

**FINANCE AND ADMINISTRATION COMMITTEE held at COUNCIL
OFFICES LONDON ROAD SAFFRON WALDEN on 27 NOVEMBER 2008**

Present:- Councillor R P Chambers – Chairman.
Councillors:- J E N Davey, K L Eden, A J Ketteridge, T P Knight,
R M Lemon, H S Rolfe, R D Sherer, G Sell, A D Walters and P A
Wilcock.

Also present :- Councillor A Dean and Mr J Bosworth.

Officers in attendance:- J Mitchell (Chief Executive), T Cowper (Principal
Accountant), S Joyce (Chief Finance Officer), , R Procter
(Democratic Services Officer) and A Webb (Director of Central
Services).

FA19 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors R Clover and
D M Jones.

FA20 MINUTES

The Minutes of the meeting held on 25 September 2008 were received. The
following amendments were requested and agreed, and the Minutes as
amended were duly confirmed and signed. There were no items of business
arising. Amendments were made as follows:

To insert into the list of those attending the meeting the names “Councillors A
J Ketteridge, T P Knight, G Sell and P A Wilcock”.

To delete the words: “Also present at the invitation of the Chairman:-
Councillors J F Cheetham, A Dean and D J Morson.”

FA21 CHAIRMAN’S VERBAL REPORT

The Chairman of the Committee gave a brief verbal report. A constructive
meeting had taken place between Uttlesford’s representatives and the
Minister for Communities and Local Government, John Healey, regarding
Landsbanki. The Minister had been prepared to help and had indicated
possibilities to be explored.

Referring to the initial decision to make the investment in Landsbanki,
Councillor Knight said she was concerned that there should be measures in
place to ensure Members’ involvement in taking decisions of magnitude. It
was agreed to discuss such concerns under the item on treasury
management.

FA22 LEAD OFFICER'S REPORT

Members received the report of the Director of Central Services. The report included an update on options for disposing of Lodge House, Saffron Walden, as part of a wider exercise examining the Council's assets as a whole. The report also gave an outline of an initiative for use of procurement cards under the Office of Government Commerce framework. Implementation of such an initiative would save time and money in the purchasing process.

The Director of Central Services went on to produce a draft summary of accounts for 2007/08. The booklet would be made available to the public at U Connect centres and on the Council's website. He then invited questions.

Members agreed that the summary of accounts was an excellent document.

Councillor Sell said that the training session for Members had been very helpful, although he had felt the emphasis could have been centred more on Members' requirements. He hoped there would be more training in the future.

Regarding procurement card schemes, Councillor Rolfe warned that such schemes did not always represent efficiency for the public sector, which tended to operate from contracts rather than independent purchasing. The Director of Central Services replied that the option was at this stage simply being assessed, on advice from Improvement East.

RESOLVED that the content of the report be noted.

FA23 DISPOSAL OF LAND INCLUDING WHITE STREET PUBLIC CONVENIENCE

The Director of Central Services presented a report, which had been approved by the other policy committees of the Council. The recommendation was to transfer to Great Dunmow Town Council the small piece of land on which the public conveniences were located. An agreement had been reached in principle that the Council pay a reducing grant over three years to assist with the upkeep of the facility. The Director of Central Services explained that the land had been valued at £14,437, and was not a business asset to the District Council. The transfer would represent a positive contribution to the Great Dunmow Town Square Initiative.

Councillor Wilcock asked whether there was any minimum service level agreement under the contract to transfer the amenity. The Director of Central Services replied that the Town Council had given assurances that the current hours of operation would be maintained.

The recommendation being duly proposed and seconded, it was

RESOLVED

- 1 that the freehold of the piece of land including White Street public convenience as shown in Appendix One to the report before the

Committee be transferred to Great Dunmow Town Council at no cost.

- 2 That the Council agree to pay to Great Dunmow Town Council a reducing three year grant, to assist with the upkeep of the White Street public convenience, as follows: in 2009/10 £7,750; in 2010/11 £5,175; in 2011/12 £2,600 and in 2012/13 and onwards no grant.

FA24

LEASE CAR SCHEME REVIEW

The Committee considered the report of the Director of Central Services, giving a summary of the issues relevant to implementing a new lease car scheme. A new scheme would enable the Council to establish revised contributions based on emissions rather than higher business mileage, and would therefore promote the use of 'greener' cars. The Council would also benefit from better value for money as a result of wider and more competitive quotations from a range of suppliers. It was also proposed that the Council should undertake the insurance of participants in the scheme, as the fact that officers currently insured themselves had previously proved a stumbling block to moving to a new scheme.

