

## HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the OVERVIEW AND SCRUTINY PANEL (ECONOMIC WELL-BEING) held in CIVIC SUITE 0.1A, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON PE29 3TN on Thursday, 4 April 2013.

PRESENT: Councillor T V Rogers – Chairman.

Councillors G J Bull, S Greenall, R Harrison, R B Howe, P G Mitchell, M F Shellens and A H Williams.

APOLOGIES: Apologies for absence from the meeting were submitted on behalf of Councillors E R Butler and Mrs L A Duffy and Mr Eacott and Mr Hall.

### **110. MINUTES**

The Minutes of the meeting held on 7th March 2013, were approved as a correct record and signed by the Chairman.

### **111. MEMBERS' INTERESTS**

No declarations were received.

### **112. CABINET FEEDBACK - DOCUMENT CENTRE REVIEW**

*(Councillor J A Gray, Executive Councillor for Resources, was in attendance for this item).*

The Panel received a report from the Cabinet (a copy of which is appended in the Minute Book) outlining its response to the findings of the Panel's review of the District Council's Document Centre. Having questioned the extent to which the Cabinet would act on the recommendations, the Panel was informed by Councillor J A Gray that whilst the Cabinet did not agree with all the conclusions, the report would act as a catalyst for change. The Managing Director, in consultation with the Executive Councillor for Resources and the Panel's Document Centre Champion, would give detailed consideration to the recommendations and, as a starting point, the matter would be discussed shortly at a meeting of the Chief Officer's Management Team.

Having thanked the Cabinet for its response, Members commented generally on the need for more detailed feedback from the Cabinet on its responses to their recommendations. It was reported that a number of suggestions had been made as part of the review of the effectiveness of overview and scrutiny to address this issue. In terms of the process for undertaking further reviews, the Executive Councillor and the Chief Officers Management Team would be

advised of the scope of reviews at the outset and be given an opportunity to comment on the draft final report.

In concluding the discussion, the Panel reiterated the need for the Document Centre to be looked at as a whole function and requested that a report on progress made, specifically with respect to those proposals outlined within section 3.1 of the report, be presented in six months time. Whereupon, it was

RESOLVED

that the contents of the report be noted.

### **113. NOTICE OF EXECUTIVE DECISIONS**

*(During the discussion on this item (7.30pm) Councillor M F Shellens took his seat at the meeting).*

The Panel considered and noted the current Notice of Executive Decisions (a copy of which is appended in the Minute Book). With reference to the forthcoming Supplementary Capital Estimate for the Loves Farm Community Centre, Members requested a formal opportunity to comment on the proposals prior to their consideration by the Cabinet.

### **114. BORROWING**

*(Councillor J A Gray, Executive Councillor for Resources was in attendance for this item).*

With the assistance of a report by the Borrowing Working Group (a copy of which is appended in the Minute Book) the Panel considered the findings of a study, which had been undertaken to identify the terms of a debate on the Council's policy on borrowing and to develop an understanding of the District Council's approach to borrowing. A report by the Assistant Director (Finance and Resources) was also submitted which provided further comments on the subject.

By way of introduction, it was explained that the study had been undertaken in response to Members' concerns regarding the projected growth in Council borrowing in the period to 2026/27 and to highlight to Members what the future debt levels would be. The Panel's attention was drawn to Annex A which outlined the capital expenditure currently included within the approved Budget and Medium Term Plan. The Working Group was of the view that borrowing should be used to fund a narrower definition of capital expenditure and the remainder should be funded from revenue. The Working Group then commended the recommendations set out in Section 4 of the report to the Panel.

The Assistant Director (Finance & Resources) explained that the Council could fund capital expenditure either from revenue or spread the cost over the lifetime of the asset through borrowing. The Council would consider the impact of each over the life of the Medium Term Plan and beyond when deciding which approach to take. With this in

mind, Members' attention was then drawn to the examples within the report by the Assistant Director which showed the effects of funding £1M per year for vehicle replacements in different ways and of funding all capital expenditure (with the exception of long term assets) from revenue. The latter would have a significant impact on the Council's reserves and in the current financial situation this could not realistically be achieved. An explanation of the process through which capital proposals were reviewed each year, prior to their inclusion within the draft budget, was also provided.

The Executive Councillor for Resources thanked the Working Group for its contribution in an area that needed examination. In his view there might be some merit in transferring some of the items of capital expenditure outlined in annex A to revenue, albeit not all of them. However, in light of the difficult financial situation in which the Council currently found itself, this was not currently deliverable without significant reductions in revenue spending. With respect to the recommendation that there should be a limit on the amount the Council could borrow, Councillor Gray indicated that he had no difficulty with the concept of introducing a limit based upon 15% of net revenue spend, which could be exceeded by a motion passed at full Council.

