 2.2.3 During 2023 – 2024 (September 2023) the Corporate Policy and Resources Committee took the decision to purchase remaining shares from the Market Street Renewal Limited Joint Venture partner and now holds the properties through a wholly owned company arrangement.
- 2.2.4 There have been no new or revised appointments made to Directors, Shareholder representatives, or secretariats of West Lindsey owned companies during the 2023 – 2024 civic year. However, the Directors appointed by the other side of the Joint Venture company have duly resigned from Market Street Renewal Limited.
- 2.2.5 As advised in the 2022 – 2023 Monitoring Officer’s Annual Report, at the time of writing, Business Plans for West Lindsey Owned Companies were being updated and were anticipated to be presented to the Corporate Policy and Resources Committee in late 2023.
- 2.2.6 This work was successfully completed in January 2024, with revised and approved Business Plans now in place. Business Plans will continue to be reviewed and presented to the Corporate Policy and Resources Committee annually.
- 2.2.7 In conclusion there have been no issues raised around the governance of the West Lindsey owned companies and they have not been subject to any legal challenge during the year 2023 – 2024.

2.3 Development Agreements

- 2.3.1 A development agreement is a term which is used to cover a variety of agreements amongst developers, landowners, purchasers, tenants and funders. Each agreement will, of course, require to be tailored to the

parties and the circumstances of the particular development, but they tend to have a number of elements in common.

2.3.2 Many include some or all of the following obligations on the developer:

- to carry out the particular development in line with agreed plans and specifications;
- to procure the provision of collateral warranties by the contractor and consultants to the purchaser/tenants and funder;
- provisions which are designed to ensure the quality of the development;
- letting obligations, which set out the minimum criteria for any prospective leases which the developer seeks to secure, perhaps with an agreed form of lease attached; and
- A timetable for the development, including a longstop date for completing it.

2.3.3 The Council currently has a number of development agreements in place, all have been procured and authorised according to our constitutional requirements.

2.4 Commercial Property Portfolio.

2.4.1 At the Corporate Policy and Resources Committee on 13 April 2017 Members agreed a criteria for investment in commercial properties.

2.4.2 The criteria included Lot size, Location, Asset quality, Tenant ease term, Tenant Covenant, Occupation and Tenure. In addition the committee agreed to delegate the application of the criteria to the Chief Executive following consultation with the Chairman of Corporate Policy and Resources Committee.

2.4.3 The criteria was revised at the meeting of the Corporate Policy and Resources on 10th May 2018 to increase the purchase price range to £10 million. This was to enable the portfolio to be balanced and to take advantage of a gap in the market for lots between £5 million and £10 million.

2.4.4 Appendix 1 sets out the scoring criteria which is currently used to evaluate properties for the portfolio.

2.4.5 The Council has bought no additional investment properties during 2023 - 2024.

2.4.6 Members have been regularly updated on these properties in the budget monitoring reports which are provided on a quarterly basis to the Corporate Policy and Resources Committee and this will continue to be the reporting mechanism regarding these investments.

2.4.7 As advised in the 2022 – 2023 Monitoring Officer’s Annual Report, at the time of writing, The policy relating to Commercial Investments was due to being reviewed to ensure it accorded to the new CIPFA regs. This work has seen a slight delay, but the new Policy is expected to be considered by the Corporate Policy and Resources Committee during Quarter 2 of the 2024/25 year.

3. Ensuring compliance with the Subsidy Control Act (2023)

3.1 The Subsidy Control Act (2023) was introduced during 2022 - 2023 replacing the State Aid legal requirements following Brexit. The new Act was designed to continue to ensure that the public sector applied a ‘level playing field’ approach to all aspects of procurement and therefore did not give undue financial support to bidders.

3.2 As reported in last year’s Monitoring Officer Annual Report at the time of the Act’s introduction the Council sought Legal advice to ensure it was adhering to all of the requirements it placed on Local Authorities, and received assurance it is complying with the new legislation.

3.3 Officers continue to review each of our major projects on a case by case basis to ensure full compliance and no matters of concern have been raised.

4 Overview of the Number, Nature and Outcome Of Code of Conduct Complaints Received

4.1 The sections below set out the position in respect of Member Code of Conduct complaints data for the civic year 2023 - 2024 up to March 2024, with data having last been reported to Annual Council in May 2023.

4.2 During 2023 - 2024 15 complaints were received.

4.3 1 was in relation to a District Councillor and 14 related to Parish Councillors.

