

FINANCE COMMITTEE MEETING THURSDAY 9 DECEMBER 2021

	Item	Summary of Key Recommendations
1.	Apologies	Councillors McMullan and Schenning
2.	Declarations of Interest	None
3.	Minutes of the previous Finance Committee	Confirmed
4.	P7 Management Accounts	Information
5.	P7 Debt Management Report	Information
6.	P7 Prompt Payment Statistics	Information
7.	Landfill Performance Deed	Approve
8.	Commercial Loan Changes – LIBOR to SONIA	Approve
9.	Dungiven Sports Centre Loan	That Council repay this loan in full
10.	Procurement Policy Change	That Council do not approve the updated Procurement Policy and keep these limits to £10,000
11.	Concessionary Trading Update	Information
12.	Rates Estimates Progress	Information
13.	Any Other Relevant Business	None

**MINUTES OF THE PROCEEDINGS OF THE MEETING OF THE
FINANCE COMMITTEE MEETING HELD
IN THE COUNCIL CHAMBER, CIVIC HEADQUARTERS AND VIA VIDEO
CONFERENCE ON
THURSDAY 9 DECEMBER 2021 AT 7.00 PM**

- In the Chair:** Alderman Hillis (C)
- Members Present:** Alderman Finlay (C)
Councillors Bateson (R), Beattie (R), Holmes (R),
McLean (C), McQuillan (C), Nicholl (R), Peacock (R),
Scott (R), Wilson (R)
- Officers Present:** M Smyth, Director of Finance (Interim) (C)
D Wright, Chief Finance Officer (R)
S Duggan, Civic Support & Committee & Member Services Officer (C)
- In attendance:** A Lennox, ICT Mobile Operations (C)

Key: (C) Attended in the Chamber
(R) Attended Remotely

The Director of Finance (Interim) undertook a roll call.

The Chair advised Committee of its obligations and protocol whilst the meeting was being audio recorded; and with the remote meetings protocol.

1. APOLOGIES

Apologies were recorded for Councillors McMullan and Schenning.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS FINANCE COMMITTEE

Copy circulated.

AGREED – that the Minutes of the Finance Committee meeting held Thursday 11th November 2021 were confirmed as a correct record.

MOTION TO PROCEED ‘IN COMMITTEE’

Proposed by Alderman Finlay
Seconded by Councillor McQuillan and

AGREED – to recommend that Council move ‘*In Committee*’.

* ***The information contained in the following items is restricted in accordance with Part 1 of Schedule 6 of the Local Government Act (Northern Ireland) 2014.***

4. P7 MANAGEMENT ACCOUNTS

Confidential information report, previously circulated, presented by the Chief Finance Officer.

The Chief Finance Officer referred Committee Members to the following areas within the report:

- Financial Overview by Directorate, Page 1, Table 1 formatting has not been presented correctly in the conversion and referred Committee to the second table within the report:
- A favourable variance P7 of £1.249M, down from previous months and should be noted this time include the pay award accrual of £350,000, accruing £50,000 per month. The award has not yet been agreed or implemented and are making provision:
- Premises expenses flagged red of £316,000 due to an increase in materials and maintenance and continues to be monitored;
- Note Third Party payments £1.9M adverse, and was put in context with customer/client receipts £1.9M favourable, due to waste disposal, paying Landfill Tax to HMRC and recouping from customers at the landfill site;
- Taxation and non specific grant income line – red - £442,000, the biggest contributor is Rates Support Grant (RSG), which was cut this year by £500,000 Grant paid quarterly Month 7 third quarter payment. Adverse variance £396,000;
- £46,000 adverse Transferring Functions Grant, due to Ombudsman's costs increased this year, there have been refunds in previous years and will monitor;
- RSG additional money received last year agreed to set aside Covid for Recovery Fund which will mitigate at year end.

The Chief Finance Officer summarised headline figures:

- Employee costs - favourable £750,000 includes annual pay award;
- Premises - highlighted Insurance and Rates Bills;
- Utility Costs – Council are under a fixed price contract until March, and as will be advised at rates estimates this is going to end;
- Premises costs/ building materials costs increase 50% over £690,000 budget adverse;
- Pressure - budgets fuel prices are increasing.

The Chief Finance Officer referred further through the document to the Balance Sheet General Fund at £7,746K, 13.5% of net operating expenditure and above the requirement of 5%-7.5%.

Covid Recovery Reserve £4.88M, which can be used to offset and mitigate loses. There is £500,000 Rates Support Grant and will utilise at the end of the year.

