

**MINUTES OF THE MEETING OF SCRUTINY  
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY, 16 OCTOBER 2008**

**MEMBERS**

\* Cllr C M Pannell - Chairman

\* Cllr K J Baldry - Vice-Chairman

\* Cllr J H Baverstock

\* Cllr P H Cook

\* Cllr G J Fielden

\* Cllr R D Gilbert

\* Cllr J W Squire

\* Cllr J A Westacott MBE

\* Denotes attendance

Also in attendance at the invitation of the Chairman:  
Cllrs H D Bastone, J I G Blackler, M J Hicks, P W Hitchins, D W May,  
J T Pennington and R J Tucker

Officers in attendance:

Item 7 (Minute SC.22/08 below refers): Strategic Director (Resources); and  
Item 8 (Minute SC.23/08 below refers): Head of Landscape and Leisure and Green  
Spaces Manager.

**SC.19/08 MINUTES**

The minutes of the meeting of Scrutiny, held on 18 September 2008, were confirmed as a correct record and signed by the Chairman.

**SC.20/08 URGENT BUSINESS**

The Chairman advised that she had one item of urgent business which she wished to be raised at this meeting. The item related to an update on the current global financial situation and, in particular, the news that the Council had £1.25 million invested with the Heritable Bank, a UK registered bank, which is part of the Icelandic Landsbanki Group.

The Chairman wished for this item to be considered as Item 7 (Minute SC.22/08 below refers).

For information, the Chairman also informed those present that, whilst it was advertised on the published agenda, Tadpool Representative(s) were not now attending this meeting. Members expressed their disappointment and concern that Tadpool was not to be represented at this meeting as it was intended that they would attend a Scrutiny Group meeting prior to the next Tone Leisure Update. It was agreed that a Council representative, who was also a Scrutiny Group Member, would convey the concerns and disappointment of the Group back to Tadpool.

SC.21/08      **DECLARATIONS OF INTEREST**

Members were invited to declare any interests in the items of business to be considered during the course of the meeting but none were made.

SC.22/08      **GLOBAL FINANCIAL SITUATION**

As reported above (Minute SC.20/08 refers), the Strategic Director (Resources) was in attendance to update Members on the current global financial situation and how it had directly affected the South Hams.

To set the matter in context, the Strategic Director (Resources) carried out a detailed presentation, in which particular reference was made to:-

- (i) the Council having an average daily cash flow of approximately £25 million, with these monies, at the end of each day, needing to be deposited somewhere. In depositing these monies, it was noted that the Council policy was to limit any risk by spreading it across a number of institutions. The maximum deposit in any one financial institution was limited to £5 million;
- (ii) the key elements in managing cash flow. In line with government guidance, the Council's Treasury Management Strategy sought to balance the need to have regard to: risk, liquidity, yield, and stability;
- (iii) the budgetary importance to the Council and residents of the income generated through interest. Indeed, it was noted that since the transfer of the housing stock in 1999, the Council had earned interest in excess of over £16 million, which had been paid into the General Fund, thus reducing the level of Council Tax for residents;
- (iv) adjudging which financial institutions were deemed creditworthy. Members were informed that the Council employed an independent company (who were also employed by a vast number of other local authorities) to advise on the Council's Financial Strategy and provide details in relation to credit ratings. In accordance with these ratings, the Council only deposited monies with the lowest rated institutions;
- (v) the Heritable Bank. It was stressed that the Heritable Bank was a registered UK Bank, but was part of the Icelandic Landsbanki Group. When the £1.25 million was deposited into the Heritable Bank on 22 September 2008, the credit rating of the Heritable Bank was 'A' (e.g. low risk) and 'F1' (e.g. the best short-term deposit rating). Those present were also advised that whilst the Heritable Bank was currently still operating, its assets had been frozen;
- (vi) a statement from the Bank's Administrators. The Strategic Director (Resources) read the statement to the Group, in which the objective of the Administrators was stressed to be to maximise recovery;

(vii) the numbers of counter parties. Whilst there were numerous counter parties, in reality, and for a variety of reasons, (including being overseas banks which did not operate within the UK or not being in the market for taking deposits on a daily basis) there were only a relatively small number who met the credit criteria who could be used on any given day.