4.4 The nature of these complaints is summarised below:

- Honesty 6 (Parish)
- Leadership 3 (1 District, 2 Parish)
- Bullying/ Harassment 4 (Parish Council)
- Respect 2 (Parish)

4.5 The level of complaints remains on a par to previous years, with 15 also being received by the end of the last Civic Year (the exception in recent times being the years in which the country was in a Coronavirus pandemic and during this time complaints doubled).

4.6 It is to be expected that the Council will receive more complaints about Parish Councillors as opposed to District Councillors, given the very high number of Parish Councillors compared to District Councillors, this trend has borne out during 2023 - 2024.

- 4.9 The Council has issued no formal sanctions against Councillors, either Parish or District during 2023 – 2024 but has and does regularly offer advice, guidance and words of warning in a bid to avoid costly and time-consuming investigations in matters which in main can be resolved by informal action.
- 4.10 The Council commissioned 1 investigation covering two complaints within the civic year – the investigators report is awaited at the time of writing this report.
- 4.11 Complaints are currently categorised by the 7 Nolan Principles, this does not always lend itself for the most accurate category description and effective analysis. With the move to the updated Code of Conduct it had been intended to revise the complaint form to align with the paragraphs of the Code. This work has been delayed with the Council having had interim and short-term Monitoring Officers in place. With a permanent Monitoring Officer now in place it is anticipated renewed focus can be given to the way in which complaints comparison data is collated and reported
- 4.12 The level of formal complaints will never truly demonstrate the amount of work undertaken by the Monitoring Officer in supporting particularly Parish Councils, nor does it reflect the numerous enquiries which the Monitoring Officer receives which fall outside of the Monitoring Officers powers, or the volume of correspondence issued to prevent matters progressing to a formal stage.
- 4.13 To increase knowledge and understanding around the Standards regime and the role of the Monitoring Officer, a series of training sessions are being organised for Parish Councils during the Summer of 2024. Section 6 provides further information regarding this.

5. Pending Appointments for Lay and Co-opted Members recommended by the Monitoring Officer for Council Approval.

5.1 Independent Remuneration Panel Member

- 5.1.1 Recruitment for one Independent Member of the Remuneration Panel took place during February /March 2024. The vacancy was as a result of one fixed term of office for an existing Member being due to expire in May 2024.
- 5.1.2 A recruitment process was undertaken, generating only one application from the current postholder. Following a formal interview process, overseen by the Monitoring Officer and Chairman of the Governance and Audit Committee, the position has been provisionally re-appointed to Mr Richard Harvey, subject to approval by Council.
- 5.1.3 Council will be asked, at their Annual General Meeting, to approve that Mr Richard Harvey be re-appointed as an Independent Member of the Remuneration Panel for a period of four years commencing Annual

Council May 2024 and ceasing at the Annual Meeting of Council in May 2028.

5.2 Independent Person (IP) for Code of Conduct Issues

5.2.1 Recruitment for one Independent Member to assist the Monitoring Officer with Code of Conduct issues, as per the requirements of the Localism Act 2011, took place during February / March 2024. The vacancy was as a result of one fixed term of office, for an existing Member being due to expire in May 2024.

5.2.2 A recruitment process was undertaken, generating two applications; one being from the current postholder. Following a formal interview process, overseen by the Monitoring Officer and Chairman of Governance and Audit Committee, the position has been provisionally re-appointed to Mr Andrew Middleton, subject to approval by Council.

5.2.3 Council will be asked, at their Annual General Meeting, to approve that Mr Andrew Middleton be re-appointed as an Independent Person, assisting with Code of Conduct issues, for a period of four years commencing Annual Council May 2024 and ceasing at the Annual Meeting of Council in May 2028.

5.2.4 The Council is only required by statute to have one Independent Person, but best practice recommends having two available. The Council currently has two appointed and would hope to continue to operate in that way should Mr Middleton's appointment be accepted.

5.3 Parish Councillor Representative on Standards Committee

5.3.1 Recruitment for one Parish Councillor Representative on the Standards Committee took place during February / March 2024. The vacancy was as a result of one fixed term of office for an existing Parish Councillor role being due to expire in May 2024.

5.3.2 A recruitment process was undertaken, generating only one application from the current postholder. Following a formal interview process, overseen by the Monitoring Officer and Chairman of Governance and Audit Committee, the position has been provisionally re-appointed to Councillor Mrs Elizabeth Hillman, subject to approval by Council.

5.3.3 Council will be asked, at their Annual General Meeting to approve that Councillor Mrs Elizabeth Hillman be re-appointed as Parish Councillor Representative on the Standards Committee for a period of four years commencing Annual Council May 2024 and ceasing at the Annual Meeting of Council in May 2028.

