

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 February 2016

PRESENT

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

Also Present: D S T Enright and R A Langridge

57. MINUTES

RESOLVED: That the minutes of the meeting of the Committee held on 2 December 2015 be approved as a correct record and signed by the Chairman.

58. APOLOGIES FOR ABSENCE

There were no apologies for absence or temporary appointments.

59. DECLARATIONS OF INTEREST

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

60. PARTICIPATION OF THE PUBLIC

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

61. 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 2 December 2015.

61.1 Affordable Housing Working Party

The Chairman suggested that, although details of the extension of the Right to Buy to Housing Association properties remained uncertain, it could be helpful if the Working Party was to meet prior to the next meeting of the Committee to give initial consideration to alternative methods by which affordable housing developments could be financed. At the initial meeting the Working Party could consider whether this was a role for the Committee or a matter that fell within the remit of the Economic and Social Overview Committee.

It was **AGREED** that a meeting of the Affordable Housing Working Party be held and a report submitted to the next meeting of the Committee.

62. COMMITTEE WORK PROGRAMME 2015/2016

The Committee considered the report of Frank Wilson, Strategic Director, which gave an update on progress in relation to its Work Programme for 2015/2016.

62.1 Rural Broadband Project

Mr Cotterill enquired as to the progress of the rural broadband project. In response, the Strategic Director advised that all necessary approvals had been received and funding had been secured. The project was now in the design phase and it was envisaged that work would commence in March or April 2016. There were still certain areas in which more effective co-operation on the part of British Telecom would be helpful.

In response to a further question from Mr Cotterill, the Strategic Director advised that, whilst Cotswold Broadband had been purchased by Gigaclear (which company favoured a fibre delivery solution) the Cotswold Broadband contract specified a degree of coverage that would require wireless provision. Accordingly, it would be necessary for the company to enter into a separate contract to provide a Wifi solution to those parts of the District not served by the fibre network.

Mr Howard questioned whether the reduction in the cost of the project had been reflected in the Medium Term Financial Strategy. In response, the Strategic Director advised that the Council was still to incur capital expenditure of £1.6M by way of a loan to the company. The return on this sum had not been included in the strategy and the assumptions made had not altered as other potential factors such as termination of the claw-back provisions under the LSVT agreement gave rise to a neutral impact.

Mr Good expressed his appreciation and offered his thanks to Mr Langridge and those Officers whose work had been fundamental to the delivery of this important piece of infrastructure, vital to the residents of West Oxfordshire.

62.2 Key Worker Accommodation/ Extension of Right to Buy to Housing Association properties

Mr Postan indicated that both availability and affordability acted against those seeking to live in the District and enquired whether the Council could provide affordable loans to key workers. In response, the Strategic Director advised that, whilst the Council did not operate such a scheme, there were Government sponsored schemes operated through commercial lenders. He confirmed that Cotswold District Council supported a scheme through Lloyds and suggested that the Affordable Housing Working Party may wish to consider a similar initiative.

62.3 2020 Vision Project

Mr Cotterill enquired as to the progress of the 2020 Vision Project and expressed some disquiet at the difficulty he had encountered in contacting staff and establishing specific roles and responsibilities. He requested that a structure chart be made available to Members. In response, the Strategic Director explained that interviews for key partnership roles had been held earlier in the week and it was envisaged that appointments would be ratified by the Joint Committee at its meeting to be held the following week. Further information would be made available to Members once these key appointments had been made but it had been thought premature to do so earlier when roles and responsibilities could change.

The Chairman advised that the first meeting of the Joint Committee was to be held at the Forest of Dean on 12 February. As the meetings were open to the public, arrangements were to be made for remote access by way of video conferencing at all partner authorities and, at West Oxfordshire, Committee Room Two had been set aside for this purpose.

Mr Morris went on to advise that, whilst there was provision for contributions from Members of the partner authorities, this did not extend to the unrestricted participation permitted at the Council's own Cabinet meetings and Members were requested to submit questions in advance.

The Strategic Director confirmed that provision would be made for both public participation and for contributions from Members as a discrete item on the agenda. He indicated that it was envisaged that the procedural arrangements for meetings of the Joint Committee would evolve and advised that meetings would rotate throughout the partner authorities; the next being at West Oxfordshire in June.

