FINANCE ADVISORY GROUP

Minutes of a meeting of the Finance Advisory Group held on
25 January 2012 commencing at 9.30 a.m.

Present: Cllr. Ramsay (Chairman)

Cllrs. Firth, Fittock, Grint and McGarvey.

34. APOLOGIES FOR ABSENCE

Apologies were received from Cllr. Scholey.

35. NOTES OF PREVIOUS MEETING

The notes of the meeting of 2 November 2011 were agreed as a correct record.

36. DECLARATIONS OF INTEREST

There were no declarations of interest.

37. MATTERS ARISING INCLUDING ACTIONS FROM LAST MEETING (Report No. 4)

A Member enquired whether any news had been received from Kent Police regarding a contribution of 16 man-hours per week for the Council's CCTV room. Officers confirmed the item had been further considered at the Cabinet meeting on 8 December 2011. The Chairman believed that further consideration would fall under the remit of the Social Affairs Select Committee.

The response to the action was noted.

38. KENT COUNTY COUNCIL SUPERANNUATION FUND - INVESTMENTS (Report No. 5)

The report had been presented to the Group following a request for more information at the previous meeting.

In response to a question the Chairman informed the Group that, although Kent District Councils had representation on the Kent County Council Superannuation Fund Committee, the Members of that Committee seldom provided feedback to the District Councils. The Chairman was concerned that he had received little response in the past to the representations he had made to the Chairman of the Committee.

A Member commented that it was unusual for advisors to be mentioned in a strategy as Hymans Robertson had been. Yet Hyman Robertson had not been mentioned under the list of Investment Manager Mandates. The Chairman advised that a letter could be sent to the Committee on these matters.

The Finance Manager confirmed he had received an email from a Member of the Group, not present at the meeting, which had also been circulated to the other Members of the Group. The Member had raised a number of issues in the email including how Members were appointed to the Committee how often the Strategy was reviewed and the lack of a policy on director remuneration. The Environmental, Social and Governance Investment Policy Statement also appeared to contradict itself between the Introduction and Fiduciary Responsibility sections.

The Chairman agreed to write to the Kent County Council Head of Financial Services with the questions as set out in the Member's email.

> *Action:* *The Chairman to write to the Kent County Council Head of Financial Services with the questions set out in the email dated 17 January 2012.*
>
> Resolved: That the report be noted.

39. TREASURY MANAGEMENT STRATEGY 2012/13 (Report No. 6)

The Principal Accountant circulated updated lists of investments to the Group.

The Chairman noted Landsbanki Islands hf was still on the list of investments. The Principal Accountant confirmed no interest would be received on the money from the point the bank went into administration. Full payment of what was owed by the bank to Sevenoaks District Council was expected by 2018. It was likely the payment would be made at least partially in US Dollars and Euros. The meeting agreed it was important that any foreign currency received was converted to Pound Sterling as soon as possible.

The Principal Accountant was asked whether there was an update about possible investment in money market funds, index-linked gilts or treasury bills. He had started the research and the Council's advisors, Sector, had introduced him to 5 representatives of money market funds that matched the Council's expectations. He had already met with 4 of the representatives. Among the 5 funds, a 30 day performance comparison to the end of September gave rates of return ranging from 0.6 to 0.81%. All were AAA credit rated and had stable net asset values. The size of the funds ranged from £2 billion to £22 billion and he suggested that the larger institutions may be more attractive. Nationally, approximately 10% of Local Authority investments were in money market funds. They had the advantage of being liquid and therefore readily accessible. Black Rock was a popular institution and could facilitate transfers from Barclays accounts without incurring charges.

Having spoken to traders of treasury bills, a rate of return was likely to be between 0.3 and 0.4% net of fees. If the Council were to deal with the treasury bills directly they would require a custodian account for the certificates which would cost between £30,000 and £40,000. The options for purchasing index-linked gilts were more complex and necessitated dealing either directly with the Government's Debt Management Office or as traded securities via the stockmarket. Another option was a gilt fund run by a specialist manager.

A more full explanation would be provided to the next meeting of the Group. Members thanked the Principal Accountant for his work on the matter.

> *Action:* *The Principal Accountant to bring a report to the next meeting of the Finance Advisory Group.*

A Member enquired whether the Council needed to reduce the minimum long term credit rating in the 2012/13 creditworthiness policy to A-, or whether A would suffice.

The report had not mentioned that there were many institutions at A- and therefore it was felt putting it at A would not harm the diversity of the Council's portfolio. The Group agreed to this amendment.

