

## **FINANCE AND RESOURCES ADVISORY COMMITTEE**

Minutes of the meeting held on 26 March 2014 commencing at 7.00 pm

Present: Cllr. Ramsay (Chairman)

Cllr. McGarvey (Vice Chairman)

Cllrs. McGarvey, Mrs. Bayley, Brookbank, Cooke, Mrs. Davison, Edwards-Winsor, Mrs. Sargeant and Scholey

Apologies for absence were received from Cllrs. Walshe

Cllr. Mrs. Morris was also present.

### 47. Minutes

Resolved: That the minutes of the meeting of the Finance and Resources Advisory Committee held on 21 January 2014 be approved and signed by the Chairman as a correct record.

### 48. Declarations of Interest

Cllr. Mrs. Davison reminded the meeting that she was one of the Council's appointees to the Sevenoaks Leisure Board of Trustees.

### 49. Actions from Previous Meeting

The action from the previous meeting was noted.

### 50. Update from Portfolio Holder

The Chairman, and Portfolio Holder for Finance and Resources, updated the Committee on his work since the previous meeting of the Advisory Committee. The budget had been approved. The focus had since been on property matters including the White Oak Leisure Centre, Asset Management Plan and the new Investment Strategy, to be considered later in the meeting under minute items 57, 58 and 59. 12 Knole Way had finally been sold, which completed the first tranche of property disposals.

### 51. Referrals from Cabinet or the Audit Committee (if any)

There were none.

### 52. Establishment of a Local Authority Trading Company Structure

The Chief Officer Legal and Governance presented a report which proposed that the Council establish a generic trading company, wholly owned by the Council, to enable the Council to take advantage of the trading opportunities introduced by the Localism Act 2011. The recent Peer Challenge had suggested that the Council become more self-sufficient by generating more income. The Chairman added that most existing sources of

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income for the Council had reached their limit, had been capped, or were controlled. The Chief Officer clarified that the Localism Act allowed the Council to do anything which an individual could do, where there was not an existing statutory duty, but anything done for a commercial trading purpose must be done through a trading company.

The report advised that senior officers would be the executive directors of the company with 3 Members, appointed by the Leader, as non-executive directors. Authority would be sought from Cabinet for particular projects and Cabinet would act as the principal overseer.

A Member suggested that a separate bank account for the company could be simpler, especially for auditing purposes. It was noted the company may have several subsidiaries for different projects.

Subject to approval of the principle by Cabinet, it was agreed that the details of the company be developed and brought back to the Committee for consideration at a future meeting, possibly June 2014.

### Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: It be recommended to Cabinet

- a) that the Chief Officer Legal and Governance be authorised to incorporate a company wholly owned by the Council so as to allow the Council to exercise the power to trade contained in the Local Government Act 2003 and the Localism Act 2011.
- b) that the broad governance and funding arrangements for the trading company, as set out in this report, be approved and the Chief Officer Legal and Governance in consultation with the Chief Executive, Chief Finance Officer and Portfolio Holder for Finance and Resources be given delegated authority to settle the detailed arrangements for the establishment of the company.
- c) that consideration be given by the Cabinet as appropriate to any individual business cases in respect of the use of the Council's trading powers as part of the development of the future strategy for income generation.

### 53. Rural Broadband

The Chief Officer Communities and Business presented a report which advised the Government had announced that it would invest £530 million to stimulate commercial investment in superfast broadband infrastructure in rural areas. Kent County Council (KCC) was successful in bidding for £10 million from the BDUK funding which was matched with an additional £10 million from the KCC Regeneration Fund. KCC signed a contract with BT which agreed that at least 95% of properties in Kent will have access to higher speed fibre-based broadband, 91% of properties to have access to at least 24mbps and every property to at least 2mbps. The Council had also applied for funds

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from DEFRA Rural Community Broadband Fund (RCBF) with Tunbridge Wells Borough Council to upgrade some of the 'heard to reach' rural areas. Parts of Leigh, Chiddingstone, Penshurst, Cowden and Hever would benefit from the funds. Officers were hopeful of a positive response soon.

The item had been brought to the Committee particularly for consideration of the investment opportunities presented in options 3 and 4 in the report. Officers advised the Committee that the payback on the schemes would be low, could be over 10 to 15 years and may only be where there had already been market failure. Selling Parish in Kent had spent over £500,000 but only connected 36 properties. Often, once a successful local group had been established then BT would step in and take on the rollout instead. The Committee was concerned at the proposals in options 3a, 3b and 4 in the report. They did not feel that the returns were sufficient as an investment opportunity. Nor was option 5 to be recommended.

Members raised concern at the ability of BT to achieve the rollout. There had been delays and some broadband performance had suffered due to capacity issues.

*Action 1: Chief Officer Communities and Business to discuss with BT the possibility of providing residents with more information about upcoming works and any disruption that could be caused.*

### Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That options 1 and 2 contained in the report be recommended to Cabinet.

