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 20 July 2016

PRESENT

Councillors: P Emery (Chairman), G H L Wall (Vice-Chairman) A J Adams, D A Cotterill, P J G Dorward, H B Eaglestone, S J Good, E H James, Dr E M E Poskitt, A H K Postan, Mrs C E Reynolds and G Saul

Also in attendance: Mr C G Dingwall and Mr T J Morris

17. CHAIRMAN'S ANNOUNCEMENTS

The Chairman thanked Mrs Reynolds for chairing the previous meeting in his absence.

18. MINUTES

RESOLVED: That the minutes of the meeting held on 8 June 2016 be approved as a correct record and signed by the Chairman.

19. APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

Apologies for absence were received from Mr H J Howard and from Mr T J Morris for his late arrival at the meeting and the Head of Paid Service reported receipt of the following resignation and temporary appointment:-

Mr H B Eaglestone for Mr A D Harvey,

20. DECLARATIONS OF INTEREST

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

21. PARTICIPATION OF THE PUBLIC

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

22. 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 June 2016.

23. COMMITTEE WORK PROGRAMME 2016/2017

The Committee received the report of the Strategic Director providing an update on the work programme for the committee for 2016/2017.

RESOLVED: That progress with regard to the Committee's Work Programme for 2016/2017 be noted.

24. 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 24 June 2016.

The Head of Paid Service advised that the report to consider acceptance of the four year financial settlement proposals had been deferred to the August meeting of the Cabinet. In consequence, it would not be possible for the Committee to consider the report prior to its submission to the Cabinet but the recommendations arising would be subject to the approval of the full Council in September

RESOLVED: That the content of the Cabinet Work Programme published on 24 June 2016 be noted.

25. 2020 VISION PROGRAMME UPDATE – CONSIDERATION OF LOCAL AUTHORITY OWNED COMPANY MODELS

The Committee received a presentation from the 2020 Vision Programme Director on Local Authority Owned Company Models. A copy of the presentation is attached as Appendix A to the original copy of these minutes.

(Mr T J Morris joined the meeting at this juncture)

Mr Cotterill noted that the proposed structure reflected private sector models in which company amalgamations sought to develop and deliver homogenised services. Councillors represented the client base with services commissioned by Officers acting as account managers. As proposed, the service had achieved a critical mass to deliver the economies of scale that would allow it to operate successfully and expand. The Programme Director confirmed that this was what the project was intended to achieve.

Mr Cotterill questioned the extent to which the project was scalable to provide services on a commercial basis, given the inherent risks involved. In response, the Programme Director advised that the project had not reached the stage where it could deliver commercial services and acknowledged that there was a transition for staff in working in a commercial environment.

The Programme Director noted that the proposed company would be wholly owned by the local authority partners with no private funding. Control would be exercised not only by service contracts but through shareholding in the Company and the appointment of Directors.

Mr Cotterill suggested that planning services should continue to be retained and operated by individual authorities given the importance of local knowledge. The Head of Paid Service acknowledged this concern and advised that the proposed model offered the flexibility to allow some services to remain not shared and enable the project to move forward.

Mr Postan noted that the primary reason that commercial mergers failed was the incompatibility of systems and IT and sought reassurance that appropriate steps were being taken to ensure that such difficulties were not encountered.

The Programme Director advised that West Oxfordshire and Cotswold District Council's had been working together for some time and common systems had been developed. In addition, Ubico had also been closely involved with these developments. He acknowledged that Cheltenham Borough Council had come into the project from a less advanced position but had made significant investment to integrate systems with the other partner authorities as a precursor to the project's development and had made on-going financial provision to continue to do so.

Key financial systems had already been integrated across the authorities as had the Environmental and Regulatory Services system (with the exception of Cheltenham Borough which had decided to continue to operate that service independently). Whilst it was intended to develop fully integrated systems, this plan was not yet complete and it would be a few years before common systems would be in operation throughout. However, the Joint Committee was now responsible for all ICT purchasing decisions and these financial and decision making arrangements, together with a good track record of co-operation boded well for the future.

In response to a question from Mr Cotterill, the Head of Paid Service outlined the extensive investment in video conferencing facilities made in recent months with four suites being provided at Woodgreen.

Mr Wall questioned whether the recent referendum result would have an adverse impact upon the development of the programme. The Programme Director indicated that any reduction in employment costs would increase the forecast levels of savings and went on to advise that the project was seeking to develop a total reward package more attuned to the current employment market at no additional cost. Whilst the impact of an exit from the European Union remained uncertain, the financial projections in the business model were conservatively drawn and made no account of the potential for increased income through trading and commercialisation as there was a need to factor in more detailed information on costs and potential markets.

Mr Good thanked the Programme Director for his presentation and enquired whether video conferencing facilities could be made available to other organisations on a commercial basis. In response, the Programme Director suggested that such facilities would become increasingly affordable and widespread and Mr Cotterill advised that there were commercial organisation already catering for this market.

