

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

CABINET SCRUTINY COMMITTEE

Minutes from the Meeting of the Cabinet Scrutiny Committee held on Thursday, 20th August, 2015 at 6.00 pm in the Committee Suite, King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX

PRESENT: Councillors J Collop (Chairman), R Blunt, Mrs J Collingham, I Gourlay, P Kunes, Mrs K Mellish and T Wing-Pentelow

Officers:

Debbie Gates, Executive Director Head of Central & Community Services

Toby Cowper, Group Accountant

Lorraine Gore, Assistant Director - Finance

Ray Harding, Chief Executive

CSC:25 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor N Daubney.

CSC:26 MINUTES

The minutes from the Cabinet Scrutiny Committee meeting held on 18th June 2015 were agreed as a correct record and signed by the Chairman.

CSC:27 URGENT BUSINESS UNDER STANDING ORDER 7

There was none.

CSC:28 DECLARATIONS OF INTEREST

There was none.

CSC:29 MEMBERS PRESENT PURSUANT TO STANDING ORDER 34

There was none.

CSC:30 CHAIRMAN'S CORRESPONDENCE

There was none.

CSC:31 RESPONSE TO PREVIOUS COMMITTEE RECOMMENDATIONS

There was none.

CSC:32 **MATTERS CALLED IN PURSUANT TO STANDING ORDER 12**

There was none.

CSC:33 **SCRUTINY OF CABINET DECISIONS**

Cabinet Report – 28th July 2015 – Annual Treasury Statement 2014/2015

The Chairman and the Vice Chairman had requested that this item be brought to the Cabinet Scrutiny Committee for consideration by the Committee.

The Chairman referred to the references to the King's Lynn Innovation Centre within the report and the loan which was taken out, on behalf of Norfolk and Waveney Enterprise Services Ltd (NWES), with Suffolk County Council for the Local Enterprise Partnership. The Chairman asked if the loan was being repaid by NWES and requested an update on the project's finances.

The Assistant Director - Finance explained that the arrangements were requested by the Local Enterprise Partnership and the agreement was that the Council took out the loan and had a back to back loan agreement with Suffolk County Council and NWES. The Council had not released the full loan to NWES, it was being released on a phased basis following expenditure reports and receipts. The Assistant Director - Finance explained that the interest was compounded in the loan and would be repaid by NWES in accordance with the loan agreement.

The Chairman commented that the Leader of the Council was on the Board of Directors at NWES. The Chief Executive explained that the Leader of the Council was a Council appointed representative on the Board of Directors. The Chief Executive explained that it was not a condition of the loan that a Council representative be appointed to the Board of Directors, however the opportunity arose to have a Council representative and the Leader was appointed. The Chief Executive explained that the Leader of the Council declared an interest when the King's Lynn Innovation Centre was being discussed at meetings of the Council and left the room so that he took no part in any discussions.

The loan would be repayable, in full, three years after completion of the building, this would give NWES a chance to have an income stream and be fully operational.

The Chairman commented that the arrangements were a good way for the Council to encourage economic development in the Borough. He asked who would own the building at the end of the period and it was

confirmed that NWES would, once the loan had been fully repaid. The Borough Council were the land owners.

Councillor Blunt asked if the project had been successful so far and if any problems had been encountered. The Chief Executive commented that the project had been successful in that it had enabled the build to commence and had also assisted with the Council's case to submit an application for Enterprise Zone status. If the application was successful it could help trigger further development in the area. The Council was playing an enabling role with the King's Lynn Innovation Centre and hoped to widen this role in the future to assist with further development opportunities.

In response to a question from the Chairman, the Chief Executive explained that the Council was currently looking at expanding their ownership of land on the NORA site and was in discussion with Morston Assets Administrators. The land available comprised employment and housing land and if acquired by the Council would provide a great opportunity for development in the area.

The Chief Executive explained that the application for Enterprise Zone status was based on land that was currently owned by the Borough Council, however the Local Enterprise Partnership was aware of the potential of future acquisitions. He explained that the Local Enterprise Partnership were aware that the Council could need support in installing utilities, infrastructure and potentially assistance with building and development the Enterprise Zone site if the application was successful.