In response to a question from Mr Postan it was confirmed that agenda for the meeting would be made available to all Members of the Council electronically.

In conclusion, it was **AGREED** that the Chief Executive be invited to attend the next meeting of the Committee to provide an update on the project.

62.4 Service Efficiency Reviews

At the suggestion of the Chairman it was **AGREED** that, as the Council's efficiency programme had effectively been superseded by the 2020 Vision Project, item No. 4, Service Efficiency Reviews, be deleted from the Work Programme.

RESOLVED: That, subject to the above amendment, progress with regard to the Committee's Work Programme for 2015/2016 be noted.

63. 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 12 January 2016.

The Strategic Director advised that item Nos: 5, 6 and 7 (Budget and Performance Monitoring Q3, Land Exchange with Witney Town Council and Impact of Oxfordshire County Council reduction in grass cutting expenditure) had been deferred to the March meeting and that item No. 13 (Notice of Motion relating to affordable housing) had been brought forward from March to the February meeting.

In response to a question from Mrs Reynolds, the Strategic Director confirmed that the delay to item 6 was simply due to on-going discussions between the District and Town Councils regarding the areas of land to be exchanged.

Mr Good expressed his concern over the Government's recent decision to make permanent provisions that allow for change of use from B1(a) (Offices) to Class C3 (Dwelling houses) without the need for planning permission and drew Members' attention to the report to be considered by the Cabinet the following week that suggested making a Direction under Article 4(1)(b) of the Town and Country Planning (General Permitted Development)(England) Order 2015 to withdraw the permitted development rights.

The Strategic Director advised that, whilst a decision to remove permitted development rights could have financial implications for the Council, the protection of key employment sites was considered fundamental to the economic wellbeing of the District. He advised that, whilst it would be inappropriate to seek to introduce a blanket prohibition, the report to the Cabinet identified a number of key employment sites thought to warrant such protection.

Mr Langridge noted that making an Article 4 Direction would not preclude a change of use but would bring determination under the control of the Local Planning Authority and Mr Cottrell-Dormer emphasised the importance of ensuring premises on agricultural holdings and sites such as Worcester Road, Chipping Norton, were included.

Mr Enright suggested that there might be merit in making collective representation on the matter to Government through the LGA.

RESOLVED: That the content of the Cabinet Work Programme published on 12 January 2016 be noted.

64. REVISED MEDIUM TERM FINANCIAL STRATEGY 2015 - 2025

The Committee received and considered the report of Frank Wilson, Strategic Director, regarding the annual refresh of the Medium Term Financial Strategy.

The Strategic Director introduced the report and advised Members that, as work on the impact of the changes to arrangements for the allocation of Business Rates had been ongoing at the time the report had been drafted, some amendments had now been made at appendices B and C. Revised copies of the relevant extracts were circulated at the meeting and the Strategic Director explained that, whilst a significant reduction in Rate Support Grant had been anticipated, the pace of reduction was somewhat quicker than previously envisaged.

The Council faced two previously unidentified significant challenges; an increase in its cost base resulting from the loss of recycling credits and other increased costs such as additional National Insurance contributions and a reduction in income from the New Homes Bonus. It was clear that the Government intended to change the allocation of New Homes Bonus and the best case scenario for the Council was a one third reduction. At worst, the Council could face a two thirds reduction and the Strategy assumed a loss midway between the two of 50%.

The Council would also have to address the impact of a Business Rates re-set in 2020. In recent years the growth in Business Rate income had, along with efficiency savings, enabled West Oxfordshire to freeze Council Tax. However, the Council would lose the benefit of Business Rates growth on the re-set and see income fall from £2.8M in 2016/17 to £2.2M in 2020. Whilst it was uncertain how the Government would manage the re-set, the strategy represented a best estimate.

By 2020, the revised figures indicated that the Council would need to use some £2M per annum to support its revenue budget. However, given that West Oxfordshire maintained a good level of general fund reserves, there was no need for a knee jerk reaction as these allowed time to reflect on how best to address the deficit.

The Strategic Director suggested that there was little more to be achieved by way of efficiency savings without a direct impact upon front line services. In consequence, the Council had either to increase income or reduce expenditure and how it chose to do so was a matter for Members.