Mr Good also enquired whether there were any particular areas of concern. The Programme Director advised that he was confident in the proposals as submitted but acknowledged that there was a risk that partners might not be willing to move forward at the same pace. This was an expensive programme to develop and it was important to maintain a degree of momentum to secure the associated financial benefits as soon as possible.

Mr Cotterill noted that the age profile within the authorities could present a challenge to embracing new technology and Dr Poskitt questioned how far the partnership could cope with individual authorities moving at a different pace.

The Programme Director advised that the programme could cope to a certain degree as it was scalable overall and on time of implementation. Whilst individual authorities could chose to come on board later, there needed to be a critical mass at the time the decision to move forward had to be taken. It was noted that each authority retained sovereignty over its decision to move forward and that this could be influenced by its financial position or a lack of political will.

Mrs Reynolds expressed some concern that the transfer of staff on existing terms with the employment of new staff on different contracts could give rise to difficulties. The Programme Manager advised that existing terms and conditions were not consistent across the partner authorities at present and the objective was to create a single employment model both within the Company and for retained staff.

The objective was not to create equality but to provide consistency through a holistic package of reward yet to be developed.

Mr Adams questioned how other authorities could seek to join and it was explained that this would be based upon the level of service required. Whilst discrete services such as payroll could be purchased on an individual basis, those authorities seeking a significant number of services would be expected to join as a shareholder. In response to a question from Mr Cotterill it was explained that, whilst operating as a cost sharing company, the partnership would retain the tax advantages of a local authority. However, a separate trading entity could also be established, although this would require independent financial resourcing and be liable for corporation tax.

(Mrs Reynolds left the meeting at this juncture)

Mr Postan questioned whether the partners in the Teckal company could secure or benefit from their interest should it convert to a trading company at some future date. The Programme Director advised that Ubico had no asset value and, at present, each partner authority held equal shares.

Mr Dingwall noted that the Council had been faced with having to make on-going savings since it was subject to a 9% reduction in Central Government grant some eight years past, having to reduce costs without reducing services. It had been able to achieve this through a process of evolution, not revolution, maximising reductions in costs whilst protecting services. Having historically maintained a low level of Council Tax, the Authority had either to make savings or cut services and Mr Dingwall expressed his thanks to the Council's staff for taking steps to enable it to do the former whilst avoiding the latter.

In doing so, the Council's Officers had placed themselves in a less secure position and Mr Dingwall expressed the desire to reward them for doing so. He noted that a significant number of key appointments within the 2020 partnership had been filled by West Oxfordshire employees.

Mr Dingwall emphasised that a move to a company model would offer the Authority the flexibility to do things that it was unable to do so now, giving rise to the potential for greater income generation through commercial activity, concluding by making reference to

Nottingham City Council which had recently been identified as the lowest priced energy provider in the country.

RESOLVED: That the information provided be noted.

26. BUSINESS RATES RETENTION – CONSULTATION PAPER

The Committee received and considered the report of the Head of Paid Service giving details of the consultation paper on potential changes to the Business Rates Retention Scheme and how it might impact upon the Council.

The Head of Paid Service advised that the existing Business Rates scheme had served West Oxfordshire well, allowing it to benefit from growth in the business rates base. Similarly, the decision to join the business rates pool had enabled the Council to save some £1.2 Million.

The proposed system of 100% business rates retention did not envisage a change in the basic principles of the current scheme, incorporating an element of redistribution of resources throughout the country. However, there was a need to examine the proposals in greater detail over the coming weeks to seek to establish how the retained funds would be divided in a two tier area such as Oxfordshire.

Mr Emery questioned whether the timetable for reform would allow authorities to take account of the Local Government Association's response to the consultation. The Head of Paid Service advised that the LGA would not be concerned about the division of funds between tiers. The Council's response to the consultation would have to be submitted before the next meeting of the Committee but Members would be advised of the content.

Mr Saul questioned whether parameters would be imposed upon the ability to reduce business rates locally to encourage commercial activity. The Head of Paid Service indicated that it was assumed that this would be the case and noted that only areas with a Combined Authority Mayor would be permitted to raise an infrastructure levy. He went on to caution against a policy of rate reduction that could lead neighbouring authorities into a 'race to the bottom' which would be unaffordable in the current financial climate facing local authorities.

Mr Good questioned whether, given other issues facing the Government, there was likely to be slippage in the proposed timetable. The Head of Paid Service advised that the consultation paper and associated timetable had only just been released so presumably had taken account of recent developments. However, at this stage it was too early to know if there would be any delay. The Head of Paid Service advised that the new arrangements were to be initially introduced to pilot authorities including Manchester.

RESOLVED: That the report be noted.

27. MORTGAGE SUPPORT SCHEME

The Committee received and considered the report of the GO Shared Service Head of Finance which outlined options for mortgage support schemes that could include key workers as application criteria.

