

WEST OXFORDSHIRE DISTRICT COUNCIL

Minutes of the meeting of the Finance and Management Overview & Scrutiny Committee
held in Committee Room 1, Council Offices, Woodgreen, Witney, Oxon
at 2.00 pm on Wednesday 3 June 2015

PRESENT

Councillors: T J Morris (Chairman), Mrs J C Baker (Vice-Chairman), D A Cotterill,
C Cottrell-Dormer, S J Good, H J Howard, Mr E H James, Dr E M E Poskitt, A H K Postan,
G Saul and G H L Wall

Also in Attendance

Mr R A Langridge

4. MINUTES

RESOLVED: That the minutes of the meetings of the Committee held on 8 April and 20 May 2015 be approved as correct records and signed by the Chairman.

5. APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

Apologies for absence were received from Mr D A Snow

6. DECLARATIONS OF INTEREST

There were no declarations of interest from Members or Officers in matters to be considered at the meeting.

7. PARTICIPATION OF THE PUBLIC

No submissions were received from the public in accordance with the Council's Rules of Procedure.

8. CHAIRMANS REMARKS

Mr Morris welcomed Mr Wall to the Council and Mr Cottrell-Dormer on his return to the Committee. In order to assist those making presentations, he advised that he intended to revise the order of business taking item Nos. 8 and 9 as the next items of business.

9. RURAL SUPERFAST BROADBAND PROJECT

The Committee received a presentation from representatives of the Cotswolds Broadband project group providing up to date information on the scheme. The Council's Business Development Officer introduced Hugo Pickering of Cotswolds Broadband and David Pitman and Roy Merritt of Oakfield Capital and explained that the position remained broadly as reported to the last meeting. Documentation was being prepared for BDUK approval and this had taken slightly longer than anticipated due in part to the number of parties involved in the project and that BDUK was considering the project as a single submission rather than a series of 'checkpoints' meaning the submission was large and complex to prepare. In addition, the definition of a Community Body for State Aid purposes meant that Cotswolds Broadband had revised its structure from a limited company to a Community Interest Company (CIC).

Hugo Pickering then addressed the meeting. He introduced Adrian Wooster and Mark Tracey who would be able to respond to any questions on technical, regulatory or financial management issues. He indicated that the approval process had been complicated by the fact that there were five parties involved and three individual contracts between the company, the Council, BDUK and the supplier.

The requirement to change the company's status from a limited company to a CIC had been necessary to provide BDUK with reassurance that it was to operate for the benefit of the community.

Mr Pickering advised Members that BDUK had recently introduced a business connection voucher scheme in the District whereby businesses could apply for a £3,000 voucher towards the connection fee to superfast broadband. Cotswolds Broadband would work with the BDUK scheme to accelerate the programme of roll out and delivery.

Mr Pickering also confirmed that documentation had been submitted to BDUK for assessment and consideration by the Assessment Board on 11 June. Approval at 'Checkpoint C' would allow the round off of contracts and enable the project to move forward.

David Pitman then addressed the meeting and explained that Oakfield Capital was a private equity house with four partners that invests between £1M and £5M in small and medium-sized businesses in the UK through the enterprise investment scheme. Whilst the company now has some 50 investors, the partners continued to invest personally in every venture.

Oakfield had conducted extensive due diligence in respect of this investment and saw broadband as an attractive area. High speed broadband was no longer a luxury but a necessity for businesses and Oakfield expected to see a strong and increasing demand in a field that delivered a stable and predictable revenue stream. Cotswolds Broadband was also an asset backed business installing a fibre cable network that would remain.

Oakfield also found the structure of the deal attractive and would not have invested without public funding having been provided as the Council was in a position to promote take up. If the project was successful it was a model that they would like to roll out elsewhere.

In response to a question from Mr Cotterill, Mr Pickering explained that the programme network design stage was due to be completed by September and that the network would start to be built out after that. The mix of technologies to be employed would utilise both wireless and fibre connection which would help to accelerate the connection rate but it was not possible to say when services would be provided to individual communities until the design of the network had been finalised. The Company would seek to respond to individual requirements as far as possible.

In response to a question from Dr Poskitt, Mr Pickering advised that, whilst the business voucher scheme would accelerate the project, individual residential properties near to business premises taking advantage of the scheme would not necessarily be able to take any particular advantage.

In response to questions from Mr Good, Mr Pitman indicated that the Council's investment was better protected than that of private investors in the event that the business were to fail in that the physical network would remain. In terms of key personnel, whilst Mr Pickering was a key figure in the project, risks in this respect were no greater than in any other small enterprise. Insurance cover was in place and, although small, it was thought likely that it had sufficient resilience.

In response to a question from Mr Howard, it was explained that the greatest threat to the success of the project was low take up. In response to a question from Mr Cotterill, Adrian Wooster advised that BT superfast broadband secured a take up rate of 20% and rising. In addition to superfast broadband, Cotswolds Broadband would provide sub-superfast options and therefore expected to achieve a greater overall take up. Gigaclear did not generally start to build until it had secured a 35% to 40% take up, going on to achieve rates of 60% to 65%. The provision of State Aid was conditional upon products offered being benchmarked and affordable.

