

FINANCE & INVESTMENT ADVISORY COMMITTEE

Minutes of the meeting held on 6 September 2022 commencing at 7.00 pm

Present: Cllr. Grint (Chairman)

Cllr. Dickins (Vice Chairman)

Cllrs. Abraham, Bayley, Clack, Clayton, Penny Cole, Griffiths, Hogarth, Reay and Williams

12. Minutes

Resolved: That the Minutes of the meeting held on 24 May 2022 be approved and signed by the Chairman as a correct record.

13. Declarations of Interest

No additional declarations of interest were made.

14. Actions from Previous Meeting

The Head of Finance provided a summary of the requested information for the Committee, which had also been emailed to all Members. The likely council tax collection rate for 2021-22 as at March 2022 was 98.1% against a target of 98.6%. For 2022-23, 98.1% was forecast against a target of 98.5%. He advised Members that the Council typically collects near 100%, but not within the year.

He further updated the Committee on the Council's forward purchasing of gas, electricity, and diesel. He advised that the contract for gas and electricity would end in September, and that pricing information would become available in mid-October. The contract for diesel would end on 8 February 2023 and would be renegotiated. The current diesel contract was moved to a weekly price due to global supply issues, but would be returned to the contracted rate as soon as possible. He clarified for Members that purchases for the next financial year were yet to be negotiated.

The Chairman took the opportunity to update members on the Financial Results 2021/22 -Draft Outturn - March 2022 report that was deferred at the 24 May 2022 meeting of the Committee. Following the release of the financial results, the Chairman and Vice Chairman decided there was nothing of sufficient importance to bring to the Committee, and it would not be brought back but noted that the report had been presented to Cabinet.

15. Update from Portfolio Holder

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The Finance and Investment Portfolio Holder provided an update on the impact of the cost of living on residents. Support resources were outlined in the most recent InShape and the Leader's and Chief Executive's weekly bulletins. The Portfolio Holder would be meeting with Kent Leaders next week to explore additional avenues of support across the county, and the Council Tax and Recovery Manager was prepared to repeat the processing of support payments through the Council Tax system, should the Government continue that strategy. The HERO officers and Council Tax team were available for those with financial difficulties to explore possible solutions.

The cost of living's impact on the Council would be significant, but an "eyes wide open" approach to address issues as they are identified would better serve the Council than pessimism. An example of this was the proposed resolution for Item 8 (Financial Monitoring 2022/23 - to the end of July 2022).

The Portfolio Holder gave special thanks to the Principal Accountant (Capital and Treasury) for his hard work for the authority over the past 38 years, and wished him a happy retirement.

Members asked questions regarding support for residents. The Portfolio Holder explained that the Council Tax and HERO teams were able to offer support, and advised Members to encourage those with issues to approach these teams as soon as possible, to address the problem. The Customer Solutions and Council Tax teams were both experienced at providing this support, for example deferring payments or moving people from 10 months to 12 months for Council Tax payments.

16. Referral from Cabinet or the Audit Committee

There were none.

17. Treasury Management Annual Report 2021/22

The Principal Accountant (Capital and Treasury) presented the report, which provided a review of investment and borrowing activity from 2021/22. The Council had taken a cautious investment approach resulting in lower interest receipts, which were substantially below budget. However, the overall percentage rate of return exceeded recognised benchmarks. Investment income was supplemented by the property investment strategy and the Council's trading company. He advised the Committee that interest receipts had improved in the current financial year due to the two Base Rate increases, but that this would be partially offset by the capital programme and housing acquisitions.

He updated the Committee on the Council's investments for this financial year. £2.5 million was invested into two multi-asset income funds each, from which the investment income was between £14,000 and £16,000 each. This would bring interest receipts over the course of the financial year above budget, but did have a risk of capital loss and would require careful monitoring.

He then updated the Committee on the Council's debt in 2021/22. The Council borrowed £8 million from the Public Works Loan Board (PWLB) for capital schemes,

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bringing total borrowing to £13 million. Members were advised that this was low compared to other local authorities. The Municipal Bonds Agency was developing but had presented little investment opportunity during 2021/22.

In response to questions from Members, he clarified that the Council's balances available for investing was lower than the local authorities it was compared with, and so daily cash flow needs and the property investment strategy limited the ability to place longer term investments at better rates of interest. He further clarified that matching the current rate of inflation through investment income was impossible without significant extra risk, but that the difference was currently narrowing slightly through the growth in the Base Rates.

Members' thanked the Principal Accountant for his report and for all the work he had done for the Council in the past 38 years.

Resolved: That it be recommended to Cabinet that the report be approved.

18. Financial Performance Indicators 2022/23 - to the end of July 2022

The Head of Finance presented the report, which covered nine key internal performance indicators (PIs) as at July 2022. He explained that instances of managers changing implementation dates for audit actions lowered the PI, but that this would correct itself over time. The Treasury Management Investment Returns were well below the target, due to using cash balances to fund investment acquisitions and the capital programme.

Resolved: That the report be noted.

19. Financial Monitoring 2022/23 - to the end of July 2022

The Head of Finance presented the report on the Council's position 2022/23 and the forecast position up to March 2023. The forecast end of year position presented to the Committee in May had largely translated to this report, giving an unfavourable variance of £572,000. Furthermore, the National Employers for Local Government Services made a final offer in their pay negotiations that would increase this unfavourable variance by £600,000, and the Committee heard that this total variance should be considered in two parts: the mid-year expense and an ongoing future commitment.

The Head of Finance advised that staff costs could be offset in the current year through any surplus from the Kent and Medway Business Rates Pool, and drawing from the Budget Stabilisation Reserve. He recommended to Members that the ongoing impact be addressed through the forthcoming budget setting process.

Members considered the report, and discussed the issues of meeting increased staff and day-to-day costs without additional support from the Government. They further discussed how although the current cost burden could be absorbed, future years would need to be addressed separately, but that this should not stop the Council from resolving the clear, certain issue that had presented itself. The Committee acknowledged that balancing the unfavourable forecast variance would

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take a significant amount of work, but that greater clarity would come in time regarding which issues are transient and which will have longer lasting impacts.

Resolved: That

- a) the report be noted; and
- b) the proposed method of addressing the impact of the national pay negotiations, be recommended to Cabinet.

20. Work Plan

The work plan was noted.

THE MEETING WAS CONCLUDED AT 7.44 PM

CHAIRMAN