Following the presentation a debate ensued, during which the following points were raised:-

- (a) It was noted that in the worst case scenario whereby the monies were not recovered, the Council would also lose interest payments of approximately between £60,000 and £70,000 per annum, in addition to the £1.25 million. Assurances were given that contingencies were sufficiently adequate to ensure that the delivery of services would not be affected. Moreover, Members were comforted in learning that the Administrators had announced that the assets of the Heritable Bank appeared to be of the same magnitude as its liabilities, which would suggest that outstanding monies would be recovered;
- (b) A Member emphasised the need for a wide review and investigation into this matter and questioned whether consideration had been given to changing the strategy (e.g. Devon County Council had stopped placing monies in banks and had used alternative sources such as Government Deposits). In response, it was stated that an investigation had already commenced, but in these uncertain times, the future strategy was a real issue. At the time of investing the £1.25 million, the Council had taken professional advice, but if a bank could go from an 'A', 'F1' rating to be put into administration in the space of a few days, the future strategy was a cause for concern. On the matter of investing in alternative means, such as Government Deposits, Members were informed that the rate of interest was in order of 2% less in comparison to investing in Banks, and if such a strategy was deployed, there would be obvious budgetary implications;
- (c) Some Members stated their content that the funds had been adequately managed and handled, with the current situation being attributed to an unprecedented chain of events, which could not have been predicted. Furthermore, Members did not wish to apportion any blame to any officers in connection with the £1.25 million invested with the Heritable Bank;
- (d) Members welcomed the robust involvement and role played by the lead Executive Member;

- (e) The Strategic Director (Resources) confirmed that Members received a report on Treasury Management activity as part of the Budget report each year. This included the risk criteria to be adopted for deposit taking institutions. It was also confirmed that Members used to have a detailed listing of all counter parties, which was now available as a background paper to Members. Whilst taking this into account, Members requested that they receive copies of this list at regular intervals;
- (f) A non-Scrutiny Group Member urged those present to support the reinstatement of a Finance Sub-Committee. The Member felt that such a Group could look at such finance-related issues in-depth. In response, the Leader of Council advised that the Political Structures Working Group had considered this matter and had recommended the establishment of an Audit Committee, which had the ability to provide independent scrutiny of the Council's financial and non-financial performance. In addition, the Leader also believed that this was an operational matter which would not have been considered by a Finance Sub-Committee and reminded those present that it would be a decision of Members whether or not they wished to change the existing policy;
- (g) For clarity, it was verified that the £1.25 million was invested with the Heritable Bank on 22 September 2008, for a three month period and the Council received notification that the rating of the Bank was to be downgraded on 1 October 2008. In response to a question, Members were informed that the Council had continued to invest monies in the Banking Sector since 1 October 2008;
- (h) A number of Members stressed their wish that officers use every available means possible to ensure the Council claw back the £1.25 million;
- (i) When notified that there were two independent companies which were available to provide advice on the Council's Financial Strategy and provide details in relation to credit ratings, some Members questioned whether it would be pertinent for the Council to switch its choice of company. In reply, the Strategic Director (Resources) reported that both companies had been advisors to councils with similar deposits. Nonetheless, a review of the advisors would be undertaken;
- (j) A Member **MOVED** a motion (which was not **SECONDED**) whereby a small working group of Members be established to fully examine the existing investment policy. In stating their lack of support for this proposal, other Members were satisfied that such an exercise was already being undertaken, with the full involvement of the lead Executive Member. However, these Members did request that Scrutiny receive an update as part of the Investment and Income Strategy item scheduled for consideration at its 17 December 2008 meeting.

In conclusion, Members thanked the Strategic Director (Resources) for attending the meeting and conducting such a comprehensive introduction and providing full and thorough responses to Member questions.

