FINANCE AND RESOURCES ADVISORY COMMITTEE

Minutes of the meeting held on 29 August 2013 commencing at 7.00 pm

Present: Cllr. Ramsay (Chairman)

Cllr. McGarvey (Vice-Chairman)

Cllrs. Mrs. Bayley, Brookbank, Mrs. Davison and Scholey

Apologies for absence were received from Cllrs. Cooke, Edwards-Winser and Walshe

Cllrs. Firth, Grint and Mrs. Sargeant were also present.

11. Minutes

Resolved: That the minutes of the meeting of the Finance and Resources Advisory Committee held on 4 June 2013 be approved and signed by the Chairman as a correct record.

12. Declarations of Interest

No declarations of interest were made.

13. Actions from Previous Meeting

The completed actions were noted.

14. Update from Portfolio Holder

The Chairman, who was the Portfolio Holder for Finance and Resources, updated the Committee on his work since the previous meeting of the Advisory Committee.

He had received regular financial updates and spending was on target. There was an item of underspend in Community Development on the maintenance of the Youth Bus contracted to Kent County Council. The Chairman had since suggested that the bus should no longer be provided for free.

Investment returns were still low. The Chairman had proposed that Sector attend the next meeting of the Committee. Financial Prospects would be considered under minute item 17 but the Chairman explained that the Cabinet had tried to give the best presumptions possible by taking a pessimistic approach. Although the 10-year budget showed a shortfall of £0.667m he considered this figure to be manageable.

There had been difficulties in the sale of 12 Knole Way to the tenant linked to the tenant also trying to purchase a related strip of land. The tenant had since abandoned this. The Chairman intended to amend the programme for reporting on the White Oak Leisure Centre, Swanley. The intention was now to make a first assessment for the cost of updating the present centre, including asset maintenance for ten years. The second stage would be to use this cost as a benchmark to compare against the cost of a new leisure centre at one of the three sites identified. The item would not be brought before Members until costs had been independently assessed.

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

There were none.

16. Annual Treasury Management Report 2012/13

The Principal Accountant introduced the item and advised it was being presented to Members in compliance with the CIPFA Code of Practice. The report set out the Council treasury's performance during the year 2012/13 and compared it to the strategy.

The previous year had been challenging. Consequently the Council had restricted the number of counterparties lent to and accepted lower rates of return. It was pleasing that the interest budget had been exceeded by approximately £117,000 and the percentage return exceeded the recognised benchmarks.

The Council had received 3 dividend payments for the recovery of monies from Landsbanki Islands hf, totalling 50% of the outstanding sum. Recovery was continuing and it was expected the final return would be close to 100% of the Council's investment together with interest up to 22 April 2009. Small payments would be made to the Council as assets were realised, though there were moves from the administrators to renegotiate the date of bond repayments.

The Advisory Committee noted the average investment return for neighbouring authorities was higher than for Sevenoaks District Council. The Principal Accountant suggested that this could be explained through how the figures were compiled and through specific exceptional borrowing circumstances at Tunbridge Wells Borough Council.

> Resolved: That Cabinet be asked to approve the Annual Treasury Management Report for 2012/13.

17. Financial Prospects and Budget Strategy 2014/15 and Beyond

It was the fourth year of the current Business and Financial Planning Strategy, which included the 10-year budget. The Group Manager – Financial Services considered that the strategy was successful and the Council's external auditors, Grant Thornton, had also reflected this view in their audit report.

Since it was agreed by the Council in February, a number of changes had been made to the 10-year budget and each change was explained. The existing 10-year budget had been rolled on a year. Pay inflation had reduced to 1% in 2014/15 and 2015/16, 1.5% in 2016/17 and 2017/18 and 2% in later years. Central Government had announced a reduction in Government Support of 10% in 2015/16, however the likely protection of education and adult social care meant the District Council could face cuts in its support of approximately 18% in 2015/16. The New Homes Bonus was now expected to continue after 2016/17, however the Government had also announced that 40% of the fund would be utilised for the Single Local Growth Fund. The assumptions for council tax have reduced so that they were more in line with inflation though council tax levels were ultimately a Member decision..

In response to a question, the Chairman stated that there was contingency within the Action and Development Reserve for disasters. Officers added that this reserve could be replenished when the reserves were considered later in the budget process.

Staff pay increments would continue but following the review of staff terms and conditions two years ago they had reduced and were expected to diminish further. This had been taken account of in the savings. The reforms around the introduction of the Universal Benefit were still noted as a risk.

Concerns had been raised at comments from the Secretary of State for Communities and Local Government that the Council should seek to reduce income from car parking. It was clarified that the Secretary of State's concern was on-street parking, monies from which were tightly controlled. There was no risk to monies from car parks. In February 2013 the former Portfolio Holder for the Cleaner and Greener Environment had stated that on-street car parking costs in the district were neutral.

It was presumed that £520,000 would be contributed to fund a deficit in the Superannuation Fund following the triennial valuation to be held in November 2013. This presumption had been made prior to the adoption of new actuaries, Barnett Waddingham, who held their first valuation in November 2010. Although the last valuation was an improvement on previous ones, the Council had allowed the assumption of a £520,000 deficit to slip by 3 years in case the last valuation was exceptional. The Chairman was concerned that Gilt yields had been suppressed and the Kent County Council pension fund was becoming a more mature one.

Public Sector Equality Duty

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

> Resolved: That Cabinet be advised on the Advisory Committee's views on the ten-year financial planning approach and principles set out in the report.

