

STRATEGY AND RESOURCES SCRUTINY COMMITTEE 8 October 2018
5.00 - 7.00 pm

Present: Councillors Barnett (Chair), Baigent (Vice-Chair), Bick, Dalzell, Green and Sargeant

Executive Councillors: Herbert (Executive Councillor for Strategy and External Partnerships) and Robertson (Executive Councillor for Finance and Resources)

Officers:

Chief Executive: Antoinette Jackson

Strategic Director: Fiona Bryant

Head of Finance: Caroline Ryba

Equality and Anti-Poverty Officer: Helen Crowther

Committee Manager: Sarah Steed

FOR THE INFORMATION OF THE COUNCIL

18/48/SR Apologies for Absence

Councillor Green provided apologies for lateness.

18/49/SR Declarations of Interest

No interests were declared.

18/50/SR Minutes

The minutes of the meeting held on 2 July 2018 were agreed and signed as a correct record.

18/51/SR Public Questions

There were no public questions.

18/52/SR To Note Record of Urgent Decision Taken by the Executive Councillor for Finance and Resources

5a Freehold Transfer of 27 Warkworth Street Cambridge

The decision was noted.

18/53/SR To Note Record of Urgent Decision Taken by the Head of Finance, s151 Officer

6a Business Rates Pilot

The decision was noted.

18/54/SR Implications around applying a minimum of £10 per hour to staff on Council contracts

Matter for Decision

The Officer's report provided an assessment of the implications of requiring the Council's contractors to pay staff who qualify for the Living Wage an increased rate of £10 per hour. The report was presented for information only and any decision would need to be considered as part of the Council's budget process.

Decision of the Executive Councillor for Finance and Resources

- i. Noted the findings of the report regarding the implications of requiring contractors to pay qualifying staff a minimum of £10 per hour when working on Council contracts.

Reason for the Decision

As set out in the Officer's report.

Any Alternative Options Considered and Rejected

Not applicable.

Scrutiny Considerations

The Committee received a report from the Equality and Anti-Poverty Officer.

The Committee made the following comments in response to the report:

- i. Sought clarification on whether costs provided by the suppliers took into account costs associated with uprating staff wages related to maintaining company pay structures.
- ii. Asked where there were issues of recruitment and retention of staff in low paid positions undertaking work for the Council.

The Equality and Anti-Poverty Officer said the following in response to Members' questions:

- i. Uplifting wages of the lowest paid could, in many instances, have an impact on pay differentials suppliers have put in place. The gap between the Living Wage rate of £8.75 and the £10 rate would mean a high percentage of supervisor rates (and potentially pay scales up the chain) would need to increase as well. Some, but not all, of the figures provided by contractors included the potential costs of uprating wages of staff paid over £10 per hour in order to keep pay differentials for roles with different levels of responsibility. In most cases suppliers did not provide information as to how they arrived at the cost they shared, which meant we could not identify the proportion of estimated costs that would go towards uprating wages of those paid over £10 per hour.
- ii. Two of the five suppliers also felt that paying the £10 rate would help with the recruitment and retention of staff.

The Chief Executive said the following in response to Members' questions:

- i. Apart from those contractors who provided responses to the Equality and Anti-Poverty Officer, the Council experienced recruitment and retention issues with specialist staff where there was competition with roles in the private sector.

The Committee unanimously resolved to endorse the recommendations.

The Executive Councillor noted the recommendations.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)

No conflicts of interest were declared by the Executive Councillor.

18/55/SR Treasury Management Half Yearly Update Report 2018/19

Matter for Decision

The Council had adopted The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management (Revised 2017).

The Code required as a minimum receipt by full Council of an Annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a half-year review report and an Annual Report (stewardship report) covering activities in the previous year.

Decision of the Executive Councillor for Finance and Resources

Recommend Council to:

- i. Approve the report to Council, which included the Council's estimated Prudential and Treasury Indicators 2018/19 to 2021/22.
- ii. Approve a £5m limit on secured bonds with local businesses subject to due diligence as highlighted in paragraph 8 of the officer's report.
- iii. Update the Minimum Revenue Provision (MRP) Policy to state that no MRP will be required if this bond is secured, but this would be reviewed at least annually.
- iv. Agree the principle of investing up to £5m in a bond issued by Allia Limited, and delegate to the Head of Finance the final decision on the appropriateness of this investment, once detailed due diligence has been completed as set out in paragraph 8.9 of the Officer's report;
- v. Increase the counterparty limit for Barclays Bank Plc by £10m to £35m; and;
- vi. Reduce the Money Market Fund (MMF) counterparty limit by £10m to £5m for each fund, with a total MMF limit of £20m (and to continue using MMFs that are rated AAA).

Reason for the Decision

As set out in the Officer's report.

Any Alternative Options Considered and Rejected

Not applicable.

