

# FINANCE PANEL (PANEL OF THE SCRUTINY COMMITTEE)

Thursday 7 November 2013

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

## 5. PANEL WORK PROGRAMME AND REPORT BACK ON RECOMMENDATIONS

The Panel noted the forward work programme and agreed:

- Not to set a special meeting in December to consider the Qtr. 2 spending report. Instead to ask Nigel Kennedy to report on spending, updated as much as possible from Qtr. 2, when the first budget considerations were made in December. **Nigel Kennedy agreed to this.**
- The February meeting would start at 5.30pm.

On the report back of recommendations on Treasury Management. The City Executive Board had refused to reconsider then level of unspecified investments upwards from 25% and also to take out Building Societies from this set. In explanation officers said it would not be prudent to have more than 25% of the City Councils investments in unspecified categories because by definition these were more risky. Consideration would however be given to adjusting the balance of these investments towards those producing higher yields. Extra money had been invested into property bonds up from £3m to £5m and officers are currently looking for another property bond to invest in so as to increase the amount to £10m and diversify the investment. This would mean a reduction in the amount invested in Building Societies.

The Panel asked for clarification on the response to the recommendation to use investment funds for internal borrowing to avoid prudential borrowing. The response was that this is already done and the Chair asked for clarification why officers had asked to prudentially borrow to buy the 50 house for temporary accommodation if this is the case. Officers clarified that because permission is sort to prudentially borrow it does not mean that we do. The best value option is taken. We may not prudentially borrow to purchase these properties.

**The Panel asked for clarification to be circulated on why the agreed acquisition of houses to use as temporary accommodation could not be done using capital from the HRA.**

## 6. QUARTER 2 2013/2014 TREASURY MANAGEMENT PERFORMANCE

In addition – see notes under “report back on recommendations” above.

The cumulative average rate of return is .79% decreasing and is below the performance indicator. Our advisors are not predicting any change in base rates in the short term. We are still expected to meet the interest target in the budget.

Balances have increased by 45% to £60+m mainly because of slippage in the capital programme and the transfer of balances from the HRA to the GF.

The Icelandic Banks position is better than expected.

Considerations for the future:

- Looking at new investments with a higher yield. Opportunities in the Local Authority market were discussed and are being considered.
- Maybe accommodation some investments of more than 1 year.

The position of the Co-op as the in-house bank was discussed and officers assured the Panel that it was only used as a transaction bank with no overnight money. The risks were therefore minimal. Consideration is being given to this position; we have a contract to 2016.

The Panel knew that the Co-op had said publically it may withdraw from the Local Authority market and this in itself posed a risk for the Council because of the work involved in changing banks. The Panel's view was that urgent consideration of the position of our in-house bank should be given in an effort towards a managed transfer should this prove necessary.

## **Recommendations to the City Executive Board**

### **Co-operative Bank**

**The Finance Scrutiny Panel has serious concerns about the Co-ops current position and statements and wishes to see an urgent review of their position as the Council's in-house bank in an effort towards a managed transfer, should this prove prudent, rather than waiting for them to potentially withdraw.**

**Should the transfer from the Co-op prove prudent or necessary to ensure that ethical standards of investment remain part of the specification.**

### **Unspecified Investments**

**To provide to the Panel in 6 months time a review of the performance of the Council's non specified investments considering in particular, diversity and mix, returns and a benchmark across the public sector for the percentage of funds allocated to this type of investment.**

**To provide options based on this to increase returns.**

## **7. CONTINGENCIES DETAIL 2008 TO DATE**

The Panel considered the details presented and clarified a number of points.

Agreed to look at this in more detail as part of the forthcoming budget review.

## **8. BUDGET REVIEW SCOPE AND TIMETABLE**

The Panel agreed the scope and process proposed by the Panel Chair and suggested their availability to deliver the programme.

Members clarified that in addition to the consultation budget they wished to see all officer proposals for revenue and capital additional expenditure and reductions rather just those agreed by the administration for consultation.

Pat Jones to confirm dates and email all members for finalisation.

**9. MODELLED EFFECTS OF THE AGREED TRANSFER OF CASH AND ASSETS FROM THE HOUSING REVENUE ACCOUNT TO THE GENERAL FUND**

No additional comments. This will be considered with the actual affects can be seen as part of the budget monitoring.

**10. NOTES OF THE LAST MEETING**

**The meeting started at Time Not Specified and ended at Time Not Specified**