

SCRUTINY PANEL

16 July 2019

Present: - Councillor Davies (Chairman), Councillor Bourne, Councillor Dundas, Councillor Hogg, Councillor McCarthy, Councillor Whitehead

Substitutions: - Councillor Willetts for Councillor Bentley, Councillor Davidson for Councillor Hayter

Also present: - Councillor King

216. Minutes

RESOLVED that the minutes of the meeting held on 11 June 2019 be confirmed as a correct record.

217. Have Your Say!

Ms Jane Talbot addressed the Panel pursuant to the provisions of Meetings General Procedure Rule 5(1) to raise concern at the changes to the terms of her state pension, including a one-year delay to her date of retirement, and the financial impact this will have on her through an additional wait until her pension payments commence, and additional National Insurance payments which she will now need to make. The Chair expressed the Panel's sympathy and advised Ms. Talbot that this was a matter concerning central government and as such, the best recourse was to contact her MP. The Chair confirmed the name of Ms Talbot's MP and the Panel further advised that officers would provide contact details for the Colchester Citizens' Advice Bureau and the organisation 'Women Against State Pension Inequality' (WASPI).

Councillor Dundas (by reason of being a member of the Planning Committee of Colchester Borough Council) declared a non-pecuniary interest in this matter, pursuant to the provisions of Meetings General Procedure Rule 7(5).

Mr Alan Short addressed the Panel pursuant to the provisions of Meetings General Procedure Rule 5(1) to ask for a response to letters which he had previously written to the Chair, requesting that the Panel conduct scrutiny of any involvement or role of the Council's trading bodies, within Colchester Commercial Holdings Ltd (CCHL), in a recent planning application by Alumno for a development and commercial development adjacent to Firstsite (Alumno Student Accommodation, Queen Street, Colchester). Mr Short informed the Panel that he had submitted a request to the Council, pursuant to the Freedom of Information Act (2000), for meeting minutes relating to meetings between Council and Alumno representatives prior to the rejection of the planning application by the Council's Planning Committee. The Council had responded to say that minutes had not been taken, but that officer notes would be provided. These had, however, not been received by Mr Short. Mr

Short wished to know if CCHL had provided any advice or consultancy services to Alumno in relation to this planning application.

Responding to Mr Short, the Chair explained that she had not received his emails and requested that he resend them to her. The Chair further clarified that the Scrutiny Panel were not empowered to scrutinise planning issues but would be conducting scrutiny of CCHL in general at a future meeting in the current municipal year. Scrutiny of this specific matter, relating to a planning application, would be conducted by a planning inspector as an appeal has now been launched by the developer, Alumno. It was further clarified that no members of the Planning Committee would have met with the applicants prior to the application being considered by the Committee, and that any meetings would have involved officers and portfolio holders.

Mr Short responded to explain that he was seeking scrutiny of the process which led up to the planning decision, rather than the decision itself, in order for assurances to be given that this was carried out appropriately, and that he would resend his earlier emails to the Chair.

218. Treasury Management – Annual Report

Paul Cook, Head of Finance and Section 151 Officer, and Councillor David King, Portfolio Holder for Business and Resources, introduced the Treasury Management Annual Report for the 2018-19 financial year, comparing actual performance against the strategy and set for that year. The report had been reformatted from previous years in an effort to simplify it. This report forms part of a tripartite series of reports on treasury management, with the other two components consisting of the Panel's pre-scrutiny of the Treasury Management Strategy for the coming financial year, and a report presented to Governance and Audit Committee following the end of quarter two of the current financial year.

It was explained that, whilst the rate of interest on invested funds and borrowing are both currently low, interest on borrowing was still higher than that gained on invested funds. This led the Council to use internal funds, rather than borrow externally. He highlighted that, in the Debt Outstanding table at paragraph 5.2 of the report, local authority levels of outstanding debt were heavily influenced by past decisions made on housing stock retention or divestment and their effect on Housing Revenue Account borrowing levels.

