

## HEREFORD CITY COUNCIL

### MINUTES OF MEETING OF THE FINANCE AND POLICY COMMITTEE

The Committee Room, City Council Offices, Hereford Town Hall

Tuesday 5<sup>th</sup> June 2018

**PRESENT:** The Right Worshipful the Mayor and Councillors Dykes, Edwards, Hey, Stevens, Tawn and Wilcox

**IN ATTENDANCE:** Steve Kerry - Town Clerk and Responsible Financial Officer; Lesley Robinson Administration, Finance and Information Officer

#### **FP2018/19.12 ELECTION OF CHAIRMAN AND VICE CHAIRMAN**

It was proposed by Councillor Edwards, seconded by Councillor Hey and

**RESOLVED That Councillor Stevens be elected Chairman of the Committee for the municipal year 2018/19.**

It was proposed by the Mayor, seconded by Councillor Wilcox and

**RESOLVED That Councillor Tawn be elected Vice Chairman for the municipal year 2018/19**

#### **FP2018/19.13 APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Lloyd-Hayes

#### **FP2018/19.14 SUBSTITUTIONS**

It was noted that Councillor Lloyd-Hayes had nominated Councillor Michael but that she had been unable to deputise due to ill health.

#### **FP2018/19.15 DECLARATIONS ON INTEREST**

There were no declarations of interest.

#### **FP2018/19.16 SCHEDULE OF PAYMENTS**

The Clerk presented the schedule of payments made since the last meeting. It was noted that the damage to the Mayoral car had been caused when the new car, which was wider than the previous one was being taken in and out of the garage. The garage door, which had been rotting, was replaced with a wider one and the problems had not recurred. The bill was for fixing scrapes in several places arising at different times and no single incident had been above the insurance excess so, no claim had been made.

The Committee noted the schedule.

#### **FP2018/19.17 BANK RECONCILIATIONS**

It was noted that the bank reconciliations had not been ready for circulation with the agenda papers, the completed file was on the table at the meeting and available for inspection. Councillor Wilcox confirmed he had signed and verified the reconciliations, and Councillor Dykes confirmed that before the meeting he had checked the file and verified this.

The bank reconciliations were noted.

## **FP2018/19.18 ANNUAL ACCOUNTS AND FINANCIAL REPORTS AT YEAR END**

The Clerk presented the reports and a summary of the end of year position. The Council had a surplus of revenue over expenditure of some £94,000. This was partly because of the decision to put the survey of the Town Hall on hold until the major works were completed as a budgeted item for £40,000 had not been progressed.

Members had been asked to advise the Clerk of any questions of detail before the meeting so answers could be checked. The first point raised was the movement of assets which has increased. This was because of the acquisition of display cases for the new museum which are new fixed assets and had added some £80,000 to that value. In addition, the money invested with CCLA had effectively transferred £200,000 from revenue balances to long term assets as it was a fixed term three-year investment.

There had also been a query about the figure shown for grant aided expenditure as a reversal within the Community Development spend. The Clerk was awaiting a technical explanation from DCK which would be reported to Council when the accounts were presented.

In the notes summary it was apparent that there were some items with no financial value attached which did not appear to be relevant to the report and the wording should be removed.

Members noted that for the first time a full asset register was presented with the accounts. This was to accord with developing standards of best accounting practice and was very much welcomed. The asset register had been verified and appeared to be fully up to date.

Having scrutinised the accounts, members considered the application of the Council's agreed investment strategy. This was to add any surpluses at the end of the financial year to the CCLA Local Authorities Property Fund investment to increase the Council's income through interest, rather than to add to reserves which were already well above the recommended minimum level. Accordingly, the Clerk had recommended rounding up the £94,000 surplus to a new investment of £100,000. He confirmed that the Council did not need to refer to the independent financial adviser before doing this, if members felt it was prudent they could agree to the recommendation.

Councillor Willcox recounted a conversation with the Clerk about possibly increasing that investment to £200,000 as the reserves would still be adequate after that larger investment. The Clerk advised that it would be within the standards of prudential financial management expected of a council to make that larger investment if members were so minded.

Members having noted the asset register inquired when the civic plate was last valued. This was not known with certainty. For some time, a standard inflator had been applied to ensure proper insurance cover.