The Chief Executive commented that the King's Lynn Innovation Centre was only the second Local Enterprise Partnership capital funded project to get started, which gave the Council a good reputation of being able to get on and do things.

The Vice Chairman commented that there were quite a lot of empty offices in King's Lynn Town Centre. He asked if the market had been tested to see if there was a demand for the King's Lynn Innovation Centre. The Chief Executive explained that NWES had carried out research and had a good record of running Enterprise Centres with most existing centres breaking even or making a surplus.

In response to a question from the Vice Chairman, the Chief Executive explained that the King's Lynn Innovation Centre would be very different to Enterprise Works on the North Lynn Industrial Estate. Enterprise Works was suited to the firms that were occupying units, the firms were well established there, but had not expanded. The King's Lynn Innovation Centre was about offering short term intensive support to small businesses which would then move out to bigger premises. Ideally the Council would like to invest in bigger units close to the Innovation Centre so that the businesses could expand but still receive

support from the Centre. King's Lynn Innovation Centre would be targeted to innovative and knowledge based businesses.

Councillor Mrs Mellish asked what would happen if NWES were unable to complete the project and if there was a back-up plan. The Chief Executive explained that the Council had a charge over the building. The Assistant Director - Finance reminded those present that funds were released to NWES on a phased basis. If NWES were unable to complete the project, the Council would look to work with other Partners. The Chief Executive explained that an officer from the Borough Council attended all of the project board meetings, so the Council was kept up to date on progress and would be made aware of any potential issues.

Councillor Mrs Collingham referred to complexity of the Annual Treasury Report and asked if it would be possible to have a summary of the main issues in plain English. The Assistant Director, Finance explained that training for Councillors on Treasury Management was in the process of being arranged. She explained that three reports were presented to the Cabinet each year in relation to Treasury Management; the outturn report in July, the mid-year report in October and the report to agree the Treasury Management Strategy in March. It was anticipated that Councillor training would take place in the New Year to inform discussions on setting the strategy in March.

In response to a request from Councillor Blunt on making the report easier to understand, the Assistant Director - Finance explained that the Chartered Institute of Public Finance and Accountancy had rules on how information should be presented, however, in the future, the Assistant Director - Finance would look at providing a summary or presentation of key points and issues.

Councillor Blunt commented that he was concerned that the report had already been considered by the Audit and Risk Committee and Cabinet and asked if Members were qualified to challenge the report if they did not have a full understanding of the content. He reiterated the previous comments made by Members in that they should be provided with a summary of the key messages and issues contained within the report. This would assist Members to ask the right questions. The Chairman commented that Members should not hold back when asking questions and he felt that not many questions were asked by Members when considering the report at the Audit and Risk Committee.

The Chairman felt that the planned training sessions on Treasury Management would be of great benefit to Members. He reminded those present that the purpose of the Cabinet Scrutiny Committee was to pick up things that had been missed when the report was considered by the Panels or Cabinet. He congratulated Cabinet on bringing some issues to the attention of the Audit Committee which wouldn't have otherwise been picked up.

Members of the Committee discussed the importance of officers providing summaries of key issues and writing in plain English, especially when complex reports such as the Annual Treasury Report was being considered. Councillor Mellish explained that officers had the understanding and knowledge, but Members often only received the report a week in advance of the meeting, which often was not long enough for all reports to be read and digested, especially when complex issues were involved.

The Assistant Director - Finance acknowledged that the report was very technical and she would look to change the presentation of the report in the future whilst still fulfilling the CIPFA requirements. The training for Members would pick up on key areas and issues and if required additional training could be subsequently arranged.

