

## **FINANCE AND RESOURCES ADVISORY COMMITTEE**

Minutes of the meeting held on 12 November 2013 commencing at 7.00 pm

Present: Cllr. Ramsay (Chairman)

Cllr. McGarvey (Vice-Chairman)

Cllrs. Mrs. Bayley, Brookbank, Mrs. Davison, Edwards-Winsor and Walshe

Apologies for absence were received from Cllrs. Cooke and Scholey

### 22. Minutes

Resolved: That the minutes of the meeting of the Finance and Resources Advisory Committee held on 29 August 2013 be approved and signed by the Chairman as a correct record.

### 23. Declarations of Interest

No declarations of interest were made.

### 24. Actions from Previous Meeting

It was noted that in the Financial Results 2013/14 – to the end of September 2013 report considered by the Committee under minute item 32, risk areas had been quantified.

### 25. Update from Portfolio Holder

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

The Portfolio Holder had met with the Chief Finance Officer to further consider the budget assumptions, which had been incorporated into the 10 year budget.

He had met with the Audit, Risk and Anti-Fraud Manager, and was informed that an audit of the processes for Section 106 obligations was taking place. A concern facing that team was that the government had proposed a Single Fraud Investigation Service. However this proposal failed to regard the need for a local Anti-Fraud team for local assessment of Council Tax payments and discounts and for the Council to carry out any investigations into its own functions. The Portfolio Holder felt it important for the Council to keep its own Anti-Fraud team.

The Chairman had been considering the Council's Investment Strategy, which the Committee would be looking at further under minute items 27 and 28.

The Property and Facilities Management Manager had made good progress with the report for the redevelopment of the Swanley White Oak Leisure Centre. A benchmark had

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been set for comparing the relative cost of each proposal. A report would be ready to present to the Advisory Committee in January 2014.

Members noted the Co-Operative Bank was withdrawing its services from local authorities. The Principal Accountant advised that the Council had no funds with the bank but Dartford Borough Council did. Sevenoaks District Council had offered to assist Dartford with Housing Benefit payments, if necessary, while they move accounts. Interest would be charged for any such payments made.

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

There were none.

### 27. Capita Asset Services

Richard Bason, Regional Director of Capita Asset Services gave a presentation to the Advisory Committee on treasury management. The presentation provided updates on the financial markets, the Council's balance sheet, the position of the portfolio and its comparative performance to other local authorities, as well as investment options for the Council to consider.

Mr. Bason emphasised that the financial markets were focusing on analysing the level of unemployment since the forward guidance provided by Bank of England's Monetary Policy Committee which stated that the bank rate was unlikely to change until unemployment had fallen to 7%. The markets were indicating that they expected this staging post to be met by the middle of 2015, though some forecasts, such as Capital Economics suggested 2017.

The balance sheet position in 2012/13 was relatively stable when compared to 2011/12. The Council's surplus monies had increased from £2.2million to £4.25million.

The Council's investment strategy was in line with guidance from the Department for Communities and Local Government and the CIPFA Treasury Management Code of Practice 2011. Although the Council lent money only to UK institutions there were a number of other AAA rated countries in which the Council could lend. Capita had taken a defensive approach with lending to building societies although the Council had agreed to lend to the five largest. It was difficult to find rates above 0.5-0.6% on instant access lending due to the downward pressure of the Funding for Lending scheme.

Capita had compiled a benchmark graph for those local authorities it advised and another for those it advised within Kent. The Council was broadly in the middle of the grouping but its risk was slightly higher. The outliers were benefiting from either long term investments or from higher risks.

Options for the Council included enhanced money market funds, property funds or equities. Equities were not recommended as their price was volatile and lower values may need to be reflected in the accounts at year end.

The presentation included the relative performance of property funds. Over the past five years they had mixed, often negative, performance, though they had recovered as the UK came out of recession. The risks and potential of each property fund would need to be

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considered, including the types of property each was invested in. The risks would include a possible loss in the capital value of the fund. Specialist advice should be sought before any investment is made in property funds.

Mr. Bason replied to Members' questions. It was within the Code of Practice for Councils to hold property and foreign exchange but there was no clarity over the legality of investments in derivatives. Capita was confident that the Government would not withdraw its backing for the nationalised banks in the next 12 months.

### 28. Treasury Management Mid Year Update

The report was the mid-year treasury update to fulfil the requirements of regulations and the CIPFA Code of Practice on Treasury Management. It provided information on economic activity for the first half of 2013/14 and advised Members of the treasury activity in the same period.

The Principal Accountant noted that the recognised benchmarks for percentage returns on investments were being exceeded. Investment income was on course to exceed the budget of £260,000 by approximately £17,000. Nearly all longer term investments had matured and so investment yields were expected to fall; the existing levels of receipts would not be achievable in 2014/15.

The report provided an update on the Council's investment with Landsbanki Islands hf. £1million had been invested on 25 June 2007 before the bank was placed in receivership. Approximately 54% had already been recovered with the prospect of full recovery by 2018.

Some Members proposed investment in banks outside the UK, particularly those with AAA credit ratings. Risk could be spread by investing smaller sums. A Member indicated that investment over two years, rather than the present limit of one year, might be accepted. The Chairman indicated that the fear of collapsing financial markets had now receded. The Vice-Chairman added that the Council still had a 15% investment limit per foreign country. Members did not feel property funds would be appropriate.