Officers were asked that the credit rating of an institution be added as a column to the next list of investments.

Action: The Principal Accountant to add the credit rating of an institution to the next list of investments.

Resolved: That it be recommended to Cabinet that the Council approve the Treasury Management Strategy Statement, as amended.

40. COSTS AND SAVINGS IN PARTNERSHIP WORKING (Report No. 7)

It was noted the shared working arrangements were providing annual savings of £668,000 and covered a wide array of services.

The Chairman was pleased that the Revenues and Benefits Team had recently been visited by Lord Freud, the Minister for Welfare reform. The Revenues Manager and the Benefits Manager had the opportunity to explain how the reforms to Housing Benefit and Council Tax Benefit had made it difficult for the Council to recruit and retain staff.

Members were informed by Officers that, where joint working took place, Officers were usually employed by the authority they had worked for prior to the commencement of any shared working arrangements. Occasionally this led to a disparity in terms and conditions. No restructuring had taken place because reviews were expected 2 years after the forming of the partnerships to review their arrangements. Members felt that it would help if Dartford Borough Council could move to National Joint Council terms.

There were concerns how political differences could affect the partnership working. The Council would be expected to deliver savings of 10% when the localised Council Tax Support scheme was introduced. It was thought likely the Councils would disagree on who would be protected. It was felt more details were necessary before any decisions could be made about how to manage the savings.

In response to a question, the Finance Manager explained that the partnership agreements usually contained arrangements in the event the partnership was to end.

Action: Officers to provide totals for annual savings for shared working arrangements the next time report is presented.

Action: Officers to present an item on Partnership Working – Costs and Savings annually.

Resolved: That the report be noted.

41. RISKS AND ASSUMPTIONS FOR BUDGET 2012/13 (Report No. 8)

Members agreed that the further forward the budget plans looked then the greater uncertainty there was. The Chairman explained that was the reason for the Budget Stabilisation Fund, however it was also more likely that Council Tax would rise in future years.

It was asked whether the rise in non-pay costs of 2.5% was too optimistic. The Finance Manager responded that should inflation in one area rise above 2.5% then the relevant Service would need to find compensatory savings elsewhere.

Resolved: That Members' comments be noted.

42. FINANCIAL RESULTS 2011/12 – TO THE END OF DECEMBER 2011 (Report No. 9)

The Finance Manager advised the Group that figures for income from car parks had improved significantly in December. This was despite 2 Saturdays of free parking being offered in Sevenoaks prior to Christmas.

In Housing there was a forecast annual variance of £70,000 to cover the cost of homeless people in Bed and Breakfast accommodation. This sum related to fewer that 20 families who had been provided this accommodation as a last resort. Housing had found compensatory savings elsewhere.

A Member noted that there was apparently a variance to date for the Horton Kirby Village Hall even though the Council had received the Section 106 monies. Officers explained that, because the monies had been received, no annual variance was forecast and that this was only shown because financing of capital expenditure was not allocated until the end of the year. A number of the items had variances to date because the money came from external funding, but the money had been received so there was no forecast annual variance.

Direct Services was adjusting their budget for next year in light of the current overspend. Members acknowledged it was difficult to budget for rises in diesel costs but enquired whether joint procurement with other authorities would assist in reducing costs.

Action: The Head of Environmental and Operational Services to be asked to address diesel procurement when invited to give a presentation on Direct Services at the next meeting.

43. FINANCIAL PERFORMANCE INDICATORS 2011/12 – TO THE END OF DECEMBER 2011 (Report No. 10)

The Finance Manager updated the meeting that the figure for sundry debts over 61 days had fallen to £25,000 with only 3 major debtors. He felt it unlikely these debts would be recovered soon given the economic circumstances.

44. FORWARD PROGRAMME (Report No. 11)

Members were asked to email the Head of Environmental and Operational Services with any questions they had in advance of the meeting so that answers could be prepared.

It was clarified that the Revenues and Benefits Partnership Working item on 28 March 2012 was to consist of a presentation and then questions.

A Member enquired whether sometimes sending post and agendas to Members by courier was cost effective, especially when a Member may attend for a meeting soon after. The Chairman considered that the matter had been investigated and was cost effective.

No further amendments were made.

45. ANY OTHER BUSINESS (Item No. 12)

No other business was discussed.

THE MEETING WAS CONCLUDED AT 11:34 A.M.

CHAIRMAN