

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 30 January 2019**

PRESENT

Councillors: Derek Cotterill (Chairman); Alex Postan (Vice-Chairman); Alvin Adams, Alaa Al-Yousuf, Rosa Bolger, Charles Cottrell-Dormer, Pete Dorward, Ed James and Geoff Saul.

Also in Attendance:

Councillors Merilyn Davies and Toby Morris

56. MINUTES

RESOLVED: That the minutes of the meeting of the Committee held on 28 November 2018 be approved as a correct record and signed by the Chairman.

57. APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

Apologies for absence were received from Councillors Julian Cooper, David Harvey and Kieran Mullins. Rosa Bolger attended for Duncan Enright,

58. DECLARATIONS OF INTEREST

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

59. PARTICIPATION OF THE PUBLIC

There were no submissions from members of the public in accordance with the Council's Rules of Procedure.

60. 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 28 November 2018.

RESOLVED: That the report be noted.

61. COMMITTEE WORK PROGRAMME 2018/19

The Committee received and considered the report of the Head of Democratic Services, which provided it with an update on the Work Programme for 2018/2019.

61.1 Publica Business Plan 2019/20

David Neudegg, the Managing Director of Publica, gave a presentation on the Company's developing Business Plan for 2019/2020. A copy of his presentation is attached to the original copy of these minutes as Appendix A.

Councillor Cotterill enquired how intellectual property within the Company would be protected once it started to operate commercially. He also asked when financial savings would plateau should the Company fail to grow.

In response, Mr Neudegg advised that savings of over £5 Million had been projected across the partnership as a whole based upon the original Business Plan approved in 2016. Much of these anticipated savings had already been secured and Mr Neudegg suggested that the actual level of savings was more likely to reach £7 Million. If the Company did not grow then these additional savings would be achieved in full in two to three years.

Accordingly, Publica's ongoing commercial plans were as important to the Council as what it was currently able to achieve. The question of protection of intellectual property was one which needed to be answered as those plans developed.

Councillor Al-Yousuf sought clarification of way in which Publica was treated for accounting purposes. He asked if it was subject to a corporate valuation and, if so, how this was recorded. The Chief Finance Officer advised that Publica was a Teckal company owned by the partner councils. Its costs were passed back to those authorities and, following the transfer of personnel, employee budgets now appeared as contract costs in the Council's accounts. Equally, any underspend on the part of the Company was returned to the partner councils.

(Councillor Davies left the meeting at this juncture)

Councillor Al-Yousuf indicated that a valuation would be necessary once Publica started to commercialise as new shareholders would be required to pay a premium. The Chief Finance Officer advised that the terms upon which any new authorities were permitted to join were reserved to the partner councils. Mr Neudegg indicated that the partner councils did not hold equal shares hence there was a complex question of proportionality. This would depend upon the contribution made by each council and the services which it was provided.

Councillor Postan suggested that a register of services was required. This could be used to establish what intellectual property there was and to indicate the cost to other councils to buy in to the Company. Mr Neudegg advised that cost against service outcome would be assessed and a pricing model developed. This would also assist the partner councils in reaching future policy decisions.

Councillor Postan emphasised the importance of defining areas of value and questioned where these were registered and defined. Mr Neudegg advised that this exercise would not be undertaken in the current financial year but would need to be finalised by September or October to enable the Company to move forward.

RESOLVED: That progress with regard to the Committee's Work Programme for 2018/2019 be noted.

62. CABINET WORK PROGRAMME

The Committee received and considered the report of the Head of Democratic Services which gave Members the opportunity to comment on the Cabinet Work Programme published on 15 January 2019.

RESOLVED: That the content of the Cabinet Work Programme published on 15 January 2019 be noted.

63. LOCAL AUTHORITY PARTNERSHIP PURCHASE SCHEME UPDATE

The Committee received and considered the report of the Chief Finance Officer which provided an update on the current progress of the Local Authority Partnership Purchase (LAPP) Scheme.

Members noted the current position and the Chief Finance Officer advised that Cotswold District Council had previously operated a Local Authority Mortgage Scheme which offered first time buyers an indemnity/guarantee. The indemnity was cash backed and operated through Lloyds bank. Whilst there had been a limited uptake, the Chief Finance Officer offered to investigate the possibility of establishing a similar scheme in West Oxfordshire if Members so wished.

Councillor Cotterill noted that such a scheme could be targeted to key workers and promoted through organisations' human resources departments.

