

FINANCE AND RESOURCES ADVISORY COMMITTEE

Minutes of the meeting held on 3 June 2014 commencing at 7.00 pm

Present: Cllr. Ramsay (Chairman)

Cllr. Firth (Vice-Chairman)

Cllrs. Mrs. Bayley, Bosley, Cooke, Firth, Maskell, McGarvey, Mrs. Morris,
Mrs. Sargeant and Scholey

Apologies for absence were received from Cllrs. Edwards-Winser and
Mrs. Purves

1. Appointment of Chairman

Resolved: That Cllr. Ramsay be appointed as Chairman of the Committee for the
ensuing municipal year.

(Cllr. Ramsay in the Chair)

2. Appointment of Vice-Chairman

Resolved: That Cllr. Firth be appointed as Vice-Chairman of the Committee for the
ensuing municipal year.

3. Minutes

Resolved: That the minutes of the meeting of the Finance and Resources Advisory
Committee held on 26 March 2014 be approved and signed by the Chairman as a
correct record.

4. Declarations of Interest

No additional declarations of interest were made.

5. Actions from Previous Meeting

The actions from the previous meetings were noted.

CHANGE IN AGENDA ITEM ORDER

With the agreement of the meeting Agenda Item 8 was brought forward for consideration.

6. Invitee - Representative of Handelsbanken

Nick Brooker, Branch Manager for Handelsbanken in Sevenoaks and Andre Simmons,
Corporate Banking Manager gave a presentation on the background to Svenska
Handelsbanken AB and explained the ethics of the bank, its stability and its focus on
local relationships. The local branch was not a subsidiary but a part of the main entity in

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Sweden. The majority of branches were in Scandinavia, through there was a growing presence in the Netherlands and UK. Power was held in local branches to make decisions appropriate for local customers. Staff were the majority shareholders in the bank and were not paid bonuses.

They explained that the bank's long term rating was the strongest in the UK alongside HSBC. The Swedish Central Bank operated a deposit guarantee scheme to the equivalent of €100,000 which covered individuals and all legal entities, including those based in the UK. The bank had 6 branches in Kent and 5 of them looked after local authority funds.

Though the branch had been open for a year it had been based in serviced offices, so they were pleased recently to have acquired an office in Sevenoaks that was open to the public. The branch had sponsored local sports teams, been involved in local charities and acted in partnership with the Council, the Town Council and the Sevenoaks Chamber of Commerce. It was conducting networking across the District.

The representatives of Handelsbanken responded to Members' questions. Although the ratio of loans to deposits in Sweden was 2:1, low interest rates in Sweden made it difficult to attract deposits and there were few banks ahead of it in the Bloomberg 2013 rating of strongest banks. The bank had a Tier 1 Capital Ratio of 21%. Though the bank had expanded quickly in recent years they were not likely to close as quickly because the bank focussed on the long term and building carefully in a local market.

The Chairman thanked the representatives of Handelsbanken.

7. Update from Portfolio Holder

The Chairman and Portfolio Holder for Finance and Resources welcomed new Members of the Committee. In the forthcoming year Cllr Scholey would focus on matters of IT, Facilities and Property and Cllr. Firth would have a particular role in the possible formation of a Council trading company and its structure. The Council had recently hired E C Harris to advise on the experience of other local authorities' trading companies. Together all three Councillors would consider property acquisitions and sales matters. For those parcels of land identified for possible disposal and presented to the Committee on 26 March 2014, consultants had since been asked to consider options for utilisation or disposal.

The Chairman was thankful that since 2009 his proposals for a slimmer Council had mostly been adopted as had his proposal for Deputy Portfolio Holders and for shorter, informal meetings between the Cabinet and senior Officers. The number of projects the Council was considering had been reduced from 20 to 10 and together these projects would help reduce the Council's dependence on grants from central government. It was hoped that, subject to approval, construction of a decked Buckhurst 2 car park could begin in January 2015.

8. Referrals from Cabinet or the Audit Committee

There were none.

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9. Treasury Management - Local Authority Municipal Bonds

Municipal Bond Agency

The Principal Accountant presented a report which sought approval to be part of a scheme to match fund the Local Government Association's contribution to a collective Municipal Bonds Agency (MBA) which it believed would allow councils to raise funds at a significantly lower rate than those offered by the Public Works Loan Board (PWLB).

Members enquired as to the equity stake Councils would receive for their initial investment in the MBA and what the benefits were of immediate investment in it. Current proposals were for Councils to pay £50,000 for a single fixed coupon share which would be repaid from profits. Bonds were expected to be fixed rate but with fewer penalties for refinancing or redemption than the PWLB. Members were unclear how the MBA would provide rates lower than the PWLB.

