

## FINANCE ADVISORY GROUP

Minutes of the meeting held on 25 July 2012 commencing at 9.30 am

Present: Cllr. Ramsay (Chairman).

Cllrs. Fittock, Grint and McGarvey.

Apologies for absence were received from Cllrs. Firth and Scholey.

### 12. Minutes

The notes of the meeting of 13 June 2012 were agreed as a correct record.

### 13. Declarations of Interest

No declarations of interest were made.

### 14. Matters Arising Including Actions From The Last Meeting

An updated Action Sheet was tabled. The actions taken since the last meeting were noted.

### 15. Referrals From Performance & Governance Committee

There were none.

### 16. Argyle Road Offices, Accommodation For Outside Organisations

Members considered the report of the Property Services Manager. Members commended Officers for converting the capital into revenue which meant a lot for the future especially with the challenges ahead and expressed a wish to see more of this type of approach. It was viewed as an excellent use of resources whilst keeping the Council's capital intact. Members were pleased to see that the service charge was to be annually reviewed and understood the position with regards to the competitiveness of rent, commenting on the number of empty properties currently in the immediate area.

Members wished to know the service charge per square foot rather than per desk, and were keen to know how the rent figure was arrived at. There was also interest expressed in knowing the costs of running the building without IT or desk costs. The Chairman advised that he would ensure that the proposed rent and service charge figures in the Heads of Terms would be completed before submission to the Performance and Governance Committee, and an explanation of the approach included.

Resolved: That it be RECOMMENDED to Performance and Governance Committee that, subject to the points raised above, capital reserves be used to provide office accommodation for Moat Housing on the terms and conditions detailed in the report and to such other conditions as the Council's legal advisors consider necessary to protect the Council's interests.

17. Investment Strategy Update

The Principal Accountant tabled two papers listing investments as at 25 July 2012. The report updated Members on treasury activity in the first quarter of the current financial year as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management. The annual report on performance in the previous financial year would be reported to the next Performance and Governance Committee.

Provisional figures for the previous financial year were comparing favourably with the London Interbank Bid Rate (LIBID) benchmark, with last years investment income exceeding the target by just over £120,000. Investment income in the first quarter of the current financial year was also exceeding target. The June 2012 outcome of the benchmarking carried out with neighbouring authorities was now available. As a result of further credit rating downgrades it had been necessary to revert to options such as lending to other local authorities and the UK Governments Debt Management Office at inferior rates. There had been success with recent investments in Money Market Funds which is why the report proposed to increase the lending as set out in the recommendations.

In response to a question the Principal Accountant advised that KPMG had produced a report on building societies, and further advised that the Government had recently issued a consultation document as to the future role of building societies which indicated the Government may be looking to protect and/or expand their role.

Action 1: The KPMG report to be circulated to Members.

In response to further questions he advised that only a small amount of the money received from Landsbanki Islands hf was in Icelandic Krona, the remainder was in Sterling, US Dollars and Euros. Iceland was not allowing any of its own currency out of the country at the moment, which once released would be converted to sterling. The latest advice received was that 100% of the investment would be returned ultimately.

Action 2: List of investments to be amended to reflect the amount recovered from Landsbanki Islands hf.

Members felt that there did not need to be undue concern with regards to the recent publicised issues surrounding the Council's bankers, Barclays resulting in their financial strength being placed on negative outlook.

Resolved: That it be RECOMMENDED to Performance and Governance Committee that

- a) the update on treasury management activity in the first quarter of 2012/13 be noted; and
- b) the upper investment limits for the Ignis and Insight Money Market Funds be increased to £3m each.

18. Draft Statement of Accounts 2011/12

The Finance Manager presented the draft statement of accounts for the financial year ended 31 March 2012. The accounts were completed within the statutory deadline of 30

June and were currently open to public inspection following the advertisement in the Public Notices, though so far, no one had asked to see them. The annual audit had already begun and the team from District Audit were due to start on site the next day and be here until the end of August.

The format of the statement followed the same layout as the previous year but the Finance Manager proposed that the final version include a note on the position of the Council's heritage assets. This was a new requirement for 2011/12 to report on material property or assets held only for their historical or cultural value of more than £15,000. She did not believe that the Council had any such assets meeting this definition but a note would still be required. In response to a question she believed Otford Gate House was below the material limit. There may be an issue with the civic regalia however again, no individual item was above the material limit.

Since the statement had been printed on the agenda, an error had been identified on page 51 and an amendment was tabled. The amount put into the budget stabilisation fund for 2011/12 was £728k and not as shown. That sum represented the final favourable variance for the year and included the VAT refund of £552k. The tabled papers also explained the major reasons for the differences between the statement of accounts and the budget monitoring given at the last meeting.

Members acknowledged the hard work that went into producing these accounts to the new standards. However they did feel that the new reporting standards made it much more difficult to understand, especially to a member of the public.

Action 3: The 'Movement in Reserves Statement' be amended so that the year end balance transferred to the Budget Stabilisation Reserve can be clearly identified.