Mr Saul indicated that the Local Authority Partnership Scheme did not overlap with the Government's Help to Buy Scheme and noted that it could be applied to any property in any location and suggested the Council should assess the potential level of interest.

Mr Emery noted that the District was an expensive place in which to live, resulting in people having to live elsewhere and commute unnecessarily. The proposed scheme would reduce the cost of entry to the housing market and should be taken forward and could potentially be linked to the new fundraising powers.

Mr Postan advised that he had spoken to a number of doctors and nurses who would prefer to remain in the area but who were forced to move elsewhere as current loan to value restrictions and income multipliers were such that they were unable to obtain mortgages. Mr Postan favoured a council supported commercial mortgage and suggested that the Authority should go on to identify key workers beyond the traditional categories, assess what multiples would be affordable and investigate default rates and levels by occupation and develop a scheme that it could take forward to commercial lenders.

Mr Postan suggested that the low take up of Cotswold District Council's scheme could reflect a lack of proactive marketing.

Mr Good noted that the Council did all it could to promote shared ownership and made reference to the self-build scheme recently approved at Northmoor. Mr Good suggested that the Council should explore both LAMS and LAPP schemes to be available to all workers and questioned what level of funding would be required.

Mr Wall indicated that it was thought that lenders loan to value ratio was likely to drop and suggested that local councils should assist in identifying key workers.

The Head of Paid Service advised that, at this early stage, the level of funding required was uncertain. He acknowledged the importance of promotion but noted that the timing of the introduction of the Cotswold scheme had been unfortunate, coinciding with the Government's help to buy initiative. He advised that income multipliers were worse in Cotswold District than West Oxfordshire and questioned whether a scheme should be restricted to key workers or open to all residents.

The Head of Paid Service suggested that initial budget provision of £1 Million could be seen as an appropriate figure and noted that the Housing Team had expressed interest in the proposals as another method of assisting those in housing need.

Mr Postan acknowledged the merits of both schemes and questioned whether a points based eligibility criteria could be devised.

Mr Dingwall drew attention to the discrepancy between the construction cost and sale price of property and suggested that the Council should explore ways in which it could become directly involved in facilitating development.

Dr Poskitt suggested that the Council ought not to concentrate solely on key workers but should give consideration to the development of Local Authority Mortgage, Local Authority Partnership and Custom and Self Build schemes open to all residents.

A proposition to this effect was made by Mr Cotterill and seconded by Dr Poskitt and on being put to the vote was carried.

RESOLVED: That the information provided in the report be noted and the Cabinet be recommended to give consideration to the development of Local Authority Mortgage, Local Authority Partnership and Custom and Self Build schemes open to all residents.

28. VOLUNTARY RIGHT TO BUY

The Committee received and considered the report of the Group Manager for Revenues and Housing Support which provided an update on the new voluntary right to buy scheme.

In response to a question from Dr Poskitt it was explained that it was for individual housing associations to determine whether or not to participate in the scheme and noted that Cottsway Housing had decided that it wished to do so (but had yet to develop a policy for consideration by its Board).

Mr Saul noted that only some 400 Cottsway tenants would be qualified to take advantage of the scheme. The minimal interest in Sovereign Housing's scheme to date suggested that there would be little impact upon Cottsway's stock of some 4,500 properties.

Mr Good questioned why properties adapted for use by disabled persons were excluded from the right to buy and it was explained that, given the cost of carrying out adaptations, receipts from sales would be insufficient to enable like for like replacement. Given the shortage of such accommodation, it was important that it be retained for future use by those in need.

RESOLVED: That the report be noted.

29. TREASURY MANAGEMENT ACTIVITY AND PERFORMANCE – 2015/2016

The Committee received and considered the report of the GO Shared Service Head of Finance giving details of the performance of in-house and external fund managers for the period 1 April to 30 June 2016.

The GO Shared Service Head of Finance advised that, whilst performance had been weak following the referendum result, the long term prognosis was unclear although it was expected that interest rates would fall further.

Members were pleased to note that the Council had secured the return of £9.081 million of the initial investment of £9 million of its Icelandic investments. Mr Postan congratulated Officers on recovering these funds. Mr Morris noted that there had been significant press coverage when the potential losses first arose but none on the successful recovery.

Mr Good noted that the Aberdeen bond continued to perform poorly and questioned when this would be reviewed. In response, the Head of Paid Service advised that a potential opportunity to reinvest this in other areas had been considered and remained under review.

RESOLVED: That treasury management and the performance of in-house and external Pooled Funds' activity for the period 1 April to 30 June 2016 be noted.

30. ANNUAL INVESTMENT PROPERTY REVIEW

The Committee received and considered the report of the Head of Paid Service, together with appendices containing exempt information regarding the Council's current property investments and their performance since the last review in July 2015.

RESOLVED: That the performance of current property investments be noted.

31. MEMBERS' QUESTIONS

There were no questions from Members relating to the work of the Committee.

The meeting closed at 4.05pm

CHAIRMAN