Scrutiny Considerations

The Committee received a report from the Head of Finance. She updated the Committee that with reference to paragraph 8 of the report that investment in local bond and money market reforms there were proposals for reducing the level of investment in these and counteract this by investing in Barclays.

The Committee made the following comments in response to the report:

- i. Allia Limited looked like a positive investment and asked whether there was any way to measure community investment or benefit to Cambridge.
- ii. Saw that Allia Limited had approached the Council, and asked whether the council could advertise to other companies who might want to undertake this approach.
- iii. Commented that there was a detailed opportunity with Allia Limited and asked for the advantages and disadvantages of the two investment options.

- iv. Referred to the £5 million contained in recommendation 2.4 and queried whether this was a limit or the scale of the investment.

The Head of Finance made the following comments in response to Members' questions:

- i. There was a community benefit with the Allia Limited investment and there were ways of measuring social value.
- ii. Each investor would have their own investment needs this approach may not suit other investor's needs.
- iii. With regards to the Allia Limited investment, the re-financing option had a slightly lower risk compared with the redevelopment option, therefore would expect the redevelopment option to have a higher return due to the higher risk involved.
- iv. The council would only be looking to invest up to £5 million and therefore would not be the sole investor as Allia was looking for twice this amount. Consideration would need to be given to who the other investors were.

Executive Councillor for Finance and Resources commented that Allia Limited had a record for enabling employment, this was not a long term investment but was a 5 year plan which he wanted to explore and fulfil.

The Committee resolved unanimously to endorse the recommendation.

The Executive Councillor approved the recommendation.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)

No conflicts of interest were declared by the Executive Councillor.

18/56/SR General Fund Medium Term Financial Strategy 2018

Matter for Decision

The report presented and recommended the budget strategy for the 2019/20 budget cycle and specific implications, as outlined in the Medium-Term Financial Strategy (MTFS) October 2018 document.

The report also recommended the approval of new capital items and funding proposals for the Council's Capital Plan, the results of which are shown in the MTFS.

The recommended budget strategy was based on the outcome of the review undertaken together with financial modelling and projections of the Council's

expenditure and resources, in the light of local policies and priorities, national policy and economic context. Service managers identified financial and budget issues and pressures and this information had been used to inform the MTFS.

Decision of the Executive Councillor for Finance and Resources

Recommend Council to:

- i. Agree the budget strategy and timetable as outlined in Section 1 [pages 1 to 3 refer] of the MTFS document.
- ii. Agree the incorporation of changed assumptions and indicative net unavoidable budget pressures identified in Section 4 [pages 15 to 18 refer]. This provides an indication of the net savings requirements, by year for the next 5 years, and revised General Fund revenue, funding and reserves projections as shown in Section 5 [pages 19 to 20 refer] of the MTFS document.
- iii. Note the changes to the Capital Plan as set out in Section 6 [pages 21 to 27 refer] and Appendix A [pages 35 to 40 refer] of the MTFS document and agree the new proposals:



Ref.	Description / £'000s	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	Proposals							-
SC676	Jesus Green public conveniences	25	-	-	-	-	-	25
SC680	CCTV equipment upgrade	30	-	-	-	-	-	30
SC633	Grass reinforcement at Parker's Piece	140	-	-	-	-	-	140
SC678	Crematorium - additional car park	25	325	-	-	-	-	350
SC679	Crematorium - cafe facilities	20	310	-	-	-	-	330
Misc	Local bond investment	5,000	-	-	-	-	-	5,000
	Total Proposals	5,240	635	-	-	-	-	5,875

- iv. Agree the remit of the Cambridge Live Development Fund (1.4.18 to 31.3.20) to support the transformation and ongoing development of Cambridge Live over the next two years subject to a maximum spend of £500,000 with full delegation for management of the Fund assigned to the Chief Executive
- v. Agree changes to General Fund Reserve levels, with the Prudent Minimum Balance being set at £5.504m and the target level at £6.605m as detailed in Section 7 [pages 28 to 31 refer] and Appendix B [pages 41 to 42 refer] of the Officer's report.

Reason for the Decision

As set out in the Officer's report.

Any Alternative Options Considered and Rejected

Not applicable.

Scrutiny Considerations

The Committee received a report from the Head of Finance.

The Committee made the following comments in response to the report:

- i. Referred to the budget pressures table on p92 of the agenda and the description 'Allowance for risk to income streams due to reductions in economic activity' and asked for clarification on the judgements the figures were based on as there was a £250,000 per year consecutive loss for the next 5 years.
- ii. Also queried what the revenue pressures were for the 'Indicative unavoidable net revenue pressures identified by Heads of Service' in the same table on p92 of the agenda.
- iii. Expressed concerns regarding the contributions to reserves if this was driving the council to cuts.
- iv. Queried section 6 of the report on p99 of the agenda and asked whether the council was trying to run the finances of the crematorium as a business to compete with private organisations.
- v. Asked whether the decision regarding Cambridge Live on p105 of the agenda was delegated solely to the Chief Executive or if there was any consultation requirements.

