

# **FINANCE PANEL (PANEL OF THE SCRUTINY COMMITTEE)**

Friday 6 September 2013

**COUNCILLORS PRESENT:** Councillors Simmons (Chair), Fry, Darke and Fooks.

## **1. PANEL SCOPE AND WORK PROGRAMME**

The Panel noted the terms of reference and operating principles.

The membership of the Panel was confirmed with the amendment agreed at the Scrutiny Committee on the 5<sup>th</sup>. November replacing Councillor Mills with Councillor Fooks.

The dates and times of meetings were agreed with one change:

- The start time of the meeting on the 7<sup>th</sup>. November will be 5.30pm.

It was agreed that Councillor Simmons will meet with Finance officers before the next meeting to allow him to bring forward a budget review timetable outline to the next meeting of the Panel.

## **2. QUARTER 1 (APRIL TO JUNE 2013) SPENDING**

The Panel agreed that the Council's finances are in a robust state. The Panel pointed out a few errors in the report and officers agreed to make the appropriate changes.

The Panel has asked officers to provide more detailed information in some areas. This is listed below for information:

- Model the financial affects in the HRA and GF of the proposed transfer of assets.
- Details of contingencies and reserves for the last 5 years showing movements in and out.
- In future reports to show variances to date as well as variances against budget.

A number of recommendations are presented for the City Executive Board to consider.

## **Conclusions and Recommendation**

Capital Programme delivery.

The Panel discussed the difficulties outlined of delivering planned efficiencies in Corporate Property and wanted to be sure that the resources are available to deliver our significant Capital programme. Officers outlined that considerations of resources are underway.

## **Recommendation 1**

**To express concern about the availability of resources to deliver the Capital Programme.**

Reporting Commercial Property Income.

The reported outcome against the rent arrears measure is shown as significantly off target. The explanation suggests that the date used to compare collection against the debit due is always likely to produce a “false” outcome. This is unsatisfactory.

## **Recommendation 2**

**To reconsider the reporting of the Commercial Property rental measure using dates that align to produce a more accurate picture of performance.**

The Panel discussed the large amounts in contingencies and as mentioned earlier in the report have asked for more data on the total amounts available in contingencies and reserves and how these have moved and developed over the previous 5 years. In addition the Panel heard that the robust delivery of savings and efficiencies has meant that £800k of the contingency set aside to support non delivery in this area will no longer be needed.

At the last budget round the City Executive Board, in response to a scrutiny recommendation, agreed to reconsider the current strategy for the provision of contingencies and to consider a policy of pooling risks. The Panel hope that these considerations will be available to them as soon as possible.

## **Recommendation 3**

**That the City Executive Board bring forward their strategy for the provision of contingencies with the forthcoming medium Term Financial Strategy to the next meeting of the Panel in November.**

### **3. TREASURY MANAGEMENT ANNUAL REPORT - 2012 TO 2013**

The Panel was pleased to see good performance against prudential indicators and that the budget target for investment income is on track to be achieved. However, this was due to higher than expected funds rather than meeting the target rate of return. A number of recommendations are presented for consideration by the City Executive Board around the management of the investment fund.

## **Conclusions and Recommendation**

The Panel noted the high levels of investment balances with a peak of £64m in June. It seems likely that these levels will continue going forward. The management of this level of available investment with falling average rate of return is a concern to Panel.

Opportunities taken by officers to invest in property funds have been successful and the Panel welcomed this diversification but noted the limits

placed on non-specified investments would limit opportunities. The Panel wants to see a change in this area.

#### **Recommendation 1**

**To raise the non-specified investment limits from their current levels and redefine what is grouped in this area to manage risk, in an effort to encourage investment diversity and higher rates of return.**

#### **Recommendation 2**

**Wherever it provides for good value for money to consider using investment funds for internal borrowing in order to avoid prudential borrowing.**

#### **4. QUARTER 1 (APRIL TO JUNE 2013) TREASURY MANAGEMENT PERFORMANCE**

Item considered with Treasury Management Strategy outcome.