Regarding the table at paragraph 5.2 detailing debt maturities, the Head of Finance explained that items of borrowing can move from one maturity banding to another over time, which has led to one category of maturity structure (2 to 5 years) exceeding the 15% target, with an older maturing debt taking the actual figure for this to 15.6%.

The average borrowing rate remained at 4.46% and the Head of Finance explained that it was difficult to compare this with the average rate for other local authorities, as long-term rates (e.g. in some cases for loans lasting decades) meant that authorities could be locked in to a set rate on individual loans for many years. However, when annual reports are published for other authorities, these could be examined, and comparisons made.

Councillor King emphasised the focus on CIPFA guidance on due diligence, and comparisons with the performance of other local authorities. He detailed the overarching approach to treasury management at the Council.

The Chair highlighted that the Panel had requested training on treasury management scrutiny and noted that options for this were being considered. The Head of Finance explained that a delay in providing this had been due to the lack of availability of Link Asset Management officers, who would be conducting the training session.

The Chair requested that officers avoid the use of the transitive verb 'to note' in agenda item actions, as this seems to preclude the Panel's ability to make recommendations and inhibits effective scrutiny. It was explained that the word 'note' owed to CIPFA guidance on the importance of elected members' oversight over financial activities, and that this would be rephrased in future report actions. The Panel highlighted that the Scrutiny Panel scrutinises, but Cabinet approves the report, hence careful thought must be given to the phrasing of actions.

A Panel member asked to be told what the longest-term debt (in terms of maturity structure) is for which the Council is liable. The Head of Finance answered that this was a debt of over 50 years maturity structure. The reason for long-maturity borrowing was given by Paul as due to this sometimes being the most cost-effective way in which to borrow. It can also provide a reasonable balance of maturities, avoiding having a large number of debts maturing in close succession.

The Panel questioned the difference between the rate of return percentages given at 8.4 of Appendix C, with the text giving an average rate of return of 0.84% and the table stating 0.78%. It was explained that 0.94% at 6.1 of the report was the average rate of return on all investments (not just internally-managed investments).

More detail was requested regarding the Council's appointment of treasury management consultants, Link Asset Management, and how they are appointed and the competitiveness of their contract and services measured. The Panel was informed that the consultants were appointed in line with policy, and this appointment was periodically reviewed and reconfirmed.

Members of the Committee enquired whether there were any opportunities for the Council to re-fix loan rates, when current rates happened to be more favourable than those set in past years, and what might happen should the level of borrowing needed exceed the borrowing limits set within the Treasury Management Strategy (e.g. if borrowing was necessary to support the North Essex Garden Communities (NEGC) Project). The Head of Finance explained the process for renewing or replacing loans and how it was possible for a lower rate of interest to be obtained, but still result in, overall, more being paid back. Regarding the NEGC Project, Paul clarified that the question as to whether borrowing would be necessary would need to be looked at and answered when the future business plan and financing structure were considered and agreed. It was noted that the borrowing limits are specific to each financial year and refresh annually.

The Panel asked for confirmation as to the amount of loan interest paid in 2018/19. This came to around £6.4m.

The Head of Finance noted that borrowing figures for each year consisted of both new borrowing, and the replacement of existing debts.

Panel members highlighted past financial shocks which had adversely affected the Council's financial arrangements and sought assurance as to what mitigations and security was in place to protect the Council from 'worst-case-scenario' effects of events such as UK

withdrawal from the EU. The Panel was given assurance that long-term borrowing meant that the Council was locked into favourable long-term rates of interest on borrowing. The Council's treasury management advisors are consulted to ascertain when new borrowing becomes advisable. Regarding investment activity, Link Asset Management would be consulted on any potential actions. Current rates of return on investments are low, and the Treasury Management Strategy takes into account the fact that poor economic output and performance within the UK can cause difficulties for local authorities, especially those with commercial operations. Risks cannot be fully mitigated, but detailed work is done to minimise those applicable to the Council.

