

**Minutes of the Meeting of the FINANCIAL POLICY PANEL
held on 13 October 2015**

PRESENT -

Councillor Neil Dallen (Chairman); Councillors John Beckett, Kate Chinn, Jan Mason, Keith Partridge, Jane Race (as nominated substitute for Councillor Omer Kokou-Tchri) and Clive Woodbridge

Absent: Councillor Omer Kokou-Tchri and Councillor Jean Steer

Officers present: Lee Duffy (Head of Financial Services), Tony Foxwell (Senior Surveyor) and Eddie Nowak (Democratic Services Officer)

10 MINUTES

The Minutes of the Meeting of the Financial Policy Panel held on 8 September 2015 were agreed as a true record and signed by the Chairman.

11 DECLARATIONS OF INTEREST

No declarations of interest were made by Councillors regarding items on the agenda.

12 TREASURY MANAGEMENT PERFORMANCE 2015/16 - INTERIM REPORT

On behalf of the Panel, the Chairman welcomed Paul Wilson of Aberdeen Asset Management, who gave a comprehensive presentation on the Interim Report in respect of Treasury Management for the Council. The presentation covered an economic summary, interest rate outlook, an investment position and a projected summary for the efficient management of the Council's finances.

In particular, the following points were noted:

- The economic outlook had materially improved, however this would continue to be monitored in light of the extended period of low interest rates;
- Regulatory changes would impact investment approach with a requirement for investors to generate higher investment returns from longer term monies;
- There was a concern about deflation in most developed markets and this had led to extremely low bond yields;

- The US Dollar had been strong for the past year and in contrast there was now a race to the bottom of countries trying to devalue their currencies to gain competitive advantage. This caused instability in currency markets;
- Greece was trying to renegotiate austerity measures that had been put in place and the risk of instability was still quite high;
- Income inequality had significantly reduced globally;
- Central bank balance sheets have hugely expanded for many countries;
- The aim was not to deliver low yields but make sure funds were invested in highly rated counterparties with low risk of loss of capital;
- There was now a broader opportunity to set a more diversified investment approach by adding alternative asset classes to a traditional portfolio, which could improve returns with robust risk management, and this approach was being looked at to assess whether this could be an attractive opportunity;
- There was a 1% return on the Council's investments in the current financial year with a projected 0.5% to 1% in the next financial year.

Following questions, the Chairman on behalf of the Panel, thanked Mr Willson for his comprehensive and informative presentation.

The Panel then received and considered a detailed report that set out an update on the Treasury Management Performance for the first five months of 2015/16. It was noted that the Council's Treasury Management Policy accorded with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management in the Public Services. The current Policy required officers to produce an interim report on investment performance to a meeting of the Panel and the report covered the performance of the treasury management function for the period 1 April to 31 August 2015. The Audit Commission report "Risk and Return", prompted by the problems experienced by the Icelandic Banks, identified that regular engagement of elected members in the Treasury Management function was good practice.

The Head of Financial Services advised that before an investment decision was made, officers would investigate any proposed counterparty to ensure its financial rating made it eligible for investment. Even if the institution met the criteria as set out in the financial strategy, independent advice would be sought from the Council's external financial advisors before the investment was made. The level of the interest equalisation reserve would be re-assessed in the 2016/17 budget report in February 2016.

Accordingly, the Panel noted the performance on return of investment for the first five months of 2015/16, and the current investment decisions being made within the terms set out in the Treasury Management Strategy, and agreed to

recommend that Aberdeen Asset Management plc (previously Scottish Widows) continue to manage the Council's external funds.

13 BACKLOG MAINTENANCE 2015/16 - MID YEAR UPDATE REPORT

The Panel received the mid-year progress report on the backlog maintenance programme and proposed adjustments to the programme for emergency repairs.

The report informed members that in accordance with Financial Regulations, additional funding of £25,015 had been vired into the backlog maintenance programme in year. This sum was broken down as follows:

- £3,115 from car parks for some health and safety works at Hudson House car park
- £3,200 for works to Borough Boards on Stoneleigh Broadway and in the Market Place

In addition, it had been agreed under delegated that £18,700 from the Repairs and Renewals fund for Social Centres could be spent on urgent repair and redecoration works at the Longmead.

The Panel further noted that the Council was required to carry out certain statutory works such as electrical PAT testing, fire risk assessments and maintenance of watercourses. These related to health and safety legislation and were therefore inappropriately included with backlog schemes. It was therefore proposed to relocate these budgets to separate budget areas: statutory works (£30,000) and watercourse works (£5,000). £35,000 had been included in the 2015/16 schedule of schemes so in future years this would reduce the base backlog budget from £210,000 to £175,000. It was intended that these works would continue to be monitored by officers and progress reported to Members with the backlog maintenance schemes.

Annexe 2 to report highlighted that certain additional emergency schemes had been identified which needed to be undertaken this financial year as follows:

Site	The works	Cost	Priority	Criteria
Bourne Hall lodge	Roof replacement, render repairs & Waterproofing	20,000	C	3
Town Hall Toilets	Ground floor toilets refurbishment	35,000	C	3
Various sites	Hard Surfaces- repairs to paving walkways etc. areas highlighted as urgent King Georges field & Bourne Hall park.	15,000	A	1
Ashley centre car park	Emergency works Relining Car Park level 4	2,000	A	1

Site	The works	Cost	Priority	Criteria
Bourne Hall Alterations	Alterations to accommodate conquest Art	8,500	B	2
	Total	80,500		

Any unspent emergency works provision would be made available for 2016/17 schemes, including emergency schemes via the Council's Property Maintenance Reserve at year end. Unspent provision for works in progress would be carried forward via the Council's Property Maintenance Reserve at year-end.

The Panel discussed the maintenance schedule and it was noted that:

- Cox Lane would be reviewed under the Asset Management Plan;
- Repairs to walkways under the Council's ownership would be addressed;
- Further investigations would be carried out into urgent temporary roof repairs at Bourne Hall Lodge;
- Further investigations would be carried out as necessary regarding any other assets identified as being in need of urgent attention;
- No expenditure would be committed on the works to the Town Hall toilets prior to further approval being granted from the Strategy and Resources Committee;
- The County Councillors would be asked to consider a financial contribution for the provision of the Market Place notice board.

Accordingly, the Panel:

- (1) Received the mid-year progress report on the backlog maintenance programme;
- (2) Noted the changes made to the programme under delegated authority;
- (3) Recommended to the Strategy and Resources Committee a change in budget heads to hold regulatory property maintenance works budgets separate from the backlog budgets, but still subject to in-year officer budget virements and the additional emergency schemes as set out in Annexe 2 to the report be approved.

The meeting began at 7.30 pm and ended at 8.47 pm

COUNCILLOR NEIL DALLEN (CHAIRMAN)