Resolved: That

- a) the Draft Statutory Statement of Accounts be noted; and
- b) Performance and Governance Committee be asked to consider writing a letter expressing concern and dismay that the current accounting standards lead to Council accounts being too complicated and opaque and detracting from accountability to the Public.

## 19. Financial Prospects

The Group Manager Financial Services reported that the purpose of the Financial Prospects report, which would go to Performance and Governance Committee in September, was to set out the major financial pressures the Council was likely to face in the short to medium term, together with a proposed strategy for setting a balanced and sustainable budget for 2013/14 and beyond. This would be a significant part of the budget process.

The overall emphasis would be on building on the strong framework provided by the 10-year budget, whilst taking into account any new financial burdens and changes in the economy that could have an impact on budget assumptions. This was the first stage of the budget process that would see a revision to the 10-year budget being approved by Members in February 2013.

Apart from Council Tax, the largest funding source in the budget was Government Support. There was still significant uncertainty as to the amount of Government Support the Council was likely to receive in 2013/14 and beyond. The effect of the change to Business Rates Retention in particular was still unknown. In the current 10-year budget Government Support reductions of 9% in 2013/14 and 10% in 2014/15 had been assumed. However, more recent information would indicate reductions in grant would be higher than this.

The Director of Corporate Resources (Deputy Chief Executive) was originally planning to attend the meeting, and was able to do so if Members still wished, but given the uncertainties he had decided to attend the next meeting or invite members of the Group to visit him to run through the issues before the Financial Prospects report was formally presented to members at Performance and Governance Committee and Cabinet.

Members agreed that the Director of Corporate Resources (Deputy Chief Executive) did not need to attend this meeting and would catch up in early autumn or possibly at one of the meetings offered.

#### 20. Update on Localisation of Council Tax Support

The Group Manager Financial Services reminded Members of the verbal update given at the last Finance Advisory Group and that a detailed report was provided to Services Select Committee on 19 June 2012. Reports were also presented to Cabinet on 12 July and Council on 24 July.

Currently council tax benefit was a national scheme administered by Local Authorities but funded by central government. This would be replaced on 1 April 2013 by a local scheme for council tax support, and government funding would be 10% less than under Council Tax benefits. Only pensioners were fully protected, therefore in theory a 10% saving needed to be spread over the remaining current claimants.

On 25 May 2012 the Kent Forum for Leaders and Chief Executives agreed in principle to a Kent-wide scheme which proposed:

- Standard deduction of 18.5% on all non pensioner claimants,
- Reduce empty property exemption (Class C) from 6 months to 3 months
- Major precepting authorities (MPA's) will pay £125k to each billing authority – admin, collection, recovery costs,
- MPA's will reimburse any increased admin costs if the case load of the local scheme increases significantly.
- Agreement to operate for three years (after next election)

Further legislation had been produced, which did not appear to allow the reduction of the empty property reduction from six months to three months, but Officers were investigating other ways of achieving the same result. Work was also continuing with the major precepting authorities to try to lower the 18.5% deduction currently proposed for non pensioner claimants.

The modelling tool had been received which would be used to provide equalities and parish information. There would be an 8 week consultation period from 6 August to 30 September 2012.

After discussion Members noted that there was an expectation that the Council Tax collection rate may drop as a direct consequence of the changes.

21. Financial Results 2012/13 - to the end of June 2012

The Finance Manager presented the budget monitoring results for the end of June 2012. She reported that the year end position was forecast to be £174,000 better than budget, but with Building Control, Land charges and pre application fees currently showing adverse variances for the year to date. Corporately the Council had benefited from reduced audit fees, additional income from court costs, market rents, income from investments and the Head of Community Development had received £17,000 from LOCOG. However income from Planning Fees (pre application and s106 monitoring) was down. Under the Localism Act planning fees could be increased by 15 % from August, however 20% had been budgeted for.

The Finance Manager reported that last Friday she had been advised that Wendy Fair Markets was planning to go into voluntary liquidation.. They currently owed the Council £74,000 and there was a creditors meeting on 3 August 2012. The Principal Legal Executive was looking at the papers. The markets would continue to operate for the time being. It was noted that even when in administration the company could continue operating.

Action 4: The Director of Corporate Resources (Deputy Chief Executive), Property Services Manager and Portfolio Holder for Finance and Value for Money to meet and discuss the way forward should the company go into liquidation.

With regards to Building Control Members wondered whether it was possible to decrease the number of visits made to help reduce costs. A Member was concerned about the principle of them operating in a commercial environment. Members asked why costs had not yet been cut with regards to the housing register.

Action 5: Head of Housing and Communications to be asked to include reasons and time frame for cutting the costs of the housing register.

The report was noted.

22. Financial Performance Indicators 2012/13 - To The End Of June 2012

The Finance Manager advised that Wendy Fair was not shown on the sundry debtors list as there was a payment plan in place.

The report was noted.

23. Forward Programme

Members considered the Forward Programme. It was discussed and agreed that further updates on the Localisation of Council Tax Support and Financial Prospects be considered at the next meeting.

Finance Advisory Group - Wednesday, 25 July 2012

THE MEETING WAS CONCLUDED AT 11.52 am

Chairman