

## **FINANCE ADVISORY GROUP**

### Minutes of the meeting of the Finance Advisory Group held on 27 July 2011 commencing at 9.30 am

Present: Cllr. B Ramsey (Chairman)

Cllr. Mrs A Firth, Cllr. M Fittock, Cllr. J Grint, Cllr. P McGarvey and  
Cllr. J Scholey

#### **12. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

#### **13. NOTES OF PREVIOUS MEETING**

The notes of the meeting of 15 June 2011 were agreed as a correct record.

#### **14. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **15. MATTERS ARISING INCLUDING ACTIONS FROM LAST MEETING**

The responses to the actions were noted.

#### **16. INVESTMENT STRATEGY UPDATE**

The Principal Accountant explained that the report updated Members on treasury activity for the first quarter of the financial year. Changes in the CIPFA Code of Practice on Treasury Management in the Public Services meant that regular reports would be presented to Members to enable them to have an informed view of the Council's treasury operations. The annual report was due to be reported to the Performance and Governance Committee following the annual audit of the Council's accounts. The Principal Accountant also noted the developments with regard to Landsbanki as outlined in the report.

Following a query, the Principal Accountant advised that Sector, the Council's treasury advisors, had developed a system where credit default swaps were used to indicate a financial institution's standing amongst its peers. This system supplemented the data on credit ratings to provide up to date information on the institutions to which the Council loaned money. It was hoped that this system was more responsive to market sentiment than using credit ratings alone.

Action 1: Members requested that a formal review of agencies like Sector be carried out once during every four year council term to ensure the quality of the information they provided.

For the benefit of new Members, the Principal Accountant explained the Council's situation with regard to the Icelandic bank investment. Current advice was that the Council would recover 95% of the funds, but this was dependent on the eventual outcome of the Appeal still to be heard in Iceland.

Resolved: That the update on treasury activity in the first quarter of 2011/12 be noted.

## **17. DRAFT STATEMENT OF ACCOUNTS 2010/11**

The Finance Manager explained that the Provisional Outturn figures and carry forward requests had been reported to the last meeting of the Group. Some of the carry forward requests had been rejected by Cabinet and as such the end of year favourable outturn position had been amended to £590,000. He also explained that the Council was now required to compile the Statement of Accounts in line with International Financial Reporting Standards (IFRS). The Finance Manager noted the changes to the classification and valuation methodology of fixed assets and leases. He also noted the balance sheet on page 45 of the report which showed a positive bottom line. This was due to changes in the IAS19 valuation of the pension fund. It was also highlighted that the Statement of Accounts contained a number of new statements, notes and tables.

The Finance Manager also explained that the external audit was currently in progress and that the final audited accounts would be presented to the Performance and Governance Committee in September 2011. As this was the first year of preparing the accounts under IFRS, it was to be expected that some amendments would arise from the audit process.

Members shared the Officers' disappointment with the new reporting requirements. They felt the accounts were not user friendly and longer than necessary.

Action 2: The Finance Manager undertook to provide Members with a reconciliation of the Monitoring Report figures to those in the Statement of Accounts.

Members were pleased that changes to the Pensions Interest Costs would be highlighted as a separate line in the final version of the Accounts.

A Member felt it would be helpful to have some high level financial historical trend information and it was suggested that this could be incorporated into the budget setting papers.

Action 3: Following a query, the Finance Manager undertook to provide Members with CIPFAs definition of the word "derecognition" as outlined on page 69 of the report.

Action 4: In response to a query, the Finance Manager undertook to inform Members of the amount of Section 106 and Affordable Housing contributions in the Statement of Accounts.

Members thanked the Finance Manager for all his hard work in producing the Accounts, particularly given the onerous reporting requirements this year.

Resolved: That the Draft Statutory Statement of Accounts attached as an Appendix the report be noted.

**18. FINANCIAL RESULTS 2011/12 - TO THE END OF JUNE 2011**

The Finance Manager explained that three months into the financial year the results showed an overall favourable variance of £139,000 and an overspend of £182,000 was forecast for the year. Heads of Service were currently investigating ways to address the forecast overspend and therefore keep within budget. One good news item was that the income from Swanley Market had risen. The Finance Manager also highlighted the risk areas outlined in the report.

Members noted that savings related to partnership working would not be realised until later in the financial year.

Following a Member's concern, the Head of Finance and Human Resources explained the process that Heads of Service and Management Team followed to keep net expenditure within budget. It was expected that when the Finance Advisory Group considered the September results, they would also be able to see the plans that had been put in place to bring the budget back in to balance.

Resolved: That the Financial Results 2011/12 to the end of June 2011 be noted.

**19. FINANCIAL PERFORMANCE INDICATORS 2011/12 - TO THE END OF JUNE 2011**

Due to a printing error, the Finance Manager tabled an updated version of the tables. He noted that investment returns were slightly higher than anticipated and that Sundry Debtors over 61 days was above target.

Action 5: In response to Members' comments, the Finance Manager undertook to change the wording "monthly cash balance" to "monthly investment balance".

It was noted that the variance in monthly employee costs was related to the use of casual staff.

In response to a query, the Head of Finance and Human Resources assured Members that Officers always encouraged residents to pay Council Tax by direct debit. The target for this was shared between the District Council and its partnership authority, Dartford Borough Council.

Resolved: That the Financial Performance Indicators 2011/12 to the end of June 2011 be noted.

**20. FORWARD PROGRAMME**

- The Chairman noted that the Performance and Governance Committee had been interested in establishing a sub-group to investigate property disposal. He suggested that the Finance Advisory Group were well placed to consider property disposals in the first instance. Members felt that it was important to consider the financial viability and social circumstances of property disposal and that the Group should consider these items before they were passed to the Performance and Governance Committee for consideration. They felt this approach would streamline the process and discussion at that Committee.
- Members requested that, in future, Officers try to avoid setting meetings during school holidays.

Action 6: The Group requested that the date of the next meeting be changed as it fell within schools half term.

- An item relating to Building Control was scheduled for the next meeting of the Group. Members requested that they be informed of how Building Control and Development Control worked with each other at Tunbridge Wells Borough Council, the Council's Development Services partnership authority. They also requested an update on cost savings, the market in general and how eco friendly initiatives were being achieved.

## 21. **ANY OTHER BUSINESS**

No other business was discussed.

*Informative: The next meeting of the Group has been rescheduled for 2 November 2011.*

**THE MEETING WAS CONCLUDED AT 11.00 am**

Chairman