

FINANCE ADVISORY GROUP

Minutes of the meeting held on 24 January 2013 commencing at 9.30 am

Present: Cllr. Ramsay (Chairman)

Cllrs. Fittock and McGarvey

Apologies for absence were received from Cllrs. Firth and Scholey

35. Minutes

The Chairman passed a request from Cllr. Firth that minute 28 be amended. It was suggested that Pest Control was two years into a three year "fixed contract" to become sustainable, rather than "review". Officers stated there was no contract in this matter and the minutes were accurate as they stood. The amendment was not agreed.

Resolved: That the minutes of the meeting of the Finance Advisory Group held on 24 October 2012 be approved and signed by the Chairman as a correct record.

36. Declarations of interest

No declarations of interest were made.

37. Matters arising including actions from last meeting

Those actions which were completed were noted. The weekly refuse collection cost per household was considered a small sum. Although the Head of Environmental and Operational Services already provided a resume of trading accounts in the Financial Result reports, these would be expanded in the future.

38. Referrals from Performance & Governance Committee:

There were none.

39. Kent County Council Superannuation Fund - Investments

The report provided the Summary of Fund Asset Allocation and Performance as at 30 September 2012 and the Statement of Investment Principles for the Kent County Council Superannuation Fund.

In light of responses to previous correspondence, the Group Manager Finance advised it was difficult for the Council to influence the actions of the Fund.

Actuaries had indicated that reforms to the Fund, including moves to average salary payouts and contributors having to work longer would reduce its deficit. However the Chairman noted the Fund was negatively affected by the low gilt annuity rate and by quantitative easing.

Further information would be available after the Fund's triennial valuation in September 2013. A report on it would be provided to the Group at its meeting in January 2014 as it would have important consequences for this Council's budget.

Action 1: Report on Kent County Council Superannuation Fund investments to be provided to the Group at its meeting in January 2014 following the valuation.

Resolved: That the report be noted.

40. Treasury Management Strategy 2013/14

The Group was asked to consider creditworthiness criteria within the Treasury Management Strategy 2013/14. The minutes of the Performance and Governance Committee meeting held on 8 January 2013, when the item was previously looked at, were tabled.

Members discussed whether any level of limit placed on investments in a single institution or in a group of companies could be too restrictive if sudden demand were placed on the budget. Officers provided a table showing what cash sums the Council would be restricted to if the limits were set at 25%, 30%, 35% or 40% of the total fund. The Principal Accountant advised that the rule would be most restrictive at year-end when balances were low and also that a figure between 30-35% was reasonable. In future precepts for Kent County Council, the Fire and Rescue Service and the Police would be paid in 12 rather than 10 parts making them more evenly spread. Members agreed that investments in any single institution or institutions within a group of companies should be limited to 25% of the total fund at the time of the investment.

It was agreed the cash limit for investments in the semi-nationalised institutions (Lloyds Banking Group and Royal Bank of Scotland Group) be increased from £6million to £8million each.

Since the report was published Sector had revised its opinion on the length of investments generally. There was no longer a recommended maximum duration of 3 months but instead duration times would be determined by their colour coding system.

Members agreed to include building societies having assets in excess of £9billion in the list of institutions to invest with but investments would be limited to £2million in each building society and a maximum duration of 3 months.

Public Sector Equality Duty

Members noted that there were no adverse equality impacts arising from the report.

Resolved: That Cabinet recommend to Council the Treasury Management Strategy Statement subject to the amendments proposed above.

41. Costs and Savings in Partnership Working

The report provided an overview of the partnership working arrangements the Council had with different local authorities together with the costs of and savings associated with them.

The Group Manager Finance advised there was a decreasing interest from potential partners in creating new joint arrangements. A Member noted that Parish and Town Councils may be more willing partners. Most space within the Argyle Road offices was now occupied though this could change depending on what effect reforms to the benefits system has on staffing requirements.