The Head of Finance said the following in response to Members' questions:

- i. The budget pressure item falling on p92 of the agenda under the description 'Allowance for risk to income streams due to reductions in economic activity' acknowledged risks the city council had around income and how they can impact on the council's savings target.
- ii. The 'Indicative unavoidable net revenue pressures identified by Heads of Service' consisted of statutory responsibilities and policy choices. To be able to provide a reasonable view when the budget was considered in February, it needed to highlight choices that were unavoidable against those which were opportunistic savings. There was a £1 million quantum of net pressure which she expected to see, it was not an unreasonable indication of the challenge the council may face looking to the February budget.

- iii. The high level of reserves was driven by the capital programme and the roll-over of capital programmes when projects slipped from one year to the next.
- iv. Commented that the crematorium was funded from its trading account, ie: it was surplus funding and not borrowing.

Executive Councillor for Finance and Resources responded:

- i. Referring to the table containing the 'Indicative unavoidable net revenue pressures identified by Heads of Service' this was advance warning of the challenges faced by the council, further details would be included within the budget setting report in February 2019.
- ii. He also commented that austerity was not dead, it needed to be recognised that the Central Government grant was being cut and therefore the city council had challenges because of this.

The Chief Executive said the following in response to Members' questions:

- i. The delegation regarding Cambridge Live operated within certain criteria; there was also a promise to report back to the committee. This was a financial mechanism to identify funds.

The Committee considered and approved the following recommendations:

- 2.1 by 4 votes to 0.
- 2.2 by 4 votes to 0.
- 2.3 unanimously.
- 2.4 unanimously.
- 2.5 by 4 votes to 0.

The Executive Councillor approved the recommendations.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)

No conflicts of interest were declared by the Executive Councillor.

18/57/SR Cambridge Northern Fringe East

Matter for Decision

The Officer's report provided an update on the current status of the Cambridge Northern Fringe East and proposals for the site and to recommend next step actions.

Decision of the Executive Councillor for Finance and Resources

- i. Noted the current status of the HIF bid, the continued engagement with Homes England and wider partners on the development of the business case, and the intention to submit a business case in December 2018, with the expectation of receiving a final outcome decision in early 2019.
- ii. Approved the appointment of the preferred bidder, U&I, as the Master Developer for the core site, subject to final contracting as referred in 2.3.
- iii. Approved the establishment of a joint venture with Anglian Water, in line with the confidential draft heads of terms appended to this report in Appendix 4
- iv. Delegated to the Strategic Director, in consultation with the Exec Cllr and in line with legal and financial advice:
 - a. Approval of the final Joint Venture Agreement
 - b. Subsequent approval of the Master Development Agreement with U&I
 - c. The development and submission of the business case for HIF funding
 - d. The progression, in line with the MDA requirements, of the development of a business plan covering the core site within six months of the contract being awarded.
- v. Noted the timescales related to the HIF funding, and the progression of the associated planning framework with SCDC and the proposed consent route, which require agreement with the local planning authorities and partners as to the appropriate arrangements to meet the timescales involved.
- vi. Noted that all contractual commitments to the MDA and Joint Venture Agreement at this stage are only approved subject to the HIF outcome.
- vii. Agreed to provide a further progress report to this Committee following final confirmation of the HIF outcome.

Reason for the Decision

As set out in the Officer's report.

Any Alternative Options Considered and Rejected

Not applicable.

Scrutiny Considerations

The Committee received a report from the Strategic Director.

The Committee made the following comments in response to the report:

- i. Noted the division of roles that the council had, one as a developer and the other as a decision maker for planning applications and asked for

- assurances that there would be a clear separation between the two roles.
- ii. Asked what the relationship was between the Area Action Plan (AAP) and the Masterplan for the site.
 - iii. Asked if there were any clawback arrangements regarding the HIF bid if it was successful.
 - iv. Asked if the Council had considered what would happen if the Water Recycling Centre could not be relocated.
 - v. Asked if a planning application could be submitted to underpin the HIF application.
 - vi. Asked when a 'plan B' option for the development of the area around the Water Recycling Centre site would be taken forward if the HIF bid was not successful.
 - vii. Asked what the costs would be for the council if the HIF bid was unsuccessful.