Appendix C offered suggestions as to how the Council might proceed. A £5.00 per annum increase in Council Tax would be permitted under the Government's edict that the lowest charging 25% of authorities would be able to levy a flat rate rise rather than remain restricted to a percentage increase. The Government had also voiced the expectation that

the impact of a reduction in central funding should be cash neutral on Councils, the implication being that the shortfall be met locally. Accordingly, the Strategy assumed a £5 per annum rise in Council Tax to 2020.

Notwithstanding an increase in Council Tax, a £1/2M deficit up to 2019/20 remained. This shortfall could be addressed by introducing a charge for the garden waste collection service or by increasing income or reducing expenditure in any combination. However the Council chose to address this shortfall, it would face further challenges post 2020 but by that time it would be in a better position to assess the true impact of the Business Rates re-set.

In conclusion, the Strategic Director cautioned that unexpected vicissitudes could have an unforeseen impact upon the Council's on-going financial position, citing recent claims by NHS Trusts for mandatory rate relief as an example.

Mr Langridge thanked the Strategic Director and his team for their report and emphasised the financial challenges facing the authority. He suggested that the introduction of a charge for the collection of garden waste would not only address the £1/2M shortfall but be seen as a direct response to the County Council's decision to withdraw recycling credits. He noted that responses to the recent survey showed that some 65%-70% of respondents would be happy to pay a reasonable charge for garden waste collection whilst 85% wished to see the Council retain its grants regime.

Mr Langridge also advised that it was his view that any funds accrued as a result of an improved position in terms of the New Homes Bonus should be applied towards funding phase II of the Carterton Leisure Centre. In conclusion, Mr Langridge invited Members' views on the suggestion of a £5 per annum rise in Council Tax.

Mr Cottrell-Dormer indicated his support for an increase in Council Tax, suggesting that the Council should have implemented a gradual rise over previous years. He suggested that the introduction of charging for the collection of garden waste could give rise to an increase in fly tipping and questioned whether income could be generated through the introduction of car parking charges. Mr Cottrell-Dormer also questioned whether non-statutory services such as tourism should be maintained.

Mr Howard noted that the on-going reduction in Government grant had been clearly signposted and expressed the view that Council Tax would have to rise. He suggested that the Council should assess the cost of any increase in instances of fly tipping and expressed his support for the retention of community grants. In conclusion, Mr Howard expressed his support for the Council's commitment to phase II of the Carterton Leisure Centre, indicating that this development was necessary to meet the increased demands of this rapidly growing town.

In response to a question from Mr Howard, the Strategic Director advised that a number of authorities had attempted to reduce the cost of democracy by reducing the number of elected members on the Council. However, he noted that any change would take some time to implement; being the subject of a boundary review, and stressed that any decisions of this nature would be a matter for Members.

Mr Langridge reiterated his support for the Carterton Leisure Centre project.

Mr Good suggested that the Council should consider ways in which it could generate income through commercial activity. In response, the Strategic Director advised that the

authority was still restricted in its activities by statute but the possibility of undertaking wider commercial activity was being explored as part of the 2020 Vision Project.

Mr Postan suggested that the Carterton Town Council should be expected to make a contribution towards the leisure centre project and indicated that the application of District Council funding to this project would not be well received in the rural areas if the proposals for a new access onto the A40 were not delivered. In response, the Strategic Director emphasised that the Carterton project aimed to deliver a District leisure facility rather than just a local facility.

Mr Postan expressed his support for the suggested Council Tax increase and questioned whether the introduction of charges for the collection of garden waste would generate an adequate income. He also questioned whether this would be sufficient. In response, the Strategic Director advised that, whilst he could not guarantee that further unforeseen changes would not impact adversely on the Council's financial position, current assumptions were that the proposed strategy would be sufficient to 2020.

Mr Postan went on to suggest that the Council should give consideration to placing its clothing recycling operation on a more commercial footing.

Mrs Baker expressed her support for an increase in the level of Council Tax and noted that it would be necessary to assess the implications should the take-up of a chargeable garden waste collection service be lower than anticipated. Mrs Baker also expressed her support for the retention of free car parking which she saw as fundamental to the economic wellbeing of the District.