Councillor Al-Yousuf suggested that the LAPP scheme should be re-branded so as to clarify its objective to potential users. He also asked whether the Economic and Social Overview and Scrutiny Committee had reviewed the scheme. In response, the Chief Finance Officer advised that the scheme had been developed at the instigation of the Finance and Management Overview and Scrutiny Committee and fell within its remit. She agreed that the initiative would benefit from re-branding but stressed that the nature of any future scheme needed to be established first. Any such scheme would require innovative marketing and promotion.

Councillor Saul made reference to the scheme operated by Bloor Homes and it was explained that this was a part exchange scheme in which the Council took the exchange properties. The scheme only operated in relation to specific development sites such as those in Brize Norton, Bampton and Long Hanborough. Councillor Saul suggested that the current scheme should be kept open for current applicants but if those currently registered failed to proceed, the Council should reconsider the scheme as it was important to devise one that worked.

Councillor Cotterill agreed that the scheme should be kept open for current applicants and that discussion should continue with Bloor Homes. Going forward, he suggested that the Council should consider a help to buy scheme.

Councillor Postan advised that his desire had been to provide affordable finance to fill the gap for certain key worker groups such as NHS staff and paramedics whose income was not sufficient to meet the loan to value requirements or income multipliers to secure a high street mortgage. The Council could offer a guarantee to allow those parameters to be exceeded and its capital would not be used unless the mortgage was subject to foreclosure.

In this way the Council would retain its capital whilst providing a benefit to the Community. Such a scheme was analogous to a relocation package but had been thought to be too complex. The LAPP scheme had been put in place as an alternative. Councillor Postan considered that the current scheme should remain open to existing applicants for a limited period and, thereafter, the Council should look to develop a proper Local Authority Mortgage Scheme.

Councillor Cotterill suggested that the current scheme should remain open until 8 March and that discussion should continue with Bloor Homes. Consideration should also be given to alternative ways in which the Council could offer support.

RESOLVED: That Officers be requested to continue discussion with Bloor Homes and to consider alternative ways in which the Council could offer mortgage assistance.

64. CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES

The Committee received and considered the report of the Chief Finance Officer which sought consideration of the Council's Capital Strategy, Investment Strategy and Treasury Management Strategy for the period 2019/20 to 2021/22.

Councillor Cotterill complimented the Chief Financial Officer on the clarity with which her report outlined the complexity of local authority finance.

Councillor Al-Yousuf concurred and was pleased to note that the Council was not an investor in the Municipal Bonds Agency. The Agency had depleted its capital rapidly and he suggested that the Council should avoid its use. With regard to loan commitments and financial guarantees, he enquired whether the Council was subject to any contingent liabilities or uninsured risks and suggested that it should review the adequacy of its insurance cover. He noted that the proportionality of investments as set out in table 4 on page 5 of appendix C to the report was highly sensitive to the denominator applied and suggested that it would be more appropriate to use net service cost in place of gross service expenditure.

In response, the Chief Finance Officer advised that any decision to use the Municipal Bonds Agency would be subject to a decision by the Council and it was unlikely that a small authority such as West Oxfordshire would take this route. In terms of loan commitments and financial guarantees, the Chief Finance Officer advised that, as Teckal companies, risks from both Publica and Ubico would pass through to the shareholder authorities. She alluded to an ongoing contract dispute and acknowledged that lessons had been learned from this including the need to share legal advice.

The Chief Finance Officer advised that the contractor's insurance addressed public liability but that contractual liabilities would fall to the Authority. In response to a further question she confirmed that the Council's insurances were reviewed on a regular basis by Officers. Councillor Al-Yousuf expressed some concern over potential contingencies and Councillor Adams any further report should also considered by the Audit and General Purposes Committee.

The Chief Finance Officer advised that recent concerns over borrowing levels amongst some authorities at national level had led to the requirement to report on the question of proportionality of investments. There was no benchmark and it was for each individual authority to assess whether its position was proportionate in its own circumstances. Whilst this could be assessed in terms of either gross or net expenditure, the Chief Finance Officer indicated that she was satisfied that investment income at 2.85% of gross service expenditure was no cause for concern. Councillor Al-Yousuf suggested that the calculation would be more meaningful if based upon the cost of service. The Chief Finance Officer agreed to incorporate this in future reports and noted that, if this indicated an increasing trend, it could be seen as evidence of over-exposure.

Councillor Dorward noted the increase in the 2019/20 budget against the 2018/19 forecast and the Chief Finance Officer advised that this reflected both the Council's Medium Term Financial Strategy and Capital Programme. It was envisaged that the significant capital programme would give rise to an increased requirement for borrowing. The Increase related to future service delivery and the report enabled Members to assess the affordability of plans going forward. The current proposals did not give rise to any particular concern.