Members considered the detail of the proposals. Councillor Wilcock suggested that a consistent percentage discount should apply to all grades of officer, and it was agreed that the proposals should be amended to reflect this alteration.

Councillor Knight said that most company schemes restricted the choice of vehicle. The Director of Central Services said that the proposed scheme promoted the use of lower emissions cars. The proposals were supported by the Carbon Management Working Group, which had been keen to include a further band to address high mileage levels. However, the Strategic Management Board preferred the option of working with the departments concerned to reduce mileage. It was

RESOLVED that

- 1 The new car leasing scheme be implemented from 5 January 2009.
- 2 The Council join the Pan Government Framework Agreement for the lease of cars and car derived vans.
- 3 The new car leasing scheme be emissions based, the limits set out in the report to apply.
- 4 The Council's contributions to the provision of a lease car to be as set out in the report.
- 5 All lease cars and drivers to be fully comprehensively insured under a Council Block Policy insurance policy with effect from 5

January 2009, to include the transfer of all current lease cars where drivers currently provide their own car insurance.

- 6 Business mileage to be reimbursed on the HMRC advisory fuel rates for petrol cars (1400 cc or less) from 5 January 2009.
- 7 Senior Officers and Chief Executive differential between above and below 135 g/km to be the same as for the 'all staff' scheme.

FA25

ANNUAL GOVERNANCE REPORT 2007/08

The Chairman welcomed Stephen Joyce, the Chief Finance Officer. The Committee considered the report, which set out responses to the Audit Commission's recommendations. The report also included the Audit Commission's summary of Value for Money areas where the Council was not assessed as adequate against the criteria.

The Chief Finance Officer said he anticipated building on improvements made since 2007/08. A programme of work was being prepared and a further report would be brought to the Committee in January. Provisional notification of the scores for the Use of Resources assessment had been now been received, remaining at level 1.

The Chief Finance Officer went on to say that, regarding the errors which had been identified in the financial statements, Officers were continuing their investigations. Due to the age of the balances the analysis of outstanding VAT errors was not straightforward. Ultimately it might be necessary to write off the outstanding VAT items. He then invited questions.

Councillor Sell queried why monthly budgetary reports had apparently not been issued for three months. He referred to the statement of findings of the Audit Commission in relation to lack of robust systems for monitoring and reviewing value for money. On this point, he said he suspected that this had been the case for some time. He went on to ask whether at the next meeting any assurance would be given that a system for Value for Money would be established.

The Director of Central Services said that an interruption to the monthly budgets reports had occurred due to the mid year review in October. He apologised, but reassured Members that certain changes to the reporting system were being formulated and would be fed through Performance Select Committee.

Councillor Wilcock thanked Officers for their comments on budget monitoring. It was preferable to receive refined information, rather than be inundated.

Councillor Knight objected to the possible measure of writing off VAT errors in the accounts, as £144K was a significant sum. Neither did she wish to see errors rolled on year after year. In her view, the fact that the external auditors had missed this error should be a matter of professional liability. The Director of Central Services advised that this course was not an option as the auditors operated to a £320K margin of 'materiality'. Of the three items, the Council

Tax income figure of £338K brought forward in 2002/03 was therefore material.

The Director of Central Services gave a brief update on the analysis being undertaken by Officers. He concluded by saying it was very difficult to conduct a retrospective investigation. Councillor Knight asked for it to be recorded in the Minutes that she was dissatisfied with the external auditors. Councillor Rolfe said he shared these reservations.

Councillor Sell said that the Council needed to address the whole issue of monitoring, which this discussion indicated was not a short term problem. The Chairman agreed, and said that the Council was taking measures to resolve the issue, and that he was sure the situation would not occur again. Councillor Lemon said he appreciated that the discussion could not be held at this meeting, but asked for assurance that the matter would appear on a future agenda.

The Chief Finance Officer advised that it was the responsibility of the Council to ensure its accounts were a true and fair reflection of its finances. He cautioned against attributing censure elsewhere.