In response to further questions from Mr Howard regarding take up rates it was explained that Cotswolds Broadband simply constructed the network and offered the facility to internet service providers on a wholesale basis. It was the ISP's that would provide the retail offer and undertake the marketing. The Council would be able to increase local awareness of the availability of the service through its own communications network.

Mr Cotterill questioned whether responsibility for maintenance of the network could become an issue between the company and ISP's. In response, Mr Pickering advised that the company would work closely with the ISP's which were able to provide good levels of customer support. Mr Wooster indicated that fibre technology was far more reliable than wire based networks and advised that the company would have a maintenance contract with the supplier. A fibre network was also able to provide much more information to suppliers enabling them to identify where any problems lay.

In response to a further question from Mr Good, Mr Pickering indicated that, whilst the company would go some way to promoting awareness of the availability of the network, it would not sell directly to residents who would need to make arrangements to receive a service through the ISP's.

In response to a question from Mr Postan it was confirmed that the Council would be able to receive a service through Cotswolds Broadband and the company was keen to support the delivery of public services.

In response to a question from Mr Morris it was confirmed that, whilst the Council was not an Asset Lock body, the contract between the parties would ensure a reversion of assets to the Council should the company fail thus ensuring they were still available for community benefit.

Mr Morris thanked the representatives of Cotswold Broadband and Oakfield Capital for their attendance and the information provided.

RESOLVED: That progress to date on the Rural Superfast Broadband Project be noted.

10. TREASURY MANAGEMENT ACTIVITY AND PERFORMANCE 2014/2015

The Committee received and considered the report of the GO Shared Service Head of Finance giving details of treasury management activity and the performance of internal and external fund managers for 2014/2015 and received a presentation from Mr Andrew Larkin, a representative of the Council's treasury management advisers, Arlingclose.

Having noted the information provided in the report, Members received a presentation from Mr Larkin in which he provided detailed information on the performance of in-house and externally managed investments and provided an overview of the economic outlook.

Mr Larkin drew particular attention to the impact of the EU Bail-in and Deposit Guarantee Directives and the Housing Associations (Right to Buy) Bill on the Council's investment and concluded by recommending that the Council should maintain the balance of its existing portfolio.

In response to a suggestion from Mr Cottrell-Dormer that, in light of their performance, the Council should consider increasing its holding of Housing Association bonds, Mr Larkin advised that the opportunity to do so was limited as few associations issued bonds.

The Strategic Director advised that the Council had initially sought to purchase £5M in A2Dominion but that this had been cut back to £2.5M as the offer had been oversubscribed. Housing associations were frequently restricted in their ability to raise capital by existing lenders.

(Mr R A Langridge left the meeting at this juncture)

Mr Cottrell-Dormer also enquired why the Council had not disposed of its total holding in the Aberdeen (SWIP) Absolute Return Bond Fund. In response, Mr Larkin indicated that this had been purchased as a three year holding and he expected its value to rise by the end of the year. He recommended that the Council retain its holding with the expectation of a gradual increase in interest rates from spring 2016. In response to a question from Dr Poskitt he explained that the fund's performance had been poor as it had been predicated on an earlier rise in interest rates and had suffered as a result of a fall in oil prices.

The Strategic Director reminded Members that the Council's investment strategy was based upon a balanced portfolio of 1/3 equities, 1/3 short term cash investments and 1/3 bonds. He acknowledged that the Council could have split its bond holding earlier but it had not anticipated such divergent views. Since divesting itself of half the holding its performance had improved and, had it withdrawn completely, the Council would have been in a worse position than at present since the price had turned. Investment in bonds was now better balanced with the authority having the advantage of a dual view. The Committee's previous decision had been to dispose of half its holding whilst seeking the advice of Arlingclose on the remainder.

In response to a question from Mr Saul, Mr Larkin confirmed that he expected to see a rise in interest rates by the spring of next year or earlier. The economy was holding strong and a gradual rise in interest rates could be expected with the extent of rises limited.

Mr Postan expressed some concern with regard to the impact of the bail-in regulations and enquired as to the cost to the Council should it wish to disinvest from the relevant holdings. In response, Mr Larkin acknowledged that current rates of return were not a sufficient recognition of the potential risks and indicated that the Council's holdings could be sold at market price. The Strategic Director emphasised that these investments formed a part of a balanced portfolio containing a split of liquidity. In consequence, there should be no need for the Council to take short term access to long term investments.

Mr Postan then enquired whether there was any doubling up of in-house and externally managed investments and, if so whether it would be possible to establish in which costs were greater. In response, Mr Larkin advised that this could be explored but pointed out that fund managers tended to turn over a far greater volume of investments than in-house managers. In employing fund managers the Council was buying both expertise and the ability to trade. Regulations placed greater restriction on local authorities and in-house and external investments were managed under different mandates hence a direct comparison would be difficult to draw.