Members expressed support for the idea of the MBA but did not feel the business case or the benefits of immediate investment had yet been made clear. It was proposed and agreed that the Council express interest in the proposal but that funding not yet be committed.

Investment in Non-UK Banks

The report also proposed that the Council recommence investment in certain non-UK banks. Although the Council's Investment Strategy allowed for investment in non-UK banks, this had ceased in 2008, with a preference for UK banks and building societies. This had reduced chances of default but if a default did occur the risk would be greater. It also resulted in fewer options for investment.

The Principal Accountant explained that Natwest was halving the returns on the call account investments the Council held. Handelsbanken provided a rate of 0.5% on call, marginally above its competitors. Members expressed support for investments with Handelsbanken but not for a broad approval of non-UK banks rated AA- or higher. The Committee should approve each foreign institution before an investment was made. Investments in non-UK banks should remain limited to a total of 25% of the whole fund with a limit of £3million per counterparty being half the limit for UK banks.

Public Sector Equality Duty

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

Resolved: That it be recommended to Cabinet that

- a) the Council give formal expression of interest in contributing up to £50,000 towards the set up costs and operating capital of the LGA's Municipal Bonds Agency, subject to further detail being produced;
- b) investment in non UK banks, specifically approved by the Finance and Resources Advisory Committee, having a minimum long term Fitch rating of AA-, be approved as detailed in the report; and

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- c) Handelsbanken be approved for lending to up to £3million.

*amended at the meeting on 2 September 2014

10. Financial Performance Indicators 2013/14 - to the end of March 2014

Members considered a report which presented figures on seven internally set performance indicators covering activities that supported information provided in the regular financial monitoring statements. Most were at or above target.

The Head of Finance confirmed to Members that costs per employee were higher in March 2014 as that was the month that payments were made for overtime during the flooding. Payments of Council Tax by Direct Debit were at 78%, with the remainder of payments from cheque (7%), card via the automated payment system (6%) and cash and postal order (4%). Although interest rates were below target, investment returns were higher than target because of higher than expected receipts.

Action 1: The Head of Finance to provide Members with the amount paid by the Council in fees for payments by card.

Members noted that the number of Full Time Employees had risen since December 2013. Officers advised that employee numbers were skewed by the number of agency staff used by Direct Services which were usually low each December. Members noted the number of employees had particularly risen in March 2014.

Action 2: The Head of Finance to provide an explanation for the rise in employee numbers since December 2013 and particularly in March 2014.

11. Provisional Outturn 2013/14 and Carry Forward Requests

The Head of Finance presented a report which provided the provisional financial outturn figures for 2013/14 that would be presented to Cabinet on 5 June 2014. The report also set out the requests to carry forward unspent budgets into 2014/15. She was pleased to report that a provisional favourable variance of £299,000 had been achieved.

(Cllr. McGarvey left the room)

In response to a question, the Chief Finance Officer advised that in the past year the Council had presumed a 50% collection rate from new Council Tax Support payers, but a rate of over 80% had been achieved. The proposed carry forward of £77,000 was equivalent to about 3 staff who would be employed only if needed to promote collection rates.

It was clarified that should all carry forward requests be approved then £170,000 could still be put into the Budget Stabilisation Fund.

The Chairman explained that he had asked Officers whether it would be appropriate for staff involved in assessment and enabling of Disabled Facility Grant works to be brought in-house or bought in externally so as to lower dependence on Kent County Council and reduce delays.

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Action 3: The Head of Finance to circulate to Members of the Committee the response from the Chief Housing Officer once received.

Public Sector Equality Duty

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

Resolved: That it be recommended to Cabinet that

- a) the Revenue 'carry forward' requests totalling £129,000 as set out in paragraph 16 of the report be approved;
- b) the Capital carry forward request totalling £66,594, as set out in paragraph 17 of the report be approved; and
- c) Flood Support Earmarked Reserve be established, and the income receipt of £172,000 be transferred to that reserve at the end of March 2014.

12. Work Plan

The work plan was noted. The Chairman added that other matters likely to be considered were land disposals, as they arise, and the funding for the development of the Buckhurst 2 car park.

Action 4: Officers to provide information on existing available monies and funding sources when the report on the funding of the Buckhurst 2 car park is presented to the Committee.

THE MEETING WAS CONCLUDED AT 8.45 PM

CHAIRMAN