Responding to questions, the Panel was informed that most Council borrowing was from the Public Work Loan Board, and a local authority borrowing obligation loan of around £4m. Paul offered to provide details of the sources of borrowing for the loans currently held by the Council and assured the Panel that management of borrowing would be one of the topics covered within the future treasury management training. Councillor King highlighted the usefulness of using actual figures and information to illustrate the training given.

RESOLVED that: -

- (a) The Panel considered the report;
- (b) It be noted that the Council has operated in accord and within the boundaries of the Treasury Management prudential indicators for 2018/19;
- (c) The satisfactory performance of Link Asset Services be noted.

219. 2020/21 Budget Strategy

Councillor King, Portfolio Holder for Business and Resources and Paul Cook, Head of Finance introduced the Budget Strategy for 2020/21 and summarised the approach used in its drafting. The budget tables were then detailed and explained. The process of re-assessing assumptions within the Medium-Term Financial Forecast was explained likewise. The main change identified so far is the indication from the Ministry for Housing, Communities and Local Government that local authorities will not have to pay negative revenue support grant payments back to central government in the future. Pay inflation has risen from two percent to three percent due to pressures on local pay levels.

The Panel were notified that Cabinet would receive further detail on the Budget Strategy at its September meeting, and that any comments or recommendations from Scrutiny Panel would be presented then. Councillor King gave the Panel assurance that he would take on and address recommendations and will act. Table 5 in the report showed the new approach taken, following previous years of cost and staff cuts, the senior management team is now confident that savings can be made without further significant reduction in staff, with a focus remaining on quality of service provided and on staff wellbeing.

The Panel requested further detail regarding the 'expert procurement' mentioned as part of the Budget Savings Strategy. Councillor King explained that certain procurement decisions have been brought back in-house, with greater control and ability to strike better deals.

Councillor King was asked how the authority balanced the commercial approach to service delivery with the local authority ethos and priorities. A Panel Member raised concern that vital but cost-ineffective services may be left behind or ignored, in favour of commercial operations. Councillor King explained that the Council needs to strike a balance and test

the value of the services provided. There remain opportunities for commercialism without losing the public-sector ethos, part of which involves getting good value for money for tax payers. It would be important to ensure that a divide does not develop between Council staff and their colleagues in the Council's commercial trading bodies. Councillor King pledged to consider further how the local authority ethos and priorities could be safeguarded and offered to provide even greater transparency regarding service provision and commercial activity.

Councillor King was asked whether more could be done to help small businesses, such as by using over-assumption business rate revenue. Councillor King answered that he would be reflecting on this.

A query was raised as to why, in Table 1 of the Budget Strategy report to Cabinet, Business Rates and Business Rates Pool are treated as negative expenditure. It was also asked why, in Table 4, Business Rates are subsumed under the 'Net Budget' line, but not other items of income, including some of far smaller amounts than the income from Business Rates. It was confirmed that it was common practice for funding source/income items to be put in brackets within such tables. Table 4 was a high-level summary and that more detail and information would be set out in future reports. Councillor King assured the Panel that he had taken the feedback onboard regarding the compression of Table 4 and that this would be noted when future tables are produced.

A member of the Panel questioned why the priority themes identified by the Cabinet had not been given a priority order. It was noted by that member that the setting of a priority order assisted the work of scrutinising proposed and actual expenditure to ensure that this is in line with the priorities in an effective manner. This would allow the Council to gain maximum value from the work of the Scrutiny Panel. Councillor King assured the Panel that this was a strategic overview of the priority themes and that a series of detailed reporting would be carried out to give more details throughout the budget cycle. He noted that the Council has the flexibility to do more than provide purely core services and that the Cabinet wished to take a longer-term view of what the Council should do in coming years. Additional issues could be addressed, such as biodiversity protection.