5.4 Future Expiration Dates of Lay Persons Roles.

5.4.1 Terms of Office across Lay positions available on the Council are aligned to expire on a rolling basis, as opposed to all appointments expiring at

the same time, to ensure that some level of knowledge and experience is retained,

- 5.4.2 During 2024/2025 only one role expires, this being a lay person position on the Governance and Audit Committee (currently held by Mrs Alison Adams)
- 5.4.3 Recruitment will be undertaken towards the end of 2024 – 2025 civic year.
- 5.4.4 The Governance and Audit Committee's Terms of Reference allow for the Committee to have up to 3 Independent Members. The Committee has been operating with the two since 2022/23.
- 5.4.5 Further consideration will be given as to whether the additional vacancy needs to be re-advertised and whether the Council may be able to approach its neighbouring Councils to see if Members serving elsewhere would be interested in apply for the role.

6 Support to Parish Councils.

- 6.1 The Monitoring Officer regularly supports Parishes on an informal basis throughout the year. As well as powers and duties in relation to the Code of Conduct, the Constitution also provides the Monitoring Officer the relevant authority to: -
 4. To make, under Section 91 of the Local Government Act 1972, temporary appointments of Members to Town and Parish Councils following consultation with the Chairman of the Governance and Audit Committee. (Part IV / Page 33)
- 6.2 These appointments are made to prevent the Parish Council becoming inquorate due to resignations and it is typical for the Ward Member to be appointed.
- 6.3 During 2023 – 2024 this intervention has been used twice assisting the following Parishes: -
 - Fenton and Torksey Lock; and
 - Glentham
- 6.4 The appointments made under Order of Section 91 currently remain in place, as both Councils continue to struggle with quoracy.
- 6.5 The Council continues to strengthen its partnership and are working more closely with the Lincolnshire Association of Local Councils (LALC). LALC continues to champion the adoption of the West Lindsey Code Conduct as we continue to Champion the raft of benefits afforded to Parishes by subscribing to the help and support of LALC

- 6.6 The former Monitoring Officer has previously attended and addressed the LALC Networking Day, something which it is hoped can be continued by the current Monitoring Officer.
- 6.7 The request for support can often outstrip the resources available given there are over 600 parish councillors across the District. Requests also sometimes fall outside of Monitoring Officer's legal powers. To increase awareness of the Standards regime generally and the Monitoring Officer's role, a series of training events, aimed specifically at Parish Councils are being organised over the Summer months during 2024, both in person and on-line events

7 Urgent Delegated Decision Making Process

- 7.1 As anticipated in last year's report, the use of the urgent delegated decision provision continues to subside.
- 7.2 Government responses to Significant weather events and late notification funding schemes have seen the need for urgent provisions to still be used during 2023 - 2024. Use of the provision still remains higher than pre-pandemic levels but only marginally.
- 7.3 During the civic year 2023 – 2024 to date 3 urgent delegated decisions have been taken. This is down from 5 taken the previous civic year.
- 7.4 Members are notified of such decisions within 5 days of them having been made, they are also made available on the website for the public/press. <https://www.west-lindsey.gov.uk/my-council/decision-making-and-council-meetings/officer-decisions/>
- 7.5 The Chairmen of the Corporate Policy and Resources and Prosperous Communities Committees, are always consulted, as required by the Constitution.
- 7.6 The Head of Paid Service has continued with his informal commitment to extend the delegation limits to include the Leader of the Opposition, something first introduced during the Pandemic, and they continue to be afforded consultation rights on all urgent delegated decisions taken, attending when available.
- 7.7 The notification target has been met for all such decisions taken during 2023 – 2024.

8 Regulation of Investigatory Powers (RIPA)

- 8.1 The Human Rights Act 1998 requires the Council and organisations working on its behalf, pursuant to Article 8 of the European Convention, to respect the private and family life of a citizen, their home and their correspondence.

