

FINANCE ADVISORY GROUP

Minutes of the meeting of the Finance Advisory Group held on 28 March 2012 commencing at 9.30 am

Present: Cllr. Ramsay (Chairman)

Cllrs. Firth, Fittock, Grint, McGarvey and Scholey

46. APOLOGIES FOR ABSENCE

None.

47. NOTES OF PREVIOUS MEETING

The notes of the meeting of 25 January 2012 were agreed as a correct record.

48. DECLARATIONS OF INTEREST

Cllr. McGarvey declared a personal interest in Minute Item 52 as a temporary clerk to Shoreham Parish Council. He did not vote on the matter.

49. MATTERS ARISING INCLUDING ACTIONS FROM LAST MEETING

The reply from Kent County Council (KCC) regarding the KCC Superannuation Fund – Statement of Investment Principles was noted. Members agreed that although KCC had struggled to get District Councils involved in the Superannuation Fund Committee, this applied to other authorities and not to Sevenoaks District Council.

Minutes from the Performance and Governance Committee meeting on 13 March 2012 were noted. It was felt more appropriate that the presentation from the Secretary to the Superannuation Fund Committee be organised for before a meeting of the Performance and Governance Committee rather than before full Council.

Action: That the Group Manager - Financial Services organise a presentation from the Secretary of the Superannuation Committee prior to a meeting of the Performance and Governance Committee.

The responses to Actions 2 to 6 were noted by the Group.

50. PRESENTATION ON DIRECT SERVICES

The Head of Environmental and Operational Services gave an overview of the trading accounts for the Direct Services Team. He directed Members to the business reports for February 2012. Although the Team would not meet the end of year budgeted surplus target of £75,000 they were forecasting to break even by year end.

Since the rules on both Compulsory Competitive Tender and Best Value the Direct Services Team had shown it was providing a competitive service at a price comparable to the private sector. Performance indicators and customer satisfaction showed that they were also providing a good level of service.

He considered that the principal reasons the Team's financial targets were not being met were the costs of diesel and disposal costs for trade waste and emptying cesspools.

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The charges for waste disposal were outside the control of the Council. Sita and Cory were charging £90 per tonne for trade waste. The cost of disposal for cesspool waste by Thames Water was not fixed and would vary depending on the individual waste. The Head of Environmental and Operational believed that the Council may need to reconsider its role in collecting trade and cesspool waste if it were proved that these operations could not meet financial targets. Their financial viability would probably be reconsidered in October 2012. Although there was no obligation to provide the service in its current form, the Council did have some long-standing customers who appreciated the level of service given.

Fuel was one of the main areas of expenditure for the Council but again its price was mostly controlled by the market and by tax. Although less would be spent by the Council on fuel in 2011/12 this was because fewer vehicles were being run.

Fuel supply was subject to EU procurement rules because of the size of the contract. The Council's main focus for the contract was certainty of supply but even so the cost of fuel was only 0.047 pence per litre above the average cost paid by Members of the Freight Transport Association. The bulk of the cost was determined by the Platts Formula which derived from the Dollar crude price of oil. A small margin would be added to this by the supplier. Officers were pleased that the cost for fuel was similar to that paid by those large companies who had greater purchasing power.

Officers did not believe that joint procurement with other local authorities would reduce the cost of fuel further. Considering the cost paid by Freight Transport Association members it would be difficult to buy in sufficient bulk to have an impact. Direct Services were already providing joint services with other authorities for cleaning public conveniences and had explored possible joint working with Gravesham Borough Council, though no agreements had been made.

Officers tabled the existing contingency plan in case of fuel shortages.

In response to a question, the Head of Environmental and Operational Services confirmed that rises in fuel costs had been managed through the budget rather than by raising it as a growth item. Officers had budgeted for a rise in fuel costs from 108.5 pence per litre in 2011/12 to 116 pence per litre in 2012/13 but it was also still identified as a risk.

Members noted there was a significant budgetary variance for the maintenance of vehicles. Officers stated that this was particularly due to the age of 2 vehicles and these vehicles had been built into the replacement programme.

A Member was particularly concerned that the full cost of the refuse service had not been charged to the general fund but only £1.9 million of the £2 million cost. Officers explained that, historically, the balance had come from surpluses on other trading activities. This meant that any shortfall would be a risk on the trading accounts and not the General Fund.

At 10.27 a.m. the Chairman adjourned the Group for the convenience of Members and Officers. The meeting resumed at 10.30 a.m.