The Chairman brought the debate on this item to a close, and it was

RESOLVED that Members approve the Council's responses to the Audit Commission's findings, and recommendations as set out in the Appendix to the report.

It was NOTED that

- 1 A further report to be brought before the next meeting of the Committee on progress in resolving the outstanding final accounts issues
- 2 An update to be brought before the next meeting on progress on improving the Council's Value for Money assessment for Use of Resources.

FA26 **REVIEW OF FEES AND CHARGES**

The Committee considered the report of the Director of Central Services. Following brief discussion it was

RESOLVED that proposals for fees and charges for services covered by this Committee be included in the budget for 2009/10 as set out in the report.

FA27 **TREASURY MANAGEMENT UPDATE**

The Committee considered the report of the Interim Head of Finance, who was not able to attend. The Chief Finance Officer introduced the report by giving a brief summary of the background to the Council's duty to invest in light of the press coverage of Uttlesford's Landsbanki investment. He went on to give a summary of the Council's current investment position. A sum of

£14.1m was available to invest. Whilst it was expected that returns would be better than budgeted for this year, the outlook for next year was more challenging, and Officers expected a significant drop in investment income.

The Chief Finance Officer tabled revised recommendations, which he explained would limit the Council's exposure to risk. Members approved of the recommendations, but questioned whether independent specialist treasury advice should be taken. There was discussion of the benefits and disadvantages of local authorities investing in Irish or UK banks. It was noted that in contrast to the situation for Irish banks, local authorities were not included in government guarantees of UK banks. Some Members nevertheless had reservations about investing in Irish banks. The Chief Finance Officer offered to investigate the cost of obtaining specialist treasury advice. Following further debate, it was

RESOLVED

- 1 To recommend that Council authorises an increase in the "Prudential Indicator – Upper Limit for fixed interest rate exposure" from £11m to £20m.
- 2 To recommend that Council authorises an amendment to the Treasury Management Strategy to include the following interim policy on the use of counterparties for temporary investment.
 - (i) The minimum credit ratings required to be as set out in the revised recommendations before the Committee.
 - (ii) Additional conditions to be as follows:
 - Exclude all non-UK institutions except Irish banks subject to Irish Government guarantee.
 - Exclude financial institutions while there is a short term rating on Negative Rating Watch.
 - Deposits in banks and building societies to be limited to 3 months or less.
 - Amounts placed with each institution to be restricted to £2m (while there is a Fitch Short Term Rating of F1+) or £1m (while there is a Fitch Short Term Rating of F1).
- 3 To revise the interim policy in February 2009 when the 2009/10 Treasury Management Strategy is approved.
- 4 To note the 2008/09 treasury transactions to the end of October 2008, as set out in this report.
- 5 To note that officers will be market testing the treasury advisory service, and will invite the three companies listed in paragraph D ii) to submit bids.
- 6 To delegate authority to the Chief Financial Officer in consultation with the Chairman to explore costs of further treasury management advice other than the treasury advice service.

The Chairman noted that the Interim Head of Finance would shortly be leaving the Council, and said he would write on behalf of this Committee to express thanks for the support and advice he had given the Council.

FA28

TREASURY MANAGEMENT – LANDSBANKI UPDATE

The Chief Finance Officer informed Members of a proposed regulation which had been put forward by the government. This was a major step forward, as it would exempt local authorities from writing off until 2010/11 funds invested in Landsbanki. This measure meant that the Council could review the decision to freeze its interim capital schemes. He concluded by saying that Officers were in regular contact with the Local Government Association advisors, and would keep Members informed of any further developments in what was a changeable situation.

In order to expedite a response to any settlement proposals which might be made under insolvency arrangements affecting creditors of Landsbanki, it was

RESOLVED to delegate authority to the Chief Executive and Chief Finance Officer in consultation with the Leader of the Council and the Chairman of Finance and Administration Committee, to determine the Council's response to any settlement terms offered arising from the insolvency of Landsbanki.

FA29

DRAFT CAPITAL PROGRAMME

The Principal Accountant advised that in light of the new regulations referred to earlier the proviso in the report no longer applied. The Committee considered the report, and it was

RESOLVED that the proposed capital budgets for each policy Committee for 2008/09, 2009/10, 2010/11 and 2011/12 be agreed, subject to the alteration necessary to reflect the restoration of funds previously attached to area panels to the Chairman of Community Committee.

The meeting ended at 9.00 pm.