It was then:-

### **RESOLVED**

That Scrutiny:-

1. wishes to receive a further update on this matter as part of the Investment and Income Strategy item due for consideration at its 17 December 2008 meeting;
2. notes and acknowledges the unprecedented chain of events which have taken place and does not wish to apportion any blame to any officers in connection with the £1.25 million invested with the Heritable Bank; and
3. requests that every means possible be used and investigated in order that the Council claw back the £1.25 million.

SC.23/08

### **GRASS CUTTING – SPRING/SUMMER 2008 AND PROPOSED AMENDMENTS**

A report was considered by Scrutiny upon grass cutting arrangements and progress within the Green Space Maintenance Team, as had been requested by Members.

The report acknowledged that the spring and summer of 2008 had been challenging as a result of adverse weather conditions, which had occurred whilst significant changes to the service were being implemented. Considerable progress had now been made, with new staff arrangements in place and further operational reviews were now taking place (as detailed in the presented report).

In discussion, reference was made to:-

- (a) the role of the lead Executive Member. Officers confirmed that the lead Executive Member was fully involved in the ongoing work in this area and was fully supportive;

- (b) confusion amongst town and parish councils. To improve awareness levels in respect of land ownership, officers advised that they were in the process of meeting with the clerks of each town and parish council and providing them with maps to illustrate ownership details. In the event that a landowner was unknown, a Member questioned whether the Council should refrain from grass cutting. In reply, officers advised that in many instances, this would be a sensitive matter, but the current practice was due to be reviewed in the upcoming six months;
- (c) the regularity of grass cuts. A Member queried whether there could be contractual clauses inserted in order to recover the costs, in the event that an area may need to be cut more than the scheduled number. In response, officers advised that the Council was subsidising some areas by having to cut the grass on more occasions than scheduled and that this was to be given consideration;
- (d) Member support for the more integrated approach to cutting. A number of Members commented that the state of towns and parishes would be much improved if all grass cutting was done at the same time. Some Members cited the approach of South Brent Parish Council as an example of good practice towards grass cutting. By working in partnership, the Parish Council employed a contractor and obtained payments from the county and district council towards cutting the grass. Should the Parish Council wish for additional cuts to be undertaken, it had the ability to set its parish precept accordingly;
- (e) modernising the current grass cutting equipment. Officers advised that they intended to look at the requirements for new equipment with the respective Charge-hand Gardeners;

In conclusion, Members thanked the officers for their report and attendance and expressed their confidence that the grass cutting issue was now being addressed and that an improvement would be apparent in future years.

## RESOLVED

1. That the review of the current service arrangements be welcomed and the changes being introduced to grass cutting and Green Space Maintenance be endorsed; and
2. That the Executive be **RECOMMENDED** that the requirement to replace grass cutting equipment be considered as part of the review of the vehicle replacement reserve, which is currently underway, to ensure an appropriate spring start to the grass cutting arrangements.

SC.24/08     **SCRUTINY SHADOWING ROLES**

Members confirmed that they were kept fully briefed by their Executive counterparts, and continued to meet frequently.

SC.25/08     **AGENDA ITEMS FOR FUTURE MEETINGS OF SCRUTINY**

**Tadpool**

Scrutiny requested that Tadpool representatives be re-invited to attend the next Scrutiny Group meeting on 20 November 2008.

**Tone Leisure**

As a consequence of Scrutiny's wish for the next update from Tone Leisure to precede the attendance of Tadpool representatives, it was requested that this item be put back to the scheduled meeting on 17 December 2008.

**Age Concern**

Members agreed that this item should be removed from the agenda unless a confirmation response was received before the agenda was published for 20 November 2008 meeting.

**Stagecoach**

Officers agreed to follow up this matter and report back to the next Scrutiny Group meeting.

**Play Area / Big Lottery Bid**

In the event that the £1.9 million Play Areas contract would be up and running, and its close linkages to the Big Lottery Bid, a Member wished for an update to be provided to the Group at its 12 February 2009 meeting.

**Street Pastors**

Members expressed the wish that the work of the local Street Pastors be a matter programmed onto a future Informal Council session.

(Meeting commenced at 10.00 am and concluded at 12.15 pm).

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Chairman