Department for Communities (DfC) Grant Funding paid in March and can release. Claims have been submitted for Quarter 1 and Quarter 2 and if approved by DfC may release out of that Reserve against those claims.

Capital Expenditure £137,000, year to date spend under £2M.

P7 Capital Financing Requirement £77.5M and within the debt ceiling of £80M. Loan balances are £63.8M of total loans, there is no change from last month and the next repayment 1 February.

Projected cash flow bank balances for December, January, February are the main figures, loan repayments in February of £3.5M, and will see a decrease in February.

The remaining tables were Directorates and commentary's, specific factors for their areas.

Councillor McQuillan commented on a very good set of accounts. He referred to the Directorate of Environmental Services, premises costs £414,000 adverse and sought additional information on this.

The Chief Finance Officer advised Council were not in fixed term contracts for maintenance/materials and repair bills for minor and major jobs and were conscious of this and were monitoring.

Alderman Finlay stated Council had now decided to sell the Dunluce Centre and queried why it was budgeted for last year, given the fact it was not a known income and put on the rates. He questioned whether the money was spent or can it be set aside.

The Chief Finance Officer clarified a Minimum Revenue Provision (MRP) calculation on the Capital Programme and assumption of the capital receipt from the sale of the Dunluce Centre was £1M to help with the financing of the capital programme and indirectly does affect the rate. Council also sold the former Dungiven site and did not include this sale in the MRP calculation. The Chief Finance Officer clarified Council can do what they wish with the capital receipt and out workings will be in the MRP calculation. The figure was included in the rates estimates however, it would not have been included in the financial accounts.

The Chair commented the Dunluce Centre decision had been made 6-7 years ago and Council still do not have the money.

In response to Councillor McQuillan, the Chief Finance Officer advised if it had not been included in the assumption of the receipt on rates estimates, the effect would have raised additional rates.

5. P7 DEBT MANAGEMENT REPORT

Confidential report, previously circulated, presented by The Chief Finance Officer.

Purpose of Report

This report informs members of the current position surrounding debt owed to the Council by its customers.

Background

Council implemented a revised Debt Management Policy in February 2017.

Detail – Aged Debt Analysis

As at 30th Nov 2021 table was circulated within the report.

As at 30th Nov 2020 table was circulated within the report.

Movement and comparison between last year and this year (30th Nov 2020 and 30th Nov 2021) table circulated within the report.

The 90 days and over figure includes debts relating to rents paid monthly (£10,416), direct debit payments collected monthly in accordance with agreements (92,964) and Business Improvement District (BID) invoices (£34,324), the BID debt belonging to a third party. Adjusting for these figures the debt which Council staff are actioning in accordance with the debt management policy amounts to £15,883.

The tables circulated detailed the status of any debt which was over 90 days in excess of £10 at the previous report but which has now been cleared.

Over 90 Days analysis

The tables circulated detailed the status of any debt which was over 90 days in excess of £10 currently (excluding BID accounts) was circulated within the report.

Options

Debt write-off under £1,000

In accordance with our debt management policy the Chief Finance Officer is required to report to Council any debts under £1,000 which the Chief Finance Officer has the authority to write-off. There are no such debts this month.

Debt Write-off over £1,000

In accordance with Council's debt management policy, Council approval is sought in order to write off any debts in excess of £1,000. There are no such debts this month.

Councillor McLean queried one of the over 90 days over £3,000.

The Chief Finance Officer advised he would find out and bring the information back to Members.

6. P7 PROMPT PAYMENT STATISTICS

Confidential report, previously circulated, presented by the Chief Finance Officer.

Background

Department for communities (DfC) requires Council to record and publish statistics regarding the payment of supplier invoices with specific reference to two distinct measures namely invoices paid within 10 working days and invoices paid within 30 calendar days.

Detail

These figures are published on a quarterly basis by DfC with Councils required to do likewise. The purpose of the statistics is to encourage Councils

to support businesses especially those local and/or small businesses for whom cash flow is of vital importance to their continued survival. In addition as part of Council's performance improvement plan for this year the payment of our suppliers has been identified as one of the performance improvement objectives with a target of 90% of suppliers being paid within 30 calendar days. The tables below detail Council's performance since April 2018 the latest data being for quarter 3 of 21/22 year being up to and including end of November 2021. This is a tremendous improvement on prior years with 74.46% (69.36% year to date) of invoices being paid within 10 working days and 94.23% (92.90% year to date) of invoices being paid within 30 calendar days for the now complete first quarter. The quarter 2 figures, which encompass July, did suffer a slight reduction however this expected at this time of year due to many staff being on leave but this has since been recovered. These are safely the best figures Council has returned on these statistics and provide continued evidence of the improvements that have been made to systems and processes whilst maintaining the security of Council finances.