RESOLVED that the Panel had considered the 2020/21 Budget Strategy, Medium Term Financial Forecast and Budget timetable.

220. Annual Scrutiny Report

The Chair introduced the Annual Scrutiny Report, which detailed the activities carried out by the Scrutiny Panel during the 2018-19 Municipal Year, including reviews and pre-decision scrutiny.

RECOMMENDED to COUNCIL that the Annual Scrutiny Report 2018-19 be approved and adopted.

221. Bus Review: Further Actions

The Chair introduced this item, noting the complexity of the report which was due to the long-running and complex nature of the review. Very positive engagement had been obtained from Essex County Council and the bus operators at the main review session in 2018, but input since then had only been received from Essex County Council and Arriva.

A member of the Panel noted that, whilst the provision of travel information packages by developers to new residents was very helpful, they had significant experience of large-scale developments not providing these for incoming residents. This added to the difficulty of effecting a modal shift concerning travel options.

Members of the Panel noted the difficulty in understanding the feedback and operator views listed in the report and highlighted the lack of recommendations within the report. The priority of reducing car usage and traffic levels was also highlighted, especially where travel distances precluded the use of bicycles for journeys. It was argued that efforts to persuade people to use rural bus services would only be efficacious if a frequent and reliable service could be guaranteed, accepting the likelihood that this would require a very large subsidy at least in the short-term. This should lie in the remit of Essex County Council, although it was not currently within their strategies. CBC funding could technically be possible, but extremely difficult to make possible. A Panel member posited that the investigation of impacts on parking revenues of a modal shift in use of transport options should also be carried out in order to better inform the Council's approach to this matter.

The Panel noted that the bus operators had made commitments relating to improved service provision, within their evidence, and that they could be invited back to explain what progress they had made towards meeting these commitments.

The Panel emphasised the lack of progress in improving bus provision and increasing bus usage over the years. This was an important strategic issue for the Borough and was identified in the Strategic Plan and the administration's strategic priorities, set out in the Budget report the Panel had considered earlier. The Panel considered whether to recommend that Cabinet consider the evidence gathered in the bus review and use it in consideration of the development of a public transport strategy. This would also feed in to other strategic priorities, such as addressing social isolation and improving public health. It was also suggested that if Cabinet should proceed with a public transport strategy, this should then be brought back to the Panel for pre-scrutiny before being approved.

RESOLVED that: -

- (a) The Panel reviewed and noted the response received in answer to its requests for information;

RECOMMENDED to *CABINET* that: -

- (a) The evidence and engagement collected within the review of bus services be referred to Cabinet and Cabinet be invited to consider using the evidence as part of the basis for drafting a Public Transport Strategy, in line with the Council's Strategic Plan 2018-21 and the administration's strategic priorities.
- (b) Should Cabinet proceed with a Public Transport Strategy, this should be made available for the Scrutiny Panel to conduct pre-scrutiny, prior to its approval.

222. Work Programme 2019/20

The Chair briefed the Panel on a number of proposed amendments to the Work Programme. These were:

- The North East Essex Health and Wellbeing Alliance were unable to attend on 6 August and so would be moved to 12 November 2019.
- The Colchester BID to be invited to present their work on 6 August 2019.
- The Panel to scrutinise Colchester Commercial Holdings Ltd on 10 December 2019.

The Chair notified the Panel that an evening roundtable discussion was to be organised for officers meet Scrutiny Panel members to discuss their experiences of scrutiny best practice at other local authorities. Owen Howell would circulate a range of dates for this to be held, avoiding August.

RESOLVED that: -

- (a) The following amendments to the Work Programme 2019/20 be approved:
 - i. North East Essex Health and Wellbeing Alliance to be moved to 12 November 2019.
 - ii. The Colchester BID to be invited to present their work on 6 August 2019.
 - iii. The Panel to scrutinise Colchester Commercial Holdings Ltd on 10 December 2019.
- (b) The duly amended Work Programme 2019/20 be noted.