



# DEBENTURE LOAN TASK & FINISH GROUP

## Terms of Reference and Scope

**Appointed by:** Luton Council Overview and Scrutiny Committee

### PURPOSE

1. To conduct a scrutiny review in line with the terms of reference below, covering the matters set out in the scope, and report its findings and recommendations to the Executive/Council as appropriate.

### TERMS OF REFERENCE

2. The terms of reference for the following Task and Finish Group are as follows:

(a) To review and scrutinise the decisions of the Executive and Council in relation to the application for a debenture loan facility by LLAL, including LLAL's final business case, for the construction of a Mass Passenger Transit System (Luton DART) between Luton Parkway Railway Station and London Luton Airport Terminal;

(b) To use all its delegated overview and scrutiny powers for the purpose of carrying out the review and to make such reports and recommendations direct to the Executive and the Council on the matters under scrutiny, as the Task and Finish Group thinks fit, after sign off by the Chair and Vice Chair of the Overview and Scrutiny Committee (OSC);

(c) To ensure proper processes was followed to assess and address risks, safeguard the financial interests of Luton Council, as the local authority and LLAL's majority shareholder and inform the Executive final decision.

### MEMBERSHIP

#### 3. Proportionality Rule

The Council has dis-applied the political proportionality rule governing membership of the Overview and Scrutiny Bodies.

#### 3.1 Appointed Members:

- Councillor Agbley (Lab)
- Councillor Campbell (Con)
- Vacant
- Councillor Pedersen (Lib Dem)
- Councillor Waheed (Lab)

### BACKGROUND

4. On 17<sup>th</sup> October 2016, the Executive approved in principle, an application from LLAL for a new debenture loan facility of up to £225 million to fund the construction of a Mass Passenger Transit System (DART) from Luton Airport Parkway Railway Station to the Central Terminal Area of London Luton Airport.

4.1 On 15<sup>th</sup> November 2016, Council ratified the Executive's decision, approving the amendment to the Council's Capital Programme and Annual Treasury Management Strategy by the inclusion of an additional £225 million of capital expenditure, financed by an additional £225 million of prudential borrowing to cater for the debenture loan facility.

4.2 A further report is expected to be submitted to the Executive on 16<sup>th</sup> October 2017 on the final business case, before the final decision is made on the debenture loan facility application.

4.3 Due to the complexity and size of the debenture loan facilities, Members requested that the application, including LLAL's final Business Case be scrutinised to ensure proper processes was followed to assess and address risks and safeguard the financial interests of Luton Council, as Local Authority and LLAL's majority shareholder.

4.4 On 26<sup>th</sup> July 2016, the Overview and Scrutiny Committee (OSC) approved the appointment of a time-limited sub-committee, the Debenture Loan Task & Finish Group and the appointment of nominated Members to serve on it.

4.5 OSC also delegated all scrutiny powers to the Task & Finish Group, to allow a full access to documents, attendance of Members, Officers and other persons and publication of reports, to facilitate a thorough review of the application for the debenture loan facility and LLAL's final business case and report of its findings and recommendations direct to the Executive and/ or Council as the case may be, after sign off by the Chair and Vice Chair of the OSC.

### SCOPE OF THE REVIEW

#### 5. Desired Outcomes

- (i) At the end of this review Members will have been made aware of and understood:
  - The context in which London Luton Airport operates;
  - The London Luton Airport Ltd (LLAL) Planning Strategy Final Business case;

- The nature of the Debenture Loan facility applied for by LLAL, and the implications for Luton Council, as local authority and LALL's majority shareholder;

- (ii) Members will be confident to outline the findings and conclusions of the review and make recommendations to the Executive for consideration ahead of the decision on whether to confirm its approval for the debenture loan facility.

(Note: To ensure the effectiveness of the T&FG, Members will receive specific training from Cipfa)

#### 5.1 What will be included:

Strategic overview covering:

- Context setting about the London Luton Airport Business;
- London Luton Airport Planning Strategy.

London Luton Airport Final Business case, covering:

- Strategic fit - What is in it for Luton Council/ citizens – wider economic benefits;
- Social and Environmental issues;
- Decision making process;
- Governance and scrutiny;
- Consultation process and engagement;
- Key assumptions, validation process and assurances – how assumptions have been challenged, who by and the outcome of the challenges;
- Key Risks and mitigation plan;
- Measure of success and benefits realisation.

The Debenture Loan – what is it and what are the implications for Luton Council as Local Authority and majority shareholder and LLAL, including:

- How this fits with the Council's Medium Term Financial Plan;
- If approved, how it will be financed – the various options and the preferred option?
- Is scheme affordable and financeable?
- How will it be repaid?
- What are the risks, including sensitivity analysis and mitigation plan?
- Governance and scrutiny?

#### 5.2 What will be excluded:

- London Luton Airport existing Operations unless part of the business case;
- Community Funding Programme.

#### 5.3 Method of Operation

The T&FG will operate as per the attached Project Plan (Appendix A). Evidence Gathering will take place at formal meetings from reports of relevant witnesses/ experts, as set out in the project Plan.

### DRAWING CONCLUSIONS AND MAKING RECOMMENDATIONS & FINAL REPORT

#### Conclusions and Recommendations

6. Once the T&FG is satisfied that sufficient information has been gathered, Members will analyse, discuss and determine the relevant evidence available, on which to draw conclusions. From the conclusions drawn, the T&FG will then agree on which recommendations, if any, to make help inform the decisions of the Executive and Council.

#### Final Report

6.1 In consultation with the T&FG Chair, the Democracy and Scrutiny Officer will help prepare the draft final report for review by a Consistency Panel and sign off by the OSC Chair and Vice-Chair, prior to submission to Executive.

6.2 The final report will be submitted in private direct to the Executive to ensure exempt information is not released in the public domain It will include:

- An explanation of the matter scrutinised;
- The participants involved in the review;
- A summary of the evidence considered and the findings;
- The conclusions drawn and recommendations.

6.3 The Chair of the T&FG will present the final report and recommendations to the Executive for consideration and response. The response will be in the form of the Executive decision sheet, with the rationale in relation to any of the recommendations not accepted.

#### Consistency Panel

6.4 Prior to the report being submitted to the Executive, it will reviewed by a Consistency Panel comprising the Service Director, Policy & Communities & Engagement and the Democracy Manager, to ensure that the recommendations are coherent and supported by appropriate evidence. The Chair of the T&FG and the Democracy and Scrutiny Officer for the review will attend the Panel meeting to assist with the rationale for the recommendations, and agree any amendments.

#### Follow-Up

6.5 Any learning from the T&FG after completion, will be reviewed by the Democracy Manager, fed back to the T&FG Members and noted for reference by future Task & Finish Group reviews.