Officers believed it was still difficult to predict what longer term effects the localisation of Council Tax Support would have on the financial arrangements for the Revenues and benefits partnership with Dartford Borough Council. In the short term the financial implications would be moderated by the Kent-wide scheme. The Chairman added that the introduction of the Universal Credit would likely create more work for officers at least in the short term.

42. Risks and Assumptions for Budget 2013/14

The Group was asked to advise Cabinet and to review the risks and assumptions made within the Draft Budget 2013/14.

In response to a question the Group Manager Finance advised pay costs had not been agreed for 2013/14 yet but he did not expect an increase above 1%. It was clarified that this did not include incremental increases and so the bill would rise further. Rises due to incremental increases would fall over time as the Council had recently adopted narrower pay bands for staff. It was generally lower paid staff who were entitled to the increases. It was noted that the Performance and Governance Committee had in the past raised concern at the financial impact of such increases.

Action 2: Officers to send an email to Members of the Group to show entitlement to and rises in pay costs due to incremental increases as a percentage of the salary bill.

Members noted the Government Support grant could change dramatically in future years but figures had been announced by Central Government for the next two years.

Public Sector Equality Duty

Members noted there were no adverse equality impacts arising from the report.

Resolved: That Members comments be noted.

43. Financial Results 2012/13 - to the end of December 2012

The Budget Monitoring report showed an expected forecast £3,000 better than the budget, comparable to the £7,000 forecast in November. Within these figures were wide variances. Building Control income was expected at £130,000 below budget and Development Control £125,000 below. There were £190,000 savings on staff costs beyond the budget. £60,000 of these savings was already accounted for under a Service Change Impact Assessment and £45,000 saving from Licensing staffing would offset an income shortfall in the Licensing budget. The target of £100,000 for staffing vacancies had been exceeded.

Income from car parks was £100,000 below target. £15,000 was due to free parking provided in Sevenoaks just prior to Christmas but the balance was from lower than

expected custom. The Chairman did not believe this lower performance was caused by high charges as new charges were not due to be introduced until April 2013. Officers informed the Group that maintenance at car parks was an ongoing programme and not determined by income in particular years. The Chairman responded to a question to clarify that income from car parks can be spent freely by the Council but income from on-street parking was restricted by the County Council on whose behalf it was collected.

There was a recent upturn in income in Development Control from large applications and so the forecast may be revised.

Officers were investigating the repairs required to utility blocks at the Hever Road site.

44. Financial Performance Indicators 2012/13 - to the end of December 2012

The Finance Manager had investigated why sundry debts over 21 days had exceeded target in December 2012. She explained that it was exceptional because Building Control had sent out significantly more invoices than usual on 6 December 2012.

The cost per employee had risen but this was distorted in particular by the high turnover among lower paid staff. The Direct Services Team had needed to use more agency staff and a Member said he had observed a growing feeling of low appreciation within that Team. The Finance Manager added that some employees who had been working as apprentices were now in fully paid employment with the Council. The Council was continuing to recruit more apprentices as each completed their term.

45. Forward Programme

Further to the earlier discussion on the Kent County Council Superannuation Fund it was agreed the matter would be further considered in January 2014.

On 8 January 2013 the external auditors, Grant Thornton, had given a presentation to the Performance and Governance Committee entitled "Towards a Tipping Point". A report would be brought to the Group at an appropriate time to show how the Council had performed.

The Chairman was concerned at how abstruse the Statement of Accounts had become. He hoped the process could be set at a lower fee and kept simple. The Group Manager Finance said he had already been in discussions with Grant Thornton to try to achieve this.

At its meeting on 27 March 2013 the Group had invited Development Control to attend. Members intended to focus on plans for the budget, seeing as they were a demand-led service. The Chairman wanted to explore any plans to streamline and cut costs, for example by minimising unnecessary work carried out by specialist staff.

THE MEETING WAS CONCLUDED AT 11.07 AM

CHAIRMAN