In considering the contents of the Working Group's report, the Panel discussed the Council's need for further borrowing after 2016. Members were advised that over the next five years it was expected there would be a relatively small increase in borrowing, which suggested that equilibrium with the Minimum Revenue Provision was being achieved. It was likely that the 15% limit would not be exceeded in this period, though it might do so subsequently. Members were reminded that in addition to the figures with the report, the Treasury Management Strategy permitted borrowing in advance to take account of low interest rates and offered the potential to provide loan finance to local organisations.

In response to a number of questions asked by Members, it was reported that the Council had borrowed £10M on a long term basis at a rate of 3.5%. The other borrowing on short term rates was susceptible to changes in interest rates. Having been advised of the accounting definition of items which could be classified as capital expenditure, the Panel was reminded that the Council was legally required to classify as capital expenditure those items which met the criteria but it could choose whether to fund it from existing resources or borrowing.

With regard to the Working Group's recommendations, the Panel took into account the principle that funding capital expenditure through borrowing meant that the future beneficiaries contributed towards the cost of the benefits the Council provided. It was suggested that the Government encouraged public sector agencies to capitalise their costs whenever possible. Overall, the Panel was of the opinion that, given the Council's current financial position, recommendation (a) could not be supported in its current form and that, instead, the Cabinet should be invited to consider which items currently funded through borrowing might be funded from revenue when this was affordable. On the basis of the Panel's deliberations the Members of

the Working Group indicated that they were content to withdraw recommendation (a). Whereupon, it was

## RESOLVED

that the Cabinet be recommended to:

- (a) consider whether there are any capital items that are currently funded through borrowing, which should be funded from revenue when this is affordable; and
- (b) agree a limit on the cost of borrowing of 15% of net revenue spend. The limit could then only be exceeded with the approval of the full Council.

## 115. BUDGET

*(Councillor J A Gray, Executive Councillor for Resources, was in attendance for this item).*

With the assistance of a report by the Head of Legal & Democratic Services (a copy of which is appended in the Minute Book) the Panel considered the suggestions for savings, which had previously been put forward during formal and informal discussions on the Council's Budget. The ideas presented by the Liberal Democrats and the UK Independence Party for potential short and long term cost savings proposals were also considered.

In considering the list of suggestions for possible budgetary savings, the Chairman invited individual Panel Members to identify those items which should be given greater priority. At the conclusion of this exercise, it was agreed that the following priority areas should be put forward for consideration by the Cabinet:-

- ❖ shared services, outsourcing or service reorganisation;
- ❖ the Council's electoral arrangements;
- ❖ improved procurement;
- ❖ selling advertising on the Council's car parks, vehicles, website etc;
- ❖ greater enforcement on the Council's car parks;
- ❖ the use of consultants and agency staff;
- ❖ prioritised training;
- ❖ alternative funding of the Shopmobility Portakabin; and
- ❖ civil parking enforcement.

In terms of the principles that should be adopted towards identifying spending adjustments, the Panel endorsed the view that there should be a 'top down' approach. In response Councillor J A Gray stated that Executive Councillors had already considered this. The Cabinet also had been looking at the Council's financial position in the longer term. The Assistant Director (Finance & Resources) informed the Panel of the approach of the Senior Managers Group.

Members were of the view that the Council should look at ways of achieving adjustments in the short and longer terms and focus on

areas of highest cost. Given the order of savings that were required, they recognised the likelihood that the Council would need to consider ceasing some activities. Comment was also made regarding the need to introduce a simplified form of financial reporting, to include the presentation of financial trends which was necessary for effective cost management.

#### RESOLVED

that the Panel's suggestions for contributing to the Council's saving target be submitted to the Cabinet for consideration at its next meeting.

With reference to Council funding more generally, Councillor A H Williams drew Members' attention to a recent letter in the local press. The Panel discussed ways in which some of the points made might be clarified.

#### **116. WORKPLAN STUDIES**

The Panel received and noted a report by the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) containing details of studies that were being undertaken by the Overview and Scrutiny Panels for Social and Environmental Well-Being.

#### **117. OVERVIEW & SCRUTINY PANEL (ECONOMIC WELL-BEING) - PROGRESS**

The Panel received and noted a report by the Head of Legal and Democratic Services (a copy of which is appended in the Minute Book) reviewing progress on matters that had previously been discussed. With reference to the Community Infrastructure Levy, the Chairman reported that the Regulation 123 List and associated Infrastructure Business Plan 2013/14 were currently subject to public consultation.

#### **118. SCRUTINY**

The Panel considered and noted the latest edition of the Council's Decision Digest (a copy of which is appended in the Minute Book).

Chairman