Improvement Actions

Whilst the improvements above are most welcome Council cannot afford to rest on its laurels. There is still room for improvement as other Councils have performance that is higher than Causeway Coast and Glens Borough Council therefore we must now strive to firstly maintain this level of performance and with the implementation of a new finance system seek to identify efficiencies in our processes especially where the new technology can offer electronic solutions to manual tasks. It should be noted that the process of implementing the new finance system has recently begun and Council should be able to expect future improvements once the implementation is complete.

Tables were circulated within the confidential report.

7. LANDFILL PERFORMANCE DEED

Confidential report, previously circulated, presented by in the Director of Finance (Interim).

Purpose of Report

Northern Ireland Environment Agency (NIEA) requires Council under the Pollution Prevention & Control (Industrial Emissions) Regulations (Northern Ireland) 2013 SR 160 (as amended) ("the PPC Regulations") to make and maintain adequate financial provision in relation to and/or arising from its duties and obligations under the Permit which was issued to Council in accordance with the PPC Regulations.

Detail

In order to fulfil Council's obligations under the PPC Regulations Council are required to provide a deed of performance in relation to its operational landfill site at Craighuliar. This deed sets out a financial obligation which Council is bound to as a result of the operation of the landfill site. There is a calculation model agreed with both NIEA and Northern Ireland Audit Office (NIAO) which determines the level of the financial obligation, this calculation being based upon factors such as remaining capacity and quantity of material being

landfilled. As is normal with such a document this requires sealing at a Council meeting prior to submission to NIEA.

Annual Updating

In this case the sealed document requires an annual update to take into account additional usage and consumption of the landfill site thereby affecting the level of financial obligation required. With that in mind this document is before committee in the first instance this being the second update of the document. The performance deed attached at appendix 1 dated 1st February 2022 will supersede the document dated 29th June 2021 and sealed at Council in June 2021. Subsequent updates will occur annually thereafter following conclusion of the audit of annual accounts, the figure to be included in the performance deed being agreed as part of the audit process. The shorter time on this occasion is due to the 2019/2020 accounts being delayed in their certification.

Recommendation

It is recommended that council approve the attached performance deed be updated as detailed and proceed to full council for sealing replacing the document dated 29th June 2021.

Proposed by Councillor McLean
Seconded by Councillor McQuillan and

AGREED – to recommend that Council approve the attached performance deed be updated as detailed and proceed to full council for sealing replacing the document dated 29th June 2021.

The Chair put the proposal to the Committee to vote.
10 Members voted For. The Chair declared the motion carried.

Councillor Nicholl could not be contacted to obtain his vote.

* **Chief Finance Officer had an IT issue between 7.32-7.36pm.**

8. COMMERCIAL LOAN CHANGES – LIBOR TO SONIA

Confidential report, previously circulated, presented by the Director of Finance (Interim).

Background

Causeway Coast and Glens Borough Council currently operates two loan arrangements with Barclays Bank.

Detail

The first arrangement was setup in 2007 by Coleraine Borough Council for a fifty-year period which will expire on 20th August 2057. The second arrangement was setup in 2010 for a twenty-five year period which will expire 8th April 2035.

Council have recently received correspondence from the provider requesting an amendment to these agreements. A copy of this correspondence is attached as appendices to this report.

The requested amendment is required due to the Financial Conduct Authority (FCA) announcement that the London Interbank Offered Rate (LIBOR) will cease to be representative of the underlying market and economic reality that it is intended to measure.

The consequence of this for the agreement with Council is that LIBOR is referenced in a definition of the "Breakage cost" or the amount due if the loan is being repaid early. The provider are proposing to amend the agreement to refer to the Sterling Overnight Index Average (SONIA) plus an adjustment that takes into account the difference between 6 month LIBOR and the overnight SONIA rates.

Officers have consulted Council's treasury management advisers who have advised that the request is reasonable, and Council can agree to the amendment. They further pointed out that the amendment will only be of relevance if Council were to break the agreement and repay the loan early.

Recommendation

It is recommended that council approve the amendments and that the deeds which are included in the appendices can be signed by Council Officers and presented for sealing at the next available Council meeting before being sent back to the provider.

During discussion, the Director of Finance (Interim) clarified he had put questions surrounding the scenario of whether it was not signed to the Banks, but had not yet received a response, and further clarified in the event LIBOR did not exist, would revert to SONIA measurement.