The Committee discussed how the Audit and Risk Committee and Resources and Performance Panel often held their meetings on the same evening, one meeting after the other. The meetings could go on for quite some time meaning that items being considered were often subject to time constraints. The Chairman explained that he had been advocating that the Resources and Performance and Audit and Risk Committee should be split for quite some time and commented that it would be interesting to see what would happen following the review of Scrutiny arrangements. He felt that the Audit Committee had too large a Membership and should be restricted to a few core Members who had interest and knowledge on the subject.

Councillor Mrs Collingham referred to part 9.6 of the report which related to the investment treasury indicator and limit. She asked why the limits were different if the sums were invested with Local Authorities. The Assistant Director - Finance explained that the Treasury Management Strategy set out how much and how long funds could be invested with counter parties. The Group Accountant referred to 9.17 of the report which explained that Capita Treasury Solutions had recommended that the Council placed a time limit of three years for Local Authority investments, and a maximum of £5 million per local authority.

In response to a request from Councillor Blunt, the Assistant Director - Finance provided information on Capita Treasury Solutions. She explained that Capita Treasury Solutions were experts who the Council engaged with. They were appointed through a tender exercise and were specialist advisors. The Council was a Member of their Treasury Benchmarking Group, which involved other Local Authorities. Capita also held training seminars which officers from the Council could attend to keep their skills up to date. Capita also provided advice on investments and opportunities available and the Council were in regular dialogue with them. The Council paid a fixed fee for their services and were able to contact them at any time as well as Capita visiting the Council offices twice a year.

In response to a question from Councillor Blunt, the Group Accountant explained that not all Local Authorities were risk averse, but security was the priority as agreed in the Treasury Management Strategy. The Assistant Director - Finance explained that when the Treasury Management Strategy was submitted to Cabinet for review, the Council could decide to change their priorities.

In response to a further question from Councillor Blunt, the Assistant Director – Finance agreed to investigate if the results from the Capita Benchmarking Group could be shared with Members.

The Chief Executive commented that he would welcome the opportunity to discuss the strategy with Members prior to its submission to Cabinet. The Council had moved towards a risk adverse approach following Capita guidance. Some Local Authorities were being more adventurous with their Treasury Management Strategy and this was something the Council could look at if they wished. Previously the view from Members was to be over cautious with public money.

The Chairman referred to the Capital Finance requirement and that borrowing was higher than normal because of the NORA Joint Venture Project and he asked if this would reduce once properties had been sold. He asked what the borrowing levels were usually. The Assistant Director – Finance referred to 2.6 of the report and explained that the borrowing levels were higher because of the NORA development and the Major Housing Projects. She explained that phase 1 of the NORA project was now complete and all of the properties had been reserved with approximately fifty percent completed. As more houses were sold, the borrowing rate would reduce, if the Council continued to develop Phase 2 and 3 of the NORA housing project the borrowing levels would remain at the current rate until the end of the project and sale of houses.

The Chief Executive explained that each phase of the housing project was considered based on the current market conditions. By completing in phases the project could be stopped or delayed if required. If, following completion of future phases, the properties did not sell, the Council could look at the private rented market which would cover the debt repayments until the market improved and a Local Authority Housing Company had been authorised by Cabinet for this purpose.

In response to a question from the Chairman, the Chief Executive explained that the Lynnsport Road would be funded partly from a contribution from the Local Transport Board and the rest would be funded by the Borough Council. The road would then be adopted by Norfolk County Council.

Councillor Blunt referred to part 2.7 of the report which detailed the affordable borrowing limit. The Group Accountant explained that the Local Government Act 2003 required Authorities to set an affordable

borrowing limit. The Assistant Director – Finance explained that this limit was set as part of the Treasury Management Strategy in March each year and was based on the capital programme spending plans.

The Chairman thanked the Assistant Director – Finance, the Group Accountant and the Chief Executive for attending the meeting and hoped that they would consider the comments made by the Committee in that in the future they would prefer documents in plain English wherever possible and would benefit from a summary of key issues.

CSC:34 **DATE OF NEXT MEETING**

The next meeting of the Cabinet Scrutiny Committee was scheduled to take place on Thursday 17th September 2015 at 6.00pm.

The meeting closed at 7.00 pm