51. REVENUES AND BENEFITS PARTNERSHIP WORKING

The Benefits Manager explained that the Revenues and Benefits Partnership was working cohesively and there was no practical division between workers for Sevenoaks District and Dartford Borough Councils.

Activity for the Benefits Team had increased by a third between April 2011 and January 2012 because of the economic conditions and new notification procedures from the Department for Work and Pensions (DWP), who expected a prompt reaction. The Team's caseload was now at 15,000 and they were using some agency staff to provide temporary cover as recruitment was becoming particularly difficult. Case turnaround was not as quick as she wanted. These pressures affected all Councils but she believed the partnership had helped to provide strength through numbers.

The Revenues Manager added that the Council Tax collection in Sevenoaks was the highest in the county. There had also been some significant increases in Business Rate collection, which augured well once the partial Business Rate retention changes had been introduced. She was pleased that payment of tax by Direct Debit had risen greatly in Sevenoaks.

The Chairman congratulated the Revenues and Benefits Team on their silver award at the Institute of Revenues Ratings and Valuation for Excellence in Partnership Working.

Members were updated on the proposals for the Universal Credit. The DWP no longer presumed that Local Authorities had no role to play. The Benefits Manager had recently met the DWP Director and was encouraging the DWP to find a role for Local Authorities in supporting applicants. It was still expected that the benefit would be processed by the DWP.

All Officers within the Partnership were looking for additional savings and some savings were already built into the budget. The Partnership Agreement set out the trigger for increasing costs and how efficiencies would be distributed between the Councils. The legislative changes meant it was unlikely further authorities would be added to the Partnership for the moment.

A Member enquired whether Officers fully appreciated the difficult position many benefit applicants were in. Officers felt that they did appreciate their position, despite the workload pressure they faced, as Officers were in daily contact with the public. A Member, who was the Chairman of the Services Select Committee Working Group on the Universal Credit, supported the Officers' comments and stated that local authorities played a considerable role in changing applicants' behaviour.

Action: The Principal Accountant to assist Cllr. McGarvey to produce a table of comparative Council Tax rises for the parish councils covered by the area of Dartford Borough Council.

The Chairman enquired whether the impact of the reforms to Council Tax, including the cut to the revenue support grant and the localisation of support for Council Tax, was yet known. Officers were disappointed that information was only being released slowly.

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For the partial retention of Business Rates it was presumed that a baseline year would be set but it was not known what year that might be.

Advice on who would be considered as a protected group under the localisation of Council Tax support may be released too late for the Council to make amendments in time for the first administrative year and therefore the Council may need to accept that the proposed cut of 10% to the grant would result in a loss to the Council. It was acknowledged that this could also have a significant impact on other precepting authorities, particularly KCC. It may be too complex for Sevenoaks District and Dartford Borough Council to arrive at a common scheme as there were considerable demographic differences between the areas.

Action: The Principal Accountant to give a presentation to the Finance Advisory Group in June on the current Council Tax collection fund and taxbase setting processes, including details for the parish councils in the wards of the Members of the Finance Advisory Group.

Special software would be needed for the Revenues Team to administer the new scheme but until the regulations were put in place the software could not be written. The regulations were not expected until Summer or Autumn 2012. It was possible that, due to time constraints, the Partnership may need to use software common to many Councils, rather than tailored software.

52. PROPERTY REVIEW - LOCAL HOUSING NEEDS, SHOREHAM

The Professional Services Manager explained that all land in Shoreham was investigated following a Parish Survey in 2005 which identified a need for affordable housing. The land defined in the report, which was owned by the Council, was considered as most appropriate.

The site would not normally receive permission for housing development, as it was agricultural land in the Green Belt, but it would become an exception site. The land would be sold to English Rural Housing as the rural housing association. The valuation report had put the value of the land at £25,000 but a condition of the original purchase by the Council meant that 50% of the receipts would go to the original vendor.

It was considered difficult to value the land as agricultural land was usually valued at £9,000-10,000 per acre whereas residential land would be between £1.5 million and £2 million per acre. A Member was concerned that the land had not been put on the market for valuation. The Officer suggested there was a limited market for this agricultural land which could only be used residentially by a Registered Social Landlord. The Homes and Community Agency advised against public bodies competing one Registered Social Landlord against another. The Officer agreed to see if the valuation wording by the agents, Cluttons, could be clarified to show the Council was getting best value.