It was proposed by Councillor Dykes, seconded by Councillor Wilcox and

**RESOLVED:**

**That the Committee endorses the annual accounts and financial reports and recommends acceptance of the accounts to full Council.**

It was proposed by Councillor Wilcox, seconded by Councillor Edwards and

**RESOLVED:**

**That subject to the acceptance of the accounts by Council, the Committee instructs the Clerk to make a further deposit of £200,000 with CCLA, starting a new three-year deposit into the Local Authorities Property Fund which is additional to the existing purchase of units made last year.**

It was proposed by Councillor Edwards, seconded by Councillor Hey and

**RESOLVED:**

**That the Clerk seeks quotes for carrying a full valuation of the civic plate for insurance and reports this to Committee when it is available.**

**FP2018/19.19 INVESTMENT STRATEGY**

The Clerk presented the report which was the second element of a strategy for maximising earnings from the Council's balances whilst taking only acceptable, and very low, levels of risk. It was noted that the Council had in previous years had all its accounts with Lloyds, which was not best practice following the banking difficulties of 2008-2009. Councils had been recommended to diversify. By moving £200,000 of reserves to CCLA the Council had not only earned additional interest but had to some extent diversified its holdings.

The Council receives two instalments of precepted income, this year this will be two payments of just over £400,000, one already received in April, the other due in September. The balances were held in a Lloyds deposit account earning only some 0.07% interest. The proposal was to split that deposit, retaining £200,000 in the Lloyds account, which automatically transfers funds to the current account to cover payments as and when they are made, and to deposit the other half with CCLA in their Public Sector Deposit Fund account, earning interest which currently runs at 0.539%.

The Clerk also presented at the meeting a report from CCLA entitled "Key Investor Information" which it was recommended that every member should read before coming to a decision.

It was noted that the fund is not a deposit account with a fixed rate and there is some risk of lower or even negative interest in adverse economic circumstances. It was also noted that the credit rating of CCLA is AAA by Fitch, which is higher than Lloyds bank. Members considered whether the low, but nonetheless real, level of risk was a prudent move to increase the interest earnings of the Council. It was also noted that the Council's accountants had suggested that this be considered, although it was confirmed that this is not certified advice from an independent adviser, so it should be regarded as an informed opinion, not formal advice.

It was also noted that CCLA have a good track record in ethical investment and have consistently achieved or even improved on their advertised rates of return for many years.

Finally, it was noted that in order to open the account the Clerk may have to make a deposit before the September precept payment.

It was proposed by Councillor Tawn, seconded by Councillor Wilcox and

**RESOLVED:**

**That the Committee authorises the Clerk to open a Public Sector Deposit Fund account with CCLA and to deposit 50% of the September precept payment in that account.**

**That subject to patterns of spending the Clerk is authorised to deposit up to 50% of further precept payments received from Herefordshire Council.**

**That the Clerk will report any deposits made to the next available meeting of this Committee with an explanation for any deposits of less than 50% which he considers were necessary to maintain a sufficient working balance in the current account.**

**That the interest earned from the use of the Public Sector Deposit Fund account will be reported to the Committee as and when it is paid as part of normal financial reporting.**

**All of the above to be reviewed as part of the annual financial report at the end of the financial year.**

**FP2018/19.20 RISK ANALYSIS (FINANCIAL ELEMENTS)**

The Clerk introduced the report, explaining that the Council as a whole should receive at least one report a year on its levels of risk. The committee remit meant that the financial risks would be reported to this Committee, the non-financial risks such as data protection compliance, employment, protection of the Council's reputation etc would be reported to Governance and Procedures Committee and a combined report presented to Council once both Committees had deliberated on their respective areas of control.

Members noted that the level of financial risk was low and that the existence of robust procedures to control spending, prevent fraud and error and the transparency of accounting records had all been verified by the Council's auditor. In answer to a question it was confirmed that insurance cover is adequate to cover the theft of the entire contents of the civic museum, although the insurers were satisfied with the security arrangements which were at least as strong as when the items were in the vault. It was also noted that if the Council takes on major services from Herefordshire, as may be anticipated that we will come under pressure to do by 2020, both our insurance cover requirements and risk profile may change.

