

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 April 2019**

PRESENT

Councillors: Derek Cotterill (Chairman); Alex Postan (Vice-Chairman); Alvin Adams, Alaa Al-Yousuf, Louise Chapman, Julian Cooper, Charles Cottrell-Dormer, Pete Dorward, Duncan Enright, David Harvey, Kieran Mullins and Geoff Saul.

Also in Attendance:

Councillor Harry St John

70. MINUTES

RESOLVED: That the minutes of the meeting of the Committee held on 30 January 2019 be approved as a correct record and signed by the Chairman.

71. APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

There were no apologies for absence or temporary appointments.

72. DECLARATIONS OF INTEREST

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

73. PARTICIPATION OF THE PUBLIC

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

74. 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 30 January 2019.

74.1 Local Authority Partnership Purchase Scheme

The Chief Finance Officer advised that, since the last meeting, there had been no further progress in discussions with Bloor Homes regarding their part exchange scheme. However, the Council's Housing Officers would follow up their earlier discussions with the Company.

With regard to the Local Authority Partnership Purchase Scheme she advised that Lloyds Bank no longer supported the scheme that had been operated by Cotswold District Council. The Scheme had been devised by Capita (now Link Asset Management) and the Chief Finance Officer had contacted the Company to enquire whether there were any other lenders prepared to support the scheme. A further update would be provided at the next meeting.

Councillor Postan asked that, if there were no lenders participating in the scheme, Link Asset Management be requested to provide the criteria under which it operated to enable the Council to look elsewhere for support.

74.2 Treasury Management Activity and Performance and the Potential Impact of Exit from the European Union

The Chief Finance Officer provided Members with an update on the action taken on treasury investments following the last meeting of the Committee. A copy of her update report is attached as Appendix A to the original copy of these minutes.

Following the implementation of changes to pooled funds the sum of £1 million was available to be reinvested. The Council's Treasury Management Advisors, Arlingclose, had identified an opportunity to invest in a Real Estate Investment Trust, Fundamentum Property, investment advisors with a track record in the UK social housing market, were looking to raise £250 million to assist in purchasing 100-200 properties in the UK to be focussed on 'supported housing' for specific groups with individual special needs.

Whilst Officers had delegated powers to enter into such an investment under the Council's Treasury Management strategy, the Chief Finance Officer invited Members to express their views on the suitability of investing in this Real Estate Investment Trust.

Councillor Cotterill noted that the Trust was not seeking to purchase a large number of properties and that property values would vary considerably across the Country. He enquired whether the Company planned to purchase properties in West Oxfordshire and the Chief Finance Officer advised that this was not their intention.

Councillor Al-Yousuf found this an interesting proposition and asked if Fundementum was a listed company. He sought clarification as to liquidity and valuation and asked whether the funding the Company was seeking to raise would cover the cost of adaptations to the properties as well as their purchase price. He noted that the issue value was £1.00 per share and asked if the Council intended to purchase at par.

With regard to the proposed sale of the UBS Multi-Asset Fund, Councillor Al-Yousuf cautioned against trying to time the market and Councillor Cotterill noted that the Company had recently been penalised for financial irregularities.

In response, the Chief Finance Officer advised that the Council's investment in UBS did not represent a significant element of its portfolio and the intention was to divest itself without incurring a loss. As it was a new issue it was anticipated that the investment in Fundementum would be at par and the assumption was that the funding raised would cover both the cost of purchase and adaptation of the properties. The Chief Finance Officer advised that the Company was listed and undertook to investigate the other points raised further.

Given that it was based upon Government supported cash flows, Councillor Chapman questioned whether such an investment was secure. She made reference to the withdrawal of Government funding from the Supporting People project and questioned whether there was a long term Government commitment to supporting accommodation of this nature. The Chief Finance Officer advised that, although all parties were supportive of such projects which were in accord with current legislation, this had been identified as a risk. However, accommodation of this nature fell outside the Universal Credit regime.