- 8.2 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a statutory mechanism for authorising covert surveillance, the use of a covert human intelligence source (CHIS), or the acquisition of communications data. It seeks to ensure that any interference with an individual's right under Article 8 of the European Convention is necessary and proportionate. In doing so, RIPA seeks to ensure that both the public interest and the human rights of individuals are suitably balanced.
- 8.3 West Lindsey, in common with all Local Authorities, is required to have arrangements in place to ensure that it abides by these regulations. This includes having an up-to-date Policy, carrying out training and keeping appropriate records. All requests to carry out surveillance have to go through an authorisation process, which includes approval by a magistrate.
- 8.4 Following a review of arrangements in January 2021, Members are advised annually of the number of surveillance requests which have been approved. It can be confirmed that during 2023/2024 no requests for the use of the Power were made.
- 8.5 As advised in last year's Monitoring Officer report a review of the RIPA policy was scheduled in 2023/24 Civic Year. An updated Policy was approved by the Corporate Policy and Resources Committee in September 2023.
- 8.6 The Investigatory Powers Commissioner's Office conducted a review of the Authority's RIPA usage and documentation in November 2023. The Commissioner's Office has confirmed that they are satisfied the District Council's documentation and responses provide compliance.
- 8.7 Refresher training sessions, in respect of RIPA, were provided to Officers who are regular users of RIPA and to the Management Team in December 2023.
- 8.8 Whilst the Authority has not needed to use its formal RIPA powers over the last three years, the relevant officers are aware of RIPA and its implications. Information is also available for all officers on the Minerva intranet page.
- 8.9 The Monitoring Officer will ensure the RIPA Policy remains up to date and fit for purpose and as resolved by Corporate Policy and Resources Committee in September 2023, will report to Management Team in September, each year and the following Corporate Policy Resources Committee.

9 Approach and Timeframe for Constitution Review

- 9.1 The Council is required by law to prepare and keep up-to-date a Constitution which explains how the Council operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people.
- 9.2 As advised in the introduction to this report, the Constitutional Review, including any proposed amendments to the Financial and Contract Procedure Rules, is historically presented with the Monitoring Officer's Annual Report.
- 9.3 As indicated in last year's review during 2023 - 2024 consideration has been given to whether a more comprehensive review of the Constitution is required in coming years, noting the date when such work was last undertaken this being circa 2011.
- 9.4 Whilst the Constitution has and continues to provide a clear and robust framework for the governance and decision-making of this Council, with the delivery and inception of some very ambitious projects and following a period of changing Monitoring Officers, an initial high level external review of the document has been commissioned.
- 9.5 This work is not a re-write of the Constitution, nor is it anticipated significant revisions will be required, given it is a high-level review. However, it will provide opportunity for an external check, balance and review by legal professionals as to where improvement could or should be made.
- 9.6 It is therefore intended to bring the outcome of that external review to the Committee and subsequently full Council during the Autumn of 2024. Given their intrinsically linked nature, any amendments required to the Contract and Financial Procedure Rules, and a revised Code of Local Corporate Governance will be presented to the Committee at the same time. Members are asked to endorse the approach taken.

APPENDIX 1 – ADOPTED INVESTMENT CRITERIA

Financial considerations				
<p>Lot Size (Capital Value) - The core initial lot size target is £1.0m - £4m. Taking into account the Council's total investment return of £20m it is recommended that a minimum of 8 assets are held without any single asset being overly dominant. A spread of £1.0m to £4m implies an average asset value of £2.5m and a portfolio of c.8 assets.</p>	£2.0m - £5m	£1.0m - £2.0m or £5m - £7.5m	£500k - £1.0m or £7.5m - £10m	<£500k or >£10m
	5	3	1	0
<p>Rate of Return (Net Yield)* - Investments will look to achieve an overall target yield of circa +/- 1% of the average net yield of the entire portfolio for which the target is currently 7.0%.</p> <p>*the return to the council after consideration of agents fees (1%), legal fees (0.5%), Stamp Duty Land Tax (at prevailing rate), external management costs (if applicable), survey costs (estimated) and any void costs.</p>	6% to 8%	5% to 6% / >8% to <10%	<5% or 10%	N/A (property vacant)
	5	3	1	0
<p>Lot Size (Annual Rental Income) - The target income range is between £150k and £300k pa. This is driven by the Authority's target net return of 7% and the identified target lot size of £1.0m - £4.0m.</p>	£125k p.a. - £300k p.a.	£100k p.a. - £125k p.a. or £300k p.a. - £600k p.a.	£50k p.a. - £100k p.a. or £600k p.a. - £800k p.a.	<£50k p.a. or >£800m p.a.
	5	3	1	0
Property/Asset Considerations				
<p>Sector - The council should invest in a diversified and balanced portfolio with a focus on the traditional lower risk sectors of Offices, Industrial and Retail; the spread of sectors will limit the Council's exposure to volatility in a particular area.</p>	Traditional Property type (Office, Industrial, Retail)	Leisure	Healthcare or Other Business Uses	Residential
	5	3	1	0

