

**Minutes of the Meeting of the FINANCIAL POLICY PANEL held on 4 December 2018**

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**PRESENT -**

Councillor Eber Kington (Chairman); Councillors Richard Baker, John Beckett (For items 20 - 23), Hannah Dalton, Vince Romagnuolo and Clive Smitheram

Absent: Councillor Omer Kokou-Tchri and Councillor Barry Nash

Officers present: Lee Duffy (Chief Finance Officer), Brendan Bradley (Chief Accountant) and Fiona Cotter (Democratic Services Manager)

**20 DECLARATIONS OF INTEREST**

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

**21 TREASURY MANAGEMENT INTERIM REPORT 2018/19**

Prior to receiving a presentation from Nazmin Miah, Associate Director of Link Asset Services, the Panel considered a report that updated members on treasury management performance for the first six months of 2018/19.

It was noted that interest rates continued to be low but it was hoped that these would improve. Whilst Aberdeen Asset Management still consistently produced returns above the benchmark, the Council had reduced its investments in externally managed funds and used the funds for internal borrowing. Internal borrowing helped mitigate the current state of the market.

The presentation covered an update on the legal and regulatory requirements in relation to treasury management, a market update, and the Council's position.

In respect of the legal and regulatory requirements, it was highlighted that these were moving away from a prescriptive approach to allowing a more commercial approach with certain caveats. In particular, the CIPFA Codes issued in 2017 placed an emphasis on monitoring non-treasury activity. In relation to investment property purchases, local authorities were advised to seek legal advice in the light of recent MHCLG statutory guidance and the requirement to produce a Capital Strategy to underpin capital expenditure plans was also highlighted.

In relation to treasury management at the current time, there was still significant uncertainty over the direction of the UK economy, which could lead to market

volatility in the financial sector. Whilst the forecast was for a slow steady increase in interest rates, borrowing was still cheap at current levels: however, the costs of carry remained a key consideration.

In terms of the Council's current position, internal borrowing was saving the Council £500K per annum in interest payable. In terms of the Council's investment portfolio, the Council's counterparties had good credit ratings and all had passed the stress test but the Council needed to appreciate the risks in relation to property funds.

Prior to taking her leave of the meeting, the Chairman thanked Ms. Miah for the presentation and for the support provided to the in-house team.

Accordingly, the Panel noted the performance on return of investments for the first six months of 2018/19 and the current investment decisions being made within the terms set out in the Treasury Management Strategy.

## 22 CAPITAL PROGRAMME 2019/20

A report was presented to the Panel that summarised the proposed Capital Programme for 2019/20.

It was noted that, with limited capital receipts available to fund investment, there was a clear set of criteria as to how bids were assessed and the Capital Member Group's proposals tried to balance risk by measuring essential investment needs against resource implications. Should additional unavoidable projects arise during the period, schemes would either need to be shelved, assets disposed of to generate additional receipts or a borrowing strategy considered.

Accordingly, the Panel endorsed the advice of the Capital Member Group regarding the submission of the following capital programme to Council for approval in February, subject to the relevant policy committees first approving project appraisals:

- (1) Prioritised schemes totalling £464,000 funded from capital receipts and revenue contributions as follows:
  - Replacement of CRM and Data Warehouse (£306,000)
  - Upgrade of some parking pay and display machines (£43,000)
  - Refurbishment of toilets at Bourne Hall (£40,000)
  - Hope Lodge extension to Car Park (£75,000)
- (2) An additional scheme totalling £650,000 (Mandatory Disabled Facilities Grants) subject to external funding sources (Better Care Fund)

## 23 FINANCIAL REGULATIONS REVIEW

The Panel received and considered a report that proposed amendments to the Council's Financial Regulations. The regulations formed part of the Council's Constitution and ensured the good governance of the Council's financial affairs.

The rules had been amended to reflect the Council's current organisational structure and references to statutory regulations had been updated as appropriate. In particular, it was highlighted that new authorisation limits were proposed for the use of revenue reserves together with an increase in the threshold at which Committee approval would be required for revenue budget virements. A new provision permitting the Head of Digital and Service Transformation, in conjunction with the Chief Finance Officer, to authorise the write-off of business rates debts where the liable party was subject to insolvency action as prescribed in the Insolvency Act 1986 and the Council was not legally able to continue with recovery action, was welcomed.

Having reviewed the proposed amended regulations, subject to the inclusion of the definition of a "material sum", the Panel recommended the approval of the updated regulations to the Strategy and Resources Committee.

## 24 S106 AND CIL UPDATE REPORT

The Panel received a report that provided an update on the funds held under Section 106 planning agreements and Community Infrastructure Levy.

The Council currently held funds from Section 106 agreements totalling approximately £2 million. From this balance, £1 million was committed within the capital programme for such items as affordable housing or earmarked for schemes awaiting further approval. Included within this balance was a sum of £103K due to be transferred to Surrey County Council and other organisations as the responsible authority for utilising these funds. The unallocated funds were held within various categories, the lion's share (approximately £600K) being held for affordable housing.

In relation to CIL, the Council currently held approximately £5.4 million, split across three funds. As at 30 September 2018, the Main Fund (80% of CIL) stood at £4,393, the Community Fund (15% of CIL) stood at £847K and 5% (£209K) was held for the administration of the scheme. Taking into account commitments to date, £209K of the Main Fund and £497K of the Community Fund remained unallocated as at 30 September 2018

Accordingly, the Panel noted the current position on:

- (1) S106 funds held by the authority and
- (2) CIL funds held by the authority

**25** MINUTES

The Minutes of the Meeting of the Financial Policy Panel held on 11 September 2018 were agreed as a true record and signed by the Chairman.

*The meeting began at 6.30 pm and ended at 7.19 pm*

COUNCILLOR EBER KINGTON (CHAIRMAN)