*Action 1: The Principal Accountant to investigate possible investments in foreign banks, particularly in AAA credit rated countries, together with the option of investing for periods of up to two years.*

Resolved: That Cabinet be asked to approve the Treasury Management Mid-Year Update for 2013/14.

### 29. 2014-15 Budget and Review of Service Plans

The report was to provide the members of the Committee an opportunity to advise Cabinet and give their views on the potential growth and savings which could be included in the updated 10-year budget. The updated budget would be presented to Council on 18 February 2014.

It was proposed that a remaining balance of £70,000 per year be put into the Financial Plan Reserve to support later years if still present when the budget was set. Alternatively,

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if the assumptions in the 10-year budget changed then the sum could be put towards addressing any shortfall.

The Advisory Committee considered each of the Service Change Impact Assessments (SCIAs). Comments were particularly made on the following items.

### SCIA #4

The Council was facing increased fees of £11,000 from the number of debit and credit card transactions processed. Transactions had risen by a quarter.

The Chairman was against passing this fee on to residents as it could jeopardise the high number of residents paying Council Tax. Officers regularly renegotiated the fees charged so that the fees would be minimised.

### SCIAs #5 and 12

Different types of skills were sought within the Finance Team due to changes in technology and the importance of having a high level of financial expertise within the Council.

### SCIA #9

The introduction of a Print Studio Assistant, together with the partial reduction in a Print Studio Officer post, was expected to bring a positive impact of £10,000 from increased income.

The Chief Officer Corporate Support advised that the post would increase capacity and allow increased work from external partners, such as town and parish councils. There were indicators the Print Studio had at times been turning orders away due to limited capacity.

### SCIA #10

The Chief Officer Corporate Support informed the Committee that the bulk of savings were through the removal of the need for microfilming and the maintenance of that equipment when compared to scanning.

### Public Sector Equality Duty

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

Resolved: That the growth and savings proposals set out in appendix C of the report be recommended to Cabinet.

### 30. Members' IT Working Group - Feedback

In the absence of the Working Group's Chairman and at his request the Chief Officer Corporate Support updated the Advisory Committee on the work of the IT Working Group.

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Historically the Council had formed part of an IT disaster recovery partnership with other local authorities across Kent, but that agreement had expired at the end of 2012 and not renewed. Data back-up would now be by disk rather than tape and would allow data recovery from 8 weeks rather than only 4. Some services would have information backed up hourly.

The Working Group had reviewed the technical solutions and contributed to the new recovery plan which was effectively at the final draft stage. The Working Group was unable to progress further until the draft IT Disaster Recovery Plan was incorporated into the Corporate Disaster Recovery Plan, led by the Portfolio Holder for Economic and Community Development.

The Corporate Disaster Recovery Plan was expected to be approved in February 2014. The Working Group would then assist by posing a disaster recovery scenario to test the scheme.

Officers confirmed to Members that they were keeping a watching brief on cloud storage solutions. However, guidance from the Cabinet Office restricted the authority from using such services if based outside the UK. The cost of using approved UK providers meant such an option was not yet viable.

The Chairman of the Advisory Committee recommended full standby power generators for the Council. Officers were happy to circulate the draft Disaster Recovery Plan.

*Action 2: The Chief Officer Corporate Support to circulate the draft Disaster Recovery Plan to Members of the Advisory Committee.*

### 31. Shared Services

The Head of Finance introduced the annual report on the Council's range of shared services. There had been two changes in the past year. Tandridge District Council had entered into a further agreement with the Council for financial management system support services valued at £3,000 per year. The shared Building Control Manager post with Tonbridge and Malling had ended but the Chief Officer Environmental and Operational Services was expected to prepare a report for Cabinet on a fully shared building control service with that council later in the financial year.

It was noted the partnership arrangements were with several different Councils. Shared services could only be adopted when opportunities arrived with willing partners.

A Member was concerned the implementation costs of the Police Reception at Argyle Road meant that the cost would only be recovered after 10 years. However, the Chairman advised that the annual rental income was fixed and the investment would also contribute to the value of the Council Offices as an asset.

Resolved: That the report be noted.

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### **32. Financial Results 2013/14 - to the end of September 2013**

The report advised that the financial results in the year to date showed an overall favourable variance of £440,000. The year-end position was expected to be £30,000 better than budget. This reflected 0.06% of the gross budget.

Members' attention was brought to the £17,000 income above forecast for investments, which was strong given the current level of interest rates. Income from on-street parking, land charges and development management were achieving or exceeding budget targets. A 1% staff pay award had been paid in October.

Commentaries to the budget monitoring as at 30 September 2013 were tabled.

Resolved: That the report be noted.

### **33. Financial Performance Indicators 2013/14 - to the end of September 2013**

The report presented figures on internally set performance indicators for 2013/14 up to the end of September 2013, with comparative figures for the previous year.

Further information on the Finance Indicators, including notes for each, was tabled for Members' consideration. As at the end of September all indicators were either at or better than target.

Resolved: That the report be noted.

### **34. Work Plan**

Officers advised that a report on the Capital and Asset Maintenance budget would be brought to the Committee at its meeting on 21 January 2014. The Chairman clarified that a report on White Oak Leisure Centre, including benchmarked costs and the comparative costs for different aspects of each option, would also be presented in January 2014. A report to review the risks and assumptions in the budget, incorporating the Kent County Council Superannuation Fund, would be presented to the same meeting.

A Member suggested that Committee may need to revisit the progress of the IT Working Group.

THE MEETING WAS CONCLUDED AT 9.04 PM

CHAIRMAN