The Strategic Director said the following in response to Members' questions:

- i. The Council was mindful of its role as part-landowner and the County Council would be the local planning authority for any future application to move the water treatment works. The Council would work with all parties involved to ensure the most appropriate development was brought forward on the site.
- ii. The AAP set the framework for the large development area and brought all the landowners and developers together. The Masterplan would be developed alongside the AAP to bring specific development with the AAP area forward.
- iii. The Department for Communities and Local Government (DCLG) stated in their expression of interest and business case documentation that the grant was not provided freely, there were levels of uplift and how this would be utilised.
- iv. There was a level of risk with the work being put into the HIF bid that it may not be successful, however the quality of the work that had gone into the bid was hoped to be good to ensure a successful outcome.
- v. A planning application could not be submitted to accompany the HIF bid because this required a site for the relocation of the water recycling centre to be identified and this piece of work (identification of a preferred site) was currently being undertaken.
- vi. Commented that if the HIF bid was not successful then there would be not funding available to relocate the water recycling centre. It was understood that the water recycling centre did not need to relocate as it had sufficient capacity on site to be able to upgrade its facilities when / if the time arose.

- vii. Had tried to reduce the amount of costs for the HIF bid for example some of the work was undertaken in-house for example the OJEU process and legal agreements had been put in place that were conditional upon a successful HIF bid.

The Executive Councillor for Strategy and External Partnerships commented that:

- i. He commended the work that had been done by the Strategic Director and her team, Anglian Water, South Cambridgeshire District Council the Combined Authority and other partners. Half a million pounds had been budgeted for the work undertaken on the project this year. He wanted to ensure that the DCLG worked to the projects timescales and provided a decision on the HIF bid by February 2019 so that the city council did not spend money un-necessarily. The Water Recycling Centre site was a brownfield site which had complications however it was hoped to build 40% affordable housing on the site which equated to approximately 2000 houses.

The Committee unanimously resolved to endorse the recommendations.

The Executive Councillor approved the recommendations.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)

No conflicts of interest were declared by the Executive Councillor.

18/58/SR Combined Authority Update

Matter for Decision

The Officer's report provided an update on the activities of the Cambridgeshire and Peterborough Combined Authority since the 2 July Strategy and Resources Scrutiny Committee.

Decision of the Executive Councillor for Strategy and External Partnerships

- i. Noted the update provided on issues considered at the meetings of the Combined Authority held on the 25 July and 26 September.

Reason for the Decision

As set out in the Officer's report.

Any Alternative Options Considered and Rejected

Not applicable.

Scrutiny Considerations

The Committee received a report from the Chief Executive and were asked to note the updated paperwork regarding the 26 September Combined Authority meeting.

The Committee made the following comments in response to the report:

- i. Commented that FOI requests had been submitted to the Combined Authority to try and gain further knowledge of payments that had been made to employees who had left the organisation.
- ii. Noted that the person specification for the new Director of Strategy and Planning role did not require any planning experience.
- iii. Noted that the Chief of Staff role at the Combined Authority was a politically restricted position, however the current incumbent had been selected as a Conservative Parliamentary candidate.
- iv. Noted that the Affordable Housing Strategy which had been adopted by the Combined Authority permitted equal bids by partner councils for the money. This was not fair on South Cambridgeshire District Council who would not receive the finance that they deserved.
- v. Expressed concerns regarding the governance of the Combined Authority.

The Executive Councillor said the following in response to Members' questions:

- i. The senior staffing structure for the Combined Authority was adopted in February 2018 so it had only been in place for 9 months. Advice was also provided that Directors should have been in place before the appointment of the Mayor. It was noted that quite a few posts were interim posts for example the Director of Finance.
- ii. He only became aware of the departure of the Chief Executive of the Combined Authority when it was published in the Cambridge Times. Clearer transparency was required and an independent review had been requested.
- iii. It was unclear why a severance payment had been made to the Chief Executive as there was no contractual obligation to pay one.
- iv. Noted that whilst good people had been appointed to posts there were a limited number of people applying for posts.
- v. Advice had been provided that there was no issue with the Combined Authority's Chief of Staff being a prospective Parliamentary candidate unless an election was called.

- vi. Noted that South Cambridgeshire District Council joined the Combined Authority to gain access to the affordable housing funding. He had a meeting arranged with Executive Councillors and Housing Associations to discuss the affordable housing strategy / funding. He felt that Housing Associations should be able to access and bid for the funding as well as constituent councils.
- vii. Referred to previous discussions in the Committee meeting regarding Cambridge Northern Fringe East and the HIF funding and the importance of the Combined Authority's support with these projects. He noted that there had been a lot of good work undertaken by the Combined Authority and that we needed to work as a collaborative team.

Councillor Bick proposed to invite Mayor Palmer to a Strategy and Resources Scrutiny Committee meeting. The Committee agreed the proposal and the Chair of the Committee confirmed that she would write to Mayor Palmer to invite him.

The Committee noted the update.

The Executive Councillor noted the update.

Conflicts of Interest Declared by the Executive Councillor (and any Dispensations Granted)

No conflicts of interest were declared by the Executive Councillor.

The meeting ended at 7.00 pm

CHAIR