The Officer had been informed that English Rural Housing would not sell the land completely but only rent it or give shared ownership up to 80%. It would be exempt from the Right to Buy. The Officer confirmed a condition could be added to the title of the land to ensure money was due to the Council should, in fact, the properties eventually be sold on.

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A Member was concerned that Shoreham Parish Council may not have been consulted recently. The Chairman assured him that the land would not be transferred until all matters were satisfied, including consultation.

Resolved: It be recommended that the District Council dispose of its freehold interest in the land shown in Appendix A of the report to the English Rural Housing Association to enable the provision of 8 affordable homes for local people in the sum of £25,000 and subject to such terms and conditions deemed necessary by the Council's legal advisors to protect the District Council's interests.

53. TREASURY MANAGEMENT - ALTERNATIVE INVESTMENT OPTIONS

The Principal Accountant tabled the Council's latest list of investments.

He reminded the Group that he began to investigate alternative investment options prior to Christmas 2011 following the widespread credit downgrades of banks. He had found that a number of other local authorities had significant sums already in money market funds. This meant the Council would not be unusual or breaking new ground if it made this investment. The Council's Investment Strategy did allow for investment in money market funds but this had not been used before.

He suggested that Ignis and Insight were closest money market funds to the Council's requirements but their full details were set out in the appendices to the report. The Council's treasury advisors, Sector, had been helpful in collecting this information. He proposed that £1million be put into each of Ignis and Insight.

It was noted that a number of the funds were registered in Ireland though some were regulated by the Financial Services Authority and some by the Central Bank of Ireland. Members wanted to know where the assets would be held.

Action: The Principal Accountant to investigate where the assets for the money market funds would be held.

The Principal Accountant updated the Group on the recovery of monies from the administrators of Landsbanki Islands hf. In February the Council received a third of the money it was owed in the form of Sterling, US Dollars and Euro. Currency accounts had been set up to receive the Dollars and Euro and it was all converted to Sterling on the same day as receipt.

Action: The Principal Accountant to email the group with the rate at which the foreign currency received from the administrators of Landsbanki Islands hf was converted to Sterling.

Resolved: That:

- (a) investment in money market funds be commenced with an investment of £1 million in each of Ignis and Insight; and
- (b) an update on performance be brought to the next meeting of the Group.

54. FINANCIAL RESULTS 2011/12 - TO THE END OF FEBRUARY 2012

The Group Manager of Finance introduced the new Finance Manager who would be taking over the Financial Results and Indicators reports.

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The Finance Manager drew Members' attention to the £50,000 positive variance forecast for the year-end, although this was down on the previous month. Parking was now meeting its target and Land Charges was at its budget, though income was volatile.

Several teams faced difficulties: Development Control's income was below expectations and this was likely to be a risk for 2012/13 as there was a budget saving of £100,000 for additional fee income; bed and breakfast costs had affected Housing; and Building Control's income from statutory work was down significantly. However, the Building Control Team had recently agreed the contract for Rye Lane, Dunton Green, which was likely to be phased work. The Building Control Team had moved away from agency workers but 2 vacancies had been kept open as there was insufficient work for them. The Chairman noted that staff needed to be retained for statutory functions.

The Chairman commended the Officers for finding a small surplus in the current economic conditions. The Finance Team had helped by ensuring Members could receive consistent reports each month.

55. FINANCIAL PERFORMANCE INDICATORS 2011/12 - TO THE END OF FEBRUARY 2012

Members were pleased with the indicators and the Chairman commented that those problems faced over the previous few years had been substantially met and resolved.

The Group noted that the cost per employee had varied. The Group Manager - Financial Services said this was because in Summer months average costs fell as the Council could employ more casual workers. Costs were now also falling as there had been a reduction in the number of Heads of Service and some replacement staff throughout the Council were being employed on lower salaries.

56. FORWARD PROGRAMME

Members requested that an item be added to consider the management of Affordable Housing Contributions, including a contrast to Section 106 monies and an update on the Community Infrastructure Levy. The Group Manager - Financial Services agreed to collect this information from Housing and Planning Services. This was also scheduled for the meeting in June 2012.

In response to a request and following the audit report to the Performance and Governance Committee and the Environment Select Committee, the Chairman clarified that the Environment Select Committee should be left to monitor discrepancies in the income from parking.

It was indicated by the Democratic Services Officer that the next meeting of the Finance Advisory Group was proposed for 6 June 2012 in the draft calendar of meetings. Members agreed that 13 June would be a preferred date.

THE MEETING WAS CONCLUDED AT 12.27 pm

Chairman