In relation to the UBS Fund, Councillor Postan cautioned that the basic principle underpinning investment was that the value could plummet as well as fall and suggested that, rather than retain the investment in the hope of avoiding a loss, it would be preferable to sell now, take the loss and re-invest in something that was known to be performing well. In his view, the Council should get out now and take the loss.

Real Estate Investment Trusts had to be listed and Councillor Postan advised that all investment trusts traded at a discount to asset value. As Fundementum would trade on the public market he suggested that the Council should wait until the fund was issued and purchase at a discount.

Councillor Postan also cautioned that, if an investment was made with the intention of achieving two objectives, one would inevitably be compromised by the other. He considered this to be an investment in Government subsidies rather than property. The Chief Finance Officer agreed that this could have been seen as a social investment if the properties were to be located within West Oxfordshire. This was not the case and, whilst it had wider ethical objectives, the Council viewed this as a treasury investment.

Councillor Cooper was particularly supportive of this investment and, whilst he recognised that prices could fall in the short term, property held its value in the long term and represented the best investment over time.

Councillor Mullins questioned whether Fundementum had a contingency plan should the full level of funding not be secured and the Chief Finance Officer advised that the Trust would simply acquire fewer properties. She also informed Members that there was no minimum or maximum level of investment.

Members **AGREED** that Officers should study the potential for such investment further.

RESOLVED: That the report be noted.

75. 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.

75.1 Rural Broadband Project

Councillor Cotterill advised that an update report would be submitted to the next meeting of the Committee advising Members as to how the project was progressing and advising of changes in the governance of Gigaclear following the sale of that Company. The report would outline the ongoing liabilities and expectations as well as providing general information on the project.

75.2 Introduction of Electric Vehicle Charging Points in Council Car Parks

The Chief Finance Officer advised Members that the development of a framework contract by external solicitors had taken far longer than had been anticipated. The Group Manager Council Advisory Services was reviewing the procurement process to establish how things could be improved in the future.

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

76. 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.

76.1 Flexible Homelessness Support Grant

It was noted that the report regarding proposals for expenditure using the Flexible Homelessness Support Grant, scheduled to have been submitted to the April meeting, was not now expected to be considered by the Cabinet until later in the year. The Committee would have the opportunity to consider the report prior to its submission to the Cabinet.

76.2 Community Infrastructure Levy

Councillor Cooper questioned whether the delay in the introduction of the Community Infrastructure Levy meant that Parish Councils would lose out on funding in relation to projects already underway such as the recently commenced development in Woodstock. It was explained that developments approved prior to the introduction of CIL would not receive funding from that source. However, as it was intended to replace developer contributions secured through Section 106 contributions, current developments would have secured community benefits through that source.

(Councillor Harry St John joined the meeting at this juncture)

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

77. CORPORATE PEER CHALLENGE – DRAFT ACTION PLAN

The Committee received and considered the report of the Head of Paid Service, together with the Draft Action Plan formulated in response to the recent Local Government Association's feedback report following the Corporate Peer Challenge.

The Community Planning Manager introduced the report and explained that the Corporate Peer Challenge was a response to the reduction of the role fulfilled by External Audit, providing a vehicle for self-improvement through comparison with other organisations. He outlined the core assessment areas in which performance had been reviewed as set out at paragraph 3.2 of the report and emphasised that the feedback from the review had been largely favourable.

The feedback report had also identified areas which were thought to warrant further consideration and the recommendations made had been incorporated in the Draft Action Plan following discussion with both Publica employees and retained staff.

Councillor Cooper reiterated the concerns he had previously expressed regarding the scope of the Peer review and questioned what liaison had taken place with representatives of Ubico and enquired when the Company was to hold its Annual General Meeting. He stated that he did not believe that the Company was performing as well as Publica and felt that it was less than transparent in its dealings with the Council. The Group Finance Director undertook to raise the issue with the Council's representative and advise Members accordingly.