Mr Dorward concurred and stressed the importance of tourism to the local economy. Mr Adams supported the suggested rise in Council Tax and indicated that he did not envisage that the introduction of garden waste charges would lead to a significant fall-off in users of the service.

Mr Saul expressed his support for an increase in Council Tax and the retention of free car parking.

In response to a question from Mr Enright, the Strategic Director advised that the Council continued to give consideration to the introduction of electronic document distribution to Members.

RESOLVED:

(a) That the Cabinet be advised that the Committee supports the suggested increase in Council Tax of £5 per annum to 2020, the introduction of charging for the collection of garden waste, the retention of the Community Facilities Grants scheme and the retention of free car parking in West Oxfordshire

(b) That the revised Medium Term Financial Strategy; spending targets and principles supporting it, as set out in the Appendices to the report be endorsed.

On behalf of the Cabinet, Mr Langridge thanked the Committee for its input.

(Mr D S T Enright and Mr R A Langridge left the meeting at this juncture)

65. TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2016/2017 – 2018/2019

The Committee received and considered the report of the GO Shared Service Head of Finance, which sought consideration of the Council's Treasury Management Strategy for 2016/17 and approve; Prudential Indicators; MRP Statement and the Use of Specified and Non Specified Investments.

The GO Shared Service Head of Finance introduced the report and, in response to a question from Mr Good, it was explained that, unlike the majority of authorities, West Oxfordshire was debt free. In consequence, certain of the requirements were of less relevance to West Oxfordshire. Mr Good questioned whether the Council was right in remaining debt free. The strategic Director advised that there may well be a time when the Council would need to consider whether to borrow or sell assets to fund capital works. However, as accounting rules required the Council to cover both interest and capital on borrowed funds, it would require a high rate of return to make it neutral from a revenue account perspective.

In response to a question from Mr Howard it was explained that the January Economic and Interest Rate Forecast at Appendix C had been drafted a while before agenda despatch. It was expected that the potential impact of an EU referendum would be incorporated into the next monitoring report.

RESOLVED:

(a) That the Cabinet be requested to recommend that the Council approves:-

- (i) The Treasury Management Strategy 2016/2017 to 2018/2019 at Appendix A to the report.
- (ii) The adoption of MRP Option 3, the asset life method, which makes revenue provision over the estimated life (in equal instalments) of the asset (as defined within Appendix A Paragraph 6).

(b) That the Cabinet be requested to recommend that the Council adopts the Prudential Indicators and Limits for 2016/2017 to 2018/2019 as detailed in Appendix B and summarised in Appendix E of the report.

66. TREASURY MANAGEMENT ACTIVITY AND PERFORMANCE

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 the period April to December 2015.

The GO Shared Service Head of Finance introduced the report and, in response to a question from Mr Cotterill, advised that the estimated interest at paragraph 4.2 related solely to cash investments, not the Council's property portfolio.

In response to a question from Mr Cottrell-Dormer, the GO Shared Service Head of Finance advised that the Council's Icelandic investments remained locked in an escrow account. Whilst it could not access the capital, interest was being accrued at around 4%.

In response to a question from Mr Howard, the GO Shared Service Head of Finance indicated that there was no cash flow benefit in receiving Council Tax payments over 12 rather than 10 months.

Mr Postan made reference to earlier concerns that there could be attempts made by Central Government to access local authority reserves and questioned whether this remained an issue. The Strategic Director advised that, whilst there had been some speculation to this effect prior to the grant settlement, recent Ministerial pronouncements suggesting that reserves should be utilised to smooth out grant reductions to 2020 had alleviated any immediate concern.

However, the Council anticipated having to draw on its reserves and the position would need to be kept under review.

RESOLVED: That treasury management and the performance of in-house and external Pooled Funds' activity for the period April to December 2015 be noted.

67. MEMBERS QUESTIONS

Mr H J Howard had given notice of the following question.

Could the Strategic Director please give the Committee a brief on the implications of the 4 year funding deal that appears to be on the table with respect to our "Funding Settlement?"

In response, the Strategic Director advised that the position remained unclear as the Council had yet to receive the final settlement and had no details of the 4 year offer..

The meeting closed at 3:45pm

CHAIRMAN