APPENDIX 1 – ADOPTED INVESTMENT CRITERIA

<p>Location Quality - the 'Primeness' of an asset's location will depend very much on the nature of each individual asset and the market within which it competes. Prime locations by sector can broadly be outlined as follows: Offices - located within an established business district of a major UK city or on an established out of town business park with access to amenities and good transport links. Industrial - located within close proximity to UK motorway network or transport hub (airport/port/rail links) or an established and successful industrial/manufacturing park. Retail - located within the retail core of a major UK city or an established and successful out of town retail location.</p>	Primary	Secondary	Tertiary	N/A
	5	3	1	0
<p>Located Proximity to WLDC - Location will be dictated by opportunity to acquire investments that meet the strategy. A balanced portfolio would not usually be restricted to WLDC's administrative boundary and would consider opportunities to purchase further afield focusing initially on investments more locally, i.e. in the LEP/area, before expanding the search country/UK wide.</p>	Within WLDC	Within 1 hr drive time	Within 2 hr drive time	>2hr drive time
	5	3	1	0
<p>Tenure - When considering the tenure of an asset, freehold would be preferable to leasehold. Freehold provides the greater levels of security against a leasehold asset that would effectively decrease in value over time. However assets on long leasehold basis may still be suitable for consideration where the lease term remaining is 125 years or more.</p>	Freehold	Long Leasehold (125 yrs+)	Long lease between 75yrs & 125yrs	Long lease less than 75yrs
	5	3	1	0
<p>Building Condition - The age and specification of the property will also affect the ability of the Council to let or sell the property in the future. It must also be taken into consideration in respect of the cost of protecting the investment and the undertaking of repairs and refurbishment if the cost cannot be fully recovered from the tenant. Preference should therefore be for modern and efficient stock. Consideration should also be given to any landlord costs associated with works that may be required to bring the property up to a satisfactory EPC level (new leases should have a minimum EPC rating of 'E' by 1st April 2018) if it is not already.</p>	Good	Fair	Poor	Not Acceptable
	5	3	1	0
<p>Security of Income/Leasing</p>				
<p>Covenant Strength - With tenanted properties there should be consideration of the quality of the tenant and more importantly, their ability to pay the rent on time and in full. Consider Dun & Bradstreet, Experia credit rating when applying Financial Covenant score. If Property is multi-let it may be acceptable to have some weaker tenants within the tenant mix as the risk is diversified to a certain extent.</p>	Strong financial covenant	Good financial covenant	Limited financial covenant	Poor financial covenant/vacant
	5	3	1	0

APPENDIX 1 – ADOPTED INVESTMENT CRITERIA

<p>Unexpired Lease length - In the case of a tenanted property, the unexpired length of the term of the lease is of key importance in ensuring that the landlord's revenue stream is uninterrupted. This must consider any upcoming breaks and assumes the tenant breaks at the earliest opportunity. For multi-let properties consider the Weighted Average Unexpired Lease Term (WAULT) i.e. the average lease term remaining to first break, or expiry, across the property weighted by contracted rent.</p>	10yrs+	5yrs to 10yrs	Between 2yrs & <5yrs	Less than 2yrs/Vacant/Holding Over
	5	3	1	0
<p>Rent Review - To increase income there must also be consideration of upcoming Rent Reviews in terms of the time frame and the method (i.e. upward only, RPI/CPI etc.) There should also be some consideration to the Rental Growth Prospects.</p>	Stepped rent/RPI or fixed uplifts	Open Market Rent (5 yearly)	Unusual review format (i.e. 14 yearly)	No RRs
	5	3	1	0
<p>Rental Growth Prospects - This considers the passing rent in relation to the market conditions and prospects for increase in income having regard to estimated rental value compared to passing rent. At a minimum the Market Rent should be equal to the Passing Rent.</p>	Substantial Rental Growth Prospect	Some Rental Growth Prospect	Rack Rented/No Likely Change	Over rented (i.e. Passing Rent > Market Rent)
	5	3	1	0
<p>Repairing terms - There should be preference for investments with full repairing and insuring (FRI) terms meaning that all costs relating to occupation and repairs are borne by the occupier(s) during the lease term with only insurance premiums recharged and service charge (if applicable).</p>	Full Repairing/fully S/C recoverable	Internal repairing - s/c recoverable by capped	Internal repairing - partially recoverable	Internal Repairing - non-recoverable/ Landlord only
	5	3	1	0
<p>Occupancy rate - Ideally the property will be fully let and income producing. A vacant or mostly vacant property potentially provides the opportunity to increase income (depending on market demand, building condition etc.) Also, there should be consideration as to the ease of getting the property fully occupied and the expense which the Landlord will have to pay in the interim i.e. empty rates, repairs and redecoration etc.</p>	Fully let (100% let)	Part Let, Part Vacant (>70% & <100% let)	Mostly Vacant (50% - 70% let)	Predominantly vacant
	5	3	1	0