RESOLVED: That the Council's Capital Strategy, Investment Strategy and Treasury Management Strategy for the period 2019/20 to 2021/22 be noted and endorsed.

65. REVISED MEDIUM TERM FINANCIAL STRATEGY 2019 - 2028

The Committee received and considered the report of the Chief Finance Officer regarding the annual refresh of the Council's Medium Term Financial Strategy.

Introducing the report the Chief Finance Officer advised that there had been significant changes since the Strategy had last been considered by the Committee in November 2018. Business Rates income remained uncertain but initial estimates suggested that the Council would receive a greater income than originally envisaged. The key income driver was the Business Rates Retention Scheme and the Council needed to focus on supporting businesses to grow as Business Rates would be a significant element of its income going forward.

Councillor Cotterill questioned whether there was any clarity surrounding the future of the New Homes Bonus. The Chief Finance Officer advised that, whilst the 2019/20 legacy payments were to be honoured, it was not known how the scheme would operate in 2020.

Councillor Morris advised that feedback from the recent LGA Peer Review indicated that Business Rates would become a more critical part of the Council's funding structure. Whilst he acknowledged the need to support housing, the impact of the Business Rates Retention Scheme and Rates revaluation, together with the fairer funding review, could be greater than currently anticipated. In consequence, the Council might have to look at ways of attracting businesses to West Oxfordshire which would be positive for the local economy, development and regeneration.

Councillor Postan enquired whether there was any link between changes to the New Homes Bonus and the increasing number of residential properties planned for the District. The Chief Finance Officer advised that this was not the case as the operation of the scheme had been earmarked for review by 2020. The Council would wish to see the current arrangements retained if it were to continue to deliver on the Growth Deal.

Councillor Al-Yousuf questioned how the adequacy of reserves was assessed and the Chief Finance Officer advised that this was considered in terms of risk. The adequacy of reserves would be addressed in the forthcoming CFO's report to the Cabinet and, whilst the current level of reserves was considered to be adequate, there was a degree of uncertainty going forward. It was a matter of assessing the level of exposure against risk and it was not certain how fast changes in Central Government Funding would impact upon the affordability of the Council's future plans.

Councillor Morris stressed that this was why the Committee's views on the question of business promotion and the use of any windfall income would be helpful. Councillors Saul and Al-Yousuf expressed their support for such an initiative.

RESOLVED: That the revised Medium Term Financial Strategy be noted and endorsed and the Cabinet be advised that the Committee recognises the importance of business growth and promotion in supporting the Council's funding structure.

66. TREASURY MANAGEMENT ACTIVITY AND PERFORMANCE 2018/19

The Committee received and considered the report of the Chief Finance Officer giving details of the performance of in-house and external fund managers for the period 1 April to 31 December 2018.

In introducing the report the Chief Finance Officer made reference to the anticipated increase in investment income as set out at page 5 of the report. She drew attention to the performance of pooled funds outlined in the table at paragraph 3.10 and advised that, whilst there was no immediate need to liquidate the Council's investment in the Insight ILF Liquidity Plus Fund, Officers were looking to re-invest and diversify to other bond and equity based funds.

RESOLVED: That treasury management activity and performance for the period to 31 December 2018 be noted.

67. MEMBERS' QUESTIONS

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

68. EXCLUSION OF THE PUBLIC

RESOLVED: that the Committee being of the opinion that it was likely, in view of the nature of the business to be transacted, that if members of the public were present during the following items of business there would be a disclosure to them of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, the public be excluded from the meeting.

69. POTENTIAL IMPACT OF EXIT FROM THE EUROPEAN UNION ON TREASURY MANAGEMENT POOLED FUNDS

The Cabinet received and considered the report of the Chief Finance Officer, together with reports and presentations containing exempt information, regarding the potential impact of the UK's exit from the European Union upon the Council's investments.

Presentations were received from Phiroza Katrak of Arlingclose, the Council's treasury management advisors, and from Dr Bob Swarup of Camdor Global Advisors following which Members considered whether any changes were required as a result of the advice received.

Members acknowledged the potential impact of differing exit scenarios and the need to develop a robust, well performing, investment portfolio that could best resist all possibilities.

RESOLVED: that, having regard to the advice received, Officers be requested to review the Council's investment portfolio having particular regard to benchmarked performance and the potential to secure greater value than that offered by under-performing funds.

The meeting closed at 4:55pm

CHAIRMAN