### 54. Financial Results 2013/14 - To the end of January 2014

The report advised that the financial results in the year to the end of January showed an overall favourable variance of £477,000. The year-end position was expected to be £271,000 better than budget and this reflected 0.5% of the gross budget. The Head of Finance updated the meeting that the comparable figures to the end of February were £579,000, £199,000 and 0.4%.

The Head of Finance highlighted that the £6,000 favourable return on investments was a good result given current interest rates. Income from On-street parking, Land Charges and Development Management all achieved or exceeded budget targets. The Council had also received £172,000 from the Flood Support Scheme and the Chief Officer Communities and Businesses advised only 6 business had made claims under it so far, but many more had expressed interest.

The Chairman welcomed the favourable forecast variance of £119,000 in Direct Services.

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### **55. Financial Performance Indicators 2013/14 - to the end of January 2014**

The report presented figures on a snapshot of internally set performance indicators for 2013/14 up to the end of January 2014, with comparative figures for the previous year. All indicators were at or exceeded target. The Head of Finance confirmed that the figures to the end of February were also all at or exceeded target.

Sundry debts over 61 days had risen in January 2014 due to a single debt of £11,000 from a Housing Association which was paid on 19 February. It was believed this could be down to an administrative error on behalf of the Housing Association.

In response to a question, the Chief Finance Officer confirmed that it was usual for the share of payments made by Direct Debit to fall at this time of year. It would usually rise once Council Tax letters were sent. A new automatic till would shortly be introduced to the reception in the Council Offices.

### **56. Work Plan**

Further reports were to be added to the Committee's work plan for June 2014. A treasury management report would be brought concerning possible investment in Local Authority Municipal Bonds. A representative of Handelsbanken would be invited to address the Committee. Further details on the trading company would also be brought to the meeting in June 2014, if ready.

It was moved by the Chairman and

Resolved: That, under section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the ground that likely disclosure of exempt information is involved as defined by paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information) as identified in Schedule 12A to the Local Government Act 1972.

### **57. White Oak Leisure Centre Asset Maintenance - Update**

(Exempt Information Schedule 12A paragraph 3 Local Government Act 1972)

The Committee gave consideration to the confidential report, which was presented by the Chief Officer Communities and Business.

#### Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: It be recommended to Cabinet that

- a) the proposals considered in paragraph 50 of the report would not be cost effective;

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- b) further investigation be made of the proposal considered in paragraph 55 of the report; and
- c) outline proposals be made for the options considered in paragraphs 51 to 54 of the report.

*Action 2: The Chief Officer Communities and Business to circulate to Members scatter diagrams of the members of the White Oak Leisure Centre.*

### 58. Asset Management Plan Update

(Exempt Information Schedule 12A paragraph 3 Local Government Act 1972)

The Committee gave consideration to the confidential report, which was presented by the Property and Facilities Management Manager. It provided an update on the previously approved disposals completed since April 2013. It also set out the properties which had been identified for freehold disposal in 2014/15 as part of the rolling programme of review and in line with the adopted Asset Management Plan. These properties had been identified either as underperforming financially or as surplus to the operational requirements of the Council. Further reports would be brought back for consideration before the final disposal of each.

#### Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved: That Cabinet be recommended that they approve in principle the disposal of the land and properties identified in the report.

### 59. Investment Strategy

(Exempt Information Schedule 12A paragraph 3 Local Government Act 1972)

The Committee gave consideration to the confidential report, which was presented by the Chief Finance Officer. It proposed an investment strategy building on an approach of property based investment in order to deliver increased revenue income. In recent years the Council had faced ongoing reductions in Government Support, compounded by low interest rates resulting in returns on treasury investments generally not higher than 0.8%. Self-sufficiency was a key focus area in the Corporate Plan and was an outcome of the Peer Review, reported to Cabinet in February 2014. Officers had discussed the proposal with Grant Thornton, the Council's external auditors, who viewed it as a coherent case for change and that the solution was consistent with the goal of becoming more self-sufficient.

Concern was raised at the option of borrowing from external sources to invest and whether it would be ultra vires. The Chief Officer Legal and Governance confirmed that specialist legal and financial advice would be taken, to ensure that activities remained within the Prudential Borrowing rules. Members agreed that external borrowing should not be a recommended source for funding.

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### Public Sector Equality Duty

Members noted that consideration had been given to impacts under the Public Sector Equality Duty.

Resolved:

- (a) that, subject to a disapproval of borrowing from external sources at this stage, the Committee endorse and recommend to Cabinet the proposed approach to the principle of an investment strategy based on property assets;
- (b) that subject to recommendation (a) the Committee recommend to Cabinet that the proposed investment strategy be adopted subject to the criteria set out in paragraph 22 in the report

THE MEETING WAS CONCLUDED AT 9.34 PM

CHAIRMAN