It was proposed by Councillor Tawn, seconded by Councillor Wilcox and

## **RESOLVED:**

**That the Committee notes the report which together with a report on non-financial risks will in due course be presented to Council as part of a comprehensive analysis of risk within the Council.**

### **FP2018/19.21 KEY PROJECTS UPDATE**

The Council presented the report of progress on the key projects. On the issue of footpaths, Herefordshire had noted our interest but had not yet responded.

On the city walls, Herefordshire had been very keen to transfer the walls as an asset to the City Council. The Clerk and Cllr Stevens had been at the meeting where this was suggested and made it very clear that before a transfer could be considered the walls would have to be brought back up to a decent standard of repair and a properly funded plan established which City Councillors could review before deciding whether to take on the liability.

On the Town Hall, the Clerk reported that he had a meeting with Gary Angrove, Herefordshire's Chief Financial Officer, where it had been suggested that a sinking fund be established to cover long term wants of repair and replacement so that the City Council did not inherit huge liabilities from past years. No figures or detailed terms had been identified, which will need to be done if this idea is to be considered as part of an asset transfer. It had also been noted that the boilers are thirty-two years old and that their replacement, before any asset transfer, would be prudent on environmental grounds as much as anything else. The City Council's position on the car park remains that we see it as integral to the transfer and not as something that could remain with Herefordshire Council. The revenue from the car park will be an important element in funding the running costs of the building. If Herefordshire remain in some of the offices they will be subject to the same apportionment of NNDR and running costs as the City Council is presently under as terms of its lease.

The Clerk also reported discussions with Great Places about facilitating a feasibility study of the options and opportunities arising from turning the Town Hall into a civic hub, with ground floor office functions being replaced with museum and gallery spaces and the possibility of sales of souvenirs as a source of revenue being fully investigated. An indicative cost of between £3-5,000 had been suggested and while Great Places would look for other sources of funding it might be necessary for the City Council to fund this if it was to proceed. The Clerk reminded the Committee that £40,000 had been set aside for surveys and the quoted price for the building survey from Hook Mason was £11,000, leaving plenty of resource to cover this cost.

Members noted that progress in informal talks with Herefordshire and that, from now on, Councillors Stevens and Hey would be involved as we are now moving toward formal proposals. Members discussed the timing of the feasibility study, should it be undertaken now, or when the completion date for the major works to the front of the building was known. It would be possible to present Council, to whom the decision on an asset transfer is reserved, a set of reports covering the building survey, the feasibility study and a report on the management and operational implications of taking on the Town Hall and any residual arrangements bought in from Herefordshire, for example, for out of hours custodian services so that all members would have all the relevant information in front of them at the same time. This would affect the timing of the feasibility study. Another element

affecting the study would be confirmation, as opposed to expressions of interest, from Herefordshire of their plans for moving either Electoral Services or the Registrars, or indeed both, out of the Town Hall.

It was proposed by Councillor Edwards, seconded by Councillor Tawn and

**RESOLVED:**

**That the report regarding the footpaths is noted.**

**That the report regarding the Town Hall is noted.**

**That the Clerk is authorised to offer financial support of up to £5,000 for a professional feasibility study to be commissioned through Great Places to identify the options for the development of the Town Hall as a cultural and civic hub, as and when works are progressing to the front of the Town Hall and the situation regarding rooms occupied by Herefordshire Council is clarified.**

It was noted that key projects update is a standing item on the Committee's agenda and progress in any of the areas covered will be reported to the next meeting.

**FP2018/19.22 ITEMS FOR FUTURE MEETINGS**

A member queried whether the cycle track was a key project. It was confirmed that it was not, and that it sat within the remit of Community Development Committee. A grant completion for this project was due for the meeting of 12<sup>th</sup> June.

Public Open Spaces is being considered for service and asset transfer would be a key project to be reported to this Committee.

Tourism strategy and the role for the BID would be an item for the next meeting, with the BID invited to attend.

Facilities and building management implications of operating the Town Hall would also be on the agenda for the next meeting.

First quarter financial reports should be available for the July meeting.

**DATE OF NEXT MEETING:** Tuesday 17<sup>th</sup> July 2018 at 6 pm

Signed .....

Dated .....