The Strategic Director also noted that in-house investments were also managed to match the Council's cash flow. In response to Mr Postan's concern over the reduced credit ratings of certain banks, the Strategic Director confirmed that the Council could invest in covered bonds but that these were subject to significantly different prices and rates of return.

Mr Good expressed his appreciation of the improved performance evident since the Council had changed its treasury management advisors and thanked Mr Larkin and Arlingclose for their efforts on its behalf.

Mr Howard suggested that as banks were getting stronger the risks associated with bail-in provisions were reduced. Mr Larkin acknowledged that the position had improved as a result of regulatory changes but indicated that some cause for concern remained.

The Chairman thanked Mr Larkin for his attendance.

RESOLVED:

- (a) That treasury management and the performance of in-house and external Pooled Funds' activity for 2014/15 be noted.
- (b) That the Council be recommended to approve that the Treasury Management activity and consequent Prudential Indicators are in compliance with the approved Treasury Management Strategy Statement and Investment Strategy.

11. MAIN POINTS FROM THE LAST MEETING AND FOLLOW UP ACTION

The Committee received and noted the report of the Chairman, which gave details of the main points arising from its meeting held on 8 April 2015.

12. COMMITTEE WORK PROGRAMME 2015/2016

The Committee considered the report of Frank Wilson, Strategic Director, which sought consideration of its Work Programme for 2015/2016 and suggested various topics for consideration.

12.1 Affordable Housing Working Party

Mr Morris advised that he intended to discuss the progress made by the Affordable Housing Working Party with the previous Committee Chairman in order that the Committee could consider how best to proceed at its next meeting.

RESOLVED: That the Work Programme set out in Appendix B to the report be approved.

13. CABINET WORK PROGRAMME

The Committee received and considered the report of the Chief Executive, which gave members the opportunity to comment on the Cabinet Work Programme published on 19 May 2015.

RESOLVED: That the content of the Cabinet Work Programme published on 19 May 2015 be noted.

14. PERFORMANCE INDICATORS – YEAR END 2014/2015

The Committee received and considered the report of the Joint Head of Business Information and Change giving details of the Council's performance as at the end of Quarter 4 2014/2015 relating to Business Information and Change, Customer Services, GO Shared Services, Democratic Services and Revenues and Strategic Housing.

In response to a question from Dr Poskitt, the Strategic Director explained that indicator DE3 (Number of covert surveillance operations approved) he explained had been an indicator introduced as a response to tightened regulation by Government in the wake of some education authorities using covert surveillance to establish residential eligibility within certain school catchment areas. The Council had used covert surveillance when investigating in areas such as benefit fraud or fly tipping in the past but had not sought approval from the Magistrates Court to do so recently.

Mr Howard questioned whether it was reasonable for the Council to revise its target at indicator RH2 (Speed of processing of Benefit Change of Circumstances) was reasonable or whether it could have an adverse impact upon benefit claimants. In response, the Strategic Director advised that a target of 6 days remained within top quartile performance. Whilst he did not believe that an additional day within which to process change of circumstances would have a significant impact upon claimants, indicators for 2015/2016 had not yet been agreed and the Committee could express any concerns to the Cabinet. The Council would have to decide whether to revise its current target or allocate more resources in an effort to improve performance.

(Mr Cottrell-Dormer left the meeting at this juncture)

Mr Saul questioned the slight reduction in the Percentage of Council Tax collected in-year (Indicator RH3) The Strategic Director suggested that this was due in part to the new Council Tax Support Scheme by which those in receipt of Council Tax Benefit were now required to meet a proportion of the Council Tax due and undertook to submit a report to the next meeting of the Committee. Mr Postan questioned what the percentage reduction equated to in financial terms. The Strategic Director advised that efforts continued to collect Council Tax arrears into the new financial year and beyond. Losses were only realised when arrears were written off and totals were periodically reported to Members when the Cabinet Member with responsibility for resources took the decision to do so.

RESOLVED: That the information provided be noted.

15. START TIME OF MEETINGS

The Committee considered the report of the Head of Democratic Services, which asked it to agree the start time for its meetings during the remainder of the 2015/2016 municipal year.

RESOLVED: That the Committee's meetings in the remainder of the 2015/2016 municipal year shall begin at 2.00pm.

16. MEMBERS QUESTIONS

16.1 Service Efficiency Reviews

Mr Good enquired when the next Service Head would be making a presentation to the Committee. The Strategic Director reminded Members that it had been agreed at the last meeting that the Shared Head of Revenues and Housing Support be invited to attend a future meeting once the new service had been given the opportunity of 'bedding in'

16.2 Potential Income Generation for the Council

Mr Good suggested that a Working Party be established to explore potential sources of income generation for the Council. The Strategic Director advised that a similar initiative in the past had not brought forward any particular ideas. He noted that specific suggestions thought worthy of further consideration could be investigated in the same manner as the proposed installation of Photo-Voltaic cells at Council owned properties and it was **AGREED** that this appeared to be a more effective strategy given the Council's limited resources.

The meeting closed at 4:05pm

CHAIRMAN