Councillor Harvey indicated that, whilst he understood the need to make financial savings and rationalise service provision, he had two particular areas of concern. The first was that, in doing so, it was important not to 'throw the baby out with the bathwater by making financial savings at the expense of service provision. Secondly, he had frequently heard concerns over staffing levels raised by employees and was concerned that policies previously approved by the Council had fallen by the wayside with no further action being taken due to a lack of staff or changes in key personnel.

Councillor Harvey was concerned that these issues were not being raised with the senior management of Publica and Ubico and that morale within the organisations had fallen significantly from the middle ranks down.

Councillor Postan indicated that these concerns ought not to detract from the work carried out by the Community Planning Manager whose report formed a sound basis for improvement. The prime objective of the transformation process was to deliver enhanced services and it was essential that Members were in a position to be able to judge performance.

The Group Finance Director advised Members that the Publica Business Plan, recently considered by the Committee and Cabinet, was broadly similar to that put forward the previous year. In terms of transformation, he cited the change to self-service digital platforms employed by Central Government in areas such as passport and vehicle tax renewals and explained that these were the sort of outcomes that the transformation process was seeking to achieve. This had been the subject of liaison with Members through reports and briefings and at the Publica AGM. Further briefings would follow as the transformation programme progressed.

The Group Finance Director advised that, independently, the partner councils had relatively few clients in areas where such initiatives could be applied such as benefits. Digital transformation was costly and, with only some 4,000 to 5,000 claimants, West Oxfordshire could not justify the expenditure necessary to put such a system into place. However, with a total of some 14,000 to 15,000 claimants across all the authorities, it would be possible to achieve the economies of scale and share the cost of implementing a new regime. He acknowledged that it was essential for the Council's services to remain accessible to all and indicated that savings secured through digital transformation could be reinvested to support other users.

As a starting point, Publica had acquired the Salesforce service platform which was due to go live over the next few months. This system would form the base upon which improved digital services would be delivered. The cost of the transition to digital services was significant, hence the decision in 2015 to set aside £10 million to support the transformation programme. To date, some £6 million to £7 million had been utilised with the remaining expenditure rolling forward over the next two years. A vast number of calls received by the Council were related to simple processes which could be dealt with digitally. However, the initial development of systems by which to do so was complex and the Group Finance Director advised Members not to expect immediate results as the process would take time.

(Councillor Al-Yousuf left the meeting at this juncture)

Councillor Saul noted that the Draft Action Plan indicated that the Communication and Engagement Plan was due to come forward shortly and asked if this could be considered by the Committee. The Group Finance Director undertook to submit a report to the next meeting.

With regard to Councillor Harvey's concerns over staff morale, the Group Finance Director advised that there were always issues during periods of uncertainty and change. The change process had been supported by staff events outlining the proposed changes to Terms and Conditions and Pay and Grading arrangements and further staff sessions were to be held later in the year. A further staff survey was to take place in May. He recognised that there were some concerns amongst staff and that life in the Authority had changed.

The objective was to see that it changed for the better for staff, Members and residents.

Councillor Postan emphasised that the basis of the transformation process had to be the evolution of the service, not the survival of the cheapest.

Councillor Enright advised that he had some personal experience in relation to digital transformation as a Director of LeaderShape Global through The Transformation Network and advised Members that further information on the Group could be found at

<https://transformationnetwork.co.uk/>

RESOLVED: That the information provided be noted and the Draft action Plan endorsed.

78. PERFORMANCE INDICATORS – QUARTER 3 2018/2019

The Committee received and considered the report of the Group Manager, Council and Company Support, which provided information on the Council's performance as at the end of Quarter 3 2018/2019.

Councillor Harvey noted that Indicator ICC3 stated that only six complaints had been received during the relevant period and questioned whether this was correct. The Chief Finance Officer undertook to discuss this with service managers to ensure that complaints received were recorded accurately. She also advised that those recorded related to issues that had not been resolved in the first instance and escalated to the status of a formal complaint. In response to a question from Councillor Mullin she advised that comparative data could be found in previous reports which could be viewed on the Council's website.

RESOLVED: That the report be noted.

79. MEMBERS' QUESTIONS

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

The meeting closed at 2:45pm

CHAIRMAN