It was noted that 10-year budget strategies were recommended practice but other Local Authorities were still reluctant to adopt them. Such a strategy required cuts to be made earlier or else the budget would show a large deficit.

18. Financial Results 2013/14 - to the end of July 2013

The Finance Manager advised that there was an estimated favourable year-end forecast of £80,000 with a £41,000 favourable variance for investment income. As at the end of July 2013 the main income streams were achieving or exceeding budget, with the exception of car parking. Property related incomes were considered vulnerable and were being monitored. A staff pay rise in 2013/14 of 1% had been approved and would be paid from October 2013 backdated to April.

The Head of Environmental and Operational Services confirmed that financial viability of the trading accounts was heavily affected by fuel costs. A recent fire at the Dunbrik waste transfer station meant that Direct Services vehicles would need to travel either to Pepper

Hill or North Farm, but any additional costs on time or fuel arising from the fire would be recoverable from Kent County Council.

It was expected that Grant Thornton would provide an unqualified opinion on the accounts.

Members asked that the risk areas be quantified and added to the reports in future.

> *Action 1: That the Finance Manager quantify risk areas in future Budget Monitoring reports.*

The £42,000 of unidentified income for the Licensing Partnership was proving difficult to achieve. Fees set nationally did not cover the full cost of delivering the service.

Savings had been made in operational services through the use of agency staff. The Head of Environmental and Operational Services considered agency staff to be cheaper than a pool of permanent floating staff. Agency staff were only used to cover leave and absence from sickness. Although Green Waste services had a positive variance, this was a matter of timing and was forecast to be negative by year-end. Pest control services had a good income of £10,000 in July 2013 alone, but they were still not expected to meet budget target. A report would be going to the Local Planning and Environment Advisory Committee on the future of the pest control service.

The Council was subject to additional costs of debit and credit card transactions as more customers paid using these. The Council was not passing the fees on as the Council sought to encourage payment from customers.

Car parking had experienced a reduced income in July 2013 but this was the first month below target this year and it was put down to seasonal factors. Due to the redevelopment in London Road the Council could no longer operate parts of the Pembroke Road and Bligh's car parks. If the parking from these sites was not absorbed elsewhere it would result in a loss to the Council of £120,000. Further parking data would be available once the live parking signage was introduced in November 2013. This data would help to inform the review of parking being undertaken by the Scrutiny Committee. Members noted that long term trends in online shopping and the cost of petrol could lead to a reduction in town centre parking.

> Resolved: That the report be noted.

19. <u>Financial Performance Indicators 2013/14 - to the end of July 2013</u>

The Finance Indicators provided a snapshot of the key internally set performance indicators as at the end of July 2013. The report was corrected in that the target for Monthly Investment Balance should read as £33,973,000, with a variance of 8.7%.

It was explained by the Group Manager – Financial Services that the target for Council Tax payers on Direct Debit had been reduced from 77% to 70% as there were a greater number of Council Tax payers since the introduction of Council Tax Support and it was expected that they would be less likely to pay by Direct Debit. This had not been realised.

> Resolved: That the report be noted.

20. Procurement Strategy Update

The Council's existing Procurement Strategy had been adopted in September 2013. The Council's Officer Procurement Group had since kept the Strategy under review and 3 principal changes had been proposed to ensure that it complied with relevant legislation, best practice and that it supported the Council in achieving its priorities.

The three adjustments were: to update the Council Vision and Promises in line with those adopted by Council; to add a Social Value principle to reflect The Public Services (Social Value) Act 2012; and the introduction of an Effective Practice and Decision Making section, incorporating the content from the previous Procurement Principles section.

The Public Services (Social Value) Act 2012 required the Council to take account of how what was procured may improve the social, environmental and economic wellbeing of the District. It would apply to the largest, EU-level public services contracts and framework agreements. The revised Strategy would form part of the rules employed by Officers together with the Finance Procedure Rules and Contract Procedure rules.

The Head of Environmental and Operational Services advised that it was difficult to give these elements practical effect in most procurement exercises. The drive for austerity meant that the weighting given to cost was increasing from 60% to 70%. For some matters, there was also only a limited number of suppliers.

In May 2013 the Audit Team had carried out an audit of procurement and the Council's processes were considered adequate, with the primary concern being the recruitment of agency staff. The Advisory Committee was informed that the Direct Services Team would use a range of agencies and they competed against each other. The Council did use Kent Top Temps, owned by Kent County Council, as one of the agencies. The Head of Environmental and Operational Services did not seek to use staff on zero-hour contracts.

> Resolved: That Cabinet be recommended to adopt the updated Procurement Strategy

21. Work Plan

The Chairman of the Members' IT Working Group advised the meeting that the Group intended to bring the IT Disaster Recovery Plan before it in November 2013.

The Chairman suggested that Sector would be invited to the Advisory Committee either at its meeting in November or in January 2014.

Following the initial briefing, the White Oak Leisure Centre report could be delayed beyond January 2014 before it was presented to the Advisory Committee. No deadline would be set for it as the priority was to have the matter dealt with correctly. Members noted that new premises for the centre could lead to a reduction in running costs and therefore a reduced management fee. Members were directed to raise questions concerning the running of the centre to the Portfolio Holder for Economic and Community Development and the relevant Advisory Committee.

THE MEETING WAS CONCLUDED AT 9.00 PM

CHAIRMAN