Councillor McQuillan put forward a proposal in light of the further information obtained from the Director of Finance (Interim). He queried whether it would be cheaper or more expensive to pay off the loans, the Director of Finance (Interim) did not have the calculations, and would suspect there would be a small risk and could defer and come back to Committee with the information, if required.

In response to Alderman Finlay, The Director of Finance (Interim) clarified he would expect a redemption fee in the event of paying loans early and this would be in the terms and conditions.

The Chief Finance Officer clarified the loans £10m in total, with 4 separate facilities, these two loans were £3m each, the £10m referred to in the report was the total portfolio with private sector banks. LIBOR / SONIA rate used only to calculate breakage costs if Council repay the loans early.

Proposed by Councillor McQuillan
Seconded by Councillor McLean and

AGREED – to recommend that council approve the amendments and that the deeds which are included in the appendices can be signed by Council Officers and presented for sealing at the next available Council meeting before being sent back to the provider.

9. DUNGIVEN SPORTS CENTRE LOAN

Confidential report, previously circulated, presented by The Chief Finance Officer.

Council makes extensive use of borrowing to finance its capital programme currently holding a loans portfolio amounting to £63.816m this being made up of £53.618m from Government Accounts Branch (GAB) in the Department of Finance (DoF) and £10m with Commercial banks.

Detail

In October Council considered its policy position with regards to repayment of loans related to assets that had been sold. Council's decision was that each loan would be considered on a case-by-case basis. The purpose of this report is to allow Council to consider loans that were drawn down regarding the recently sold the former Dungiven Sports Centre which had outstanding loans with GAB amounting to £34,496.94 at the point of sale. When Council enquired regarding the redemption of this loan a redemption order was received. The maturity date of the loan is 2035 and the premium on early redemption amounted to £11,149.24. By way of information the interest due on this loan over the remaining life amounts to £12,285.56, essentially the penalty for early redemption is almost all the remaining interest being paid now. It should be noted that the figures quoted are those from the original redemption order, should Council decide to repay the loan a new redemption order will need to be requested and the figures may vary slightly from those quoted due to the passing of time.

Redemption

The proceeds from the sale were £230,000, should Council decide to repay the loan then approximately £45,646.18 of the sales proceeds would be utilised in the repayment leaving £184,353.82 for application to capital financing. There would be a reduction in future MRP and interest requirements of approximately £3,341 per annum.

Recommendation

It is recommended that Council consider whether or not to repay this loan in full or continue with the annual repayments over its remaining life as originally set out in the repayment schedules.

It was proposed by Councillor Scott to let the loan run its natural course for its lifespan until 2035 as there was no benefit in doing otherwise. The Chair advised there was no seconder for the proposal.

Councillor McLean queried whether the sale of £230,000 had been included in rates estimates last year, he would want to pay the debt with the asset sold at the time.

In response to questions, The Chief Finance Officer clarified £230,000 was not included in rates estimates assumptions at that time. If Council were to clear the debt, £45,000 would come of the capital receipt and there would be no effect to the revenue budget and the reduce capital receipt for the capital programme. The interest rate fixed for the Term.

In response to questions, The Director of Finance clarified that through discounted cash flow and bringing back to net present value referring the £1,000 variance is a mathematical calculation and the £12,285 is the same as £11,149 in today's terms. He confirmed repaying the debt would impact cash flow negatively by £45,000 and the same for any other loans Council pay in the future, repaying reduces the cash flow.

Councillor Peacock agreed with Councillor McLean, if the asset is sold, Council would have extra money, but instead of holding onto the cash for an asset that Council should clear the debt with the money from the asset and paid out of the capital receipt.

Councillor Holmes considered a saving of £1,000 paying off early, and agreed on selling an asset, Council are not going to be penalised to pay off the outstanding loan.

Proposed by Councillor Peacock
Seconded by Councillor Holmes and

AGREED – to recommend that Council repay this loan in full.

The Chair put the motion to the Committee to vote.
7 Members voted For; 3 Members voted Against; 0 Members Abstained.
The Chair declared the motion carried.

10. PROCUREMENT POLICY CHANGE

Confidential report, previously circulated, presented by the Director of Finance (Interim).

Background

Previously, Directors could approve procurement at £30,000 but Council revised these limits to £10,000. Finance Committee requested that these limits return to the previous £30,000 threshold to support operational running of the organization.

Detail

In November, the Finance Committee requested a paper is returned to the Committee with a recommendation to raise the procurement threshold for Directors back to the original values. The purpose of this report is to present to Finance Committee and Council the Procurement Policy that will allow that.

Current threshold limits for Directors / SMT are set at £5,001 - £10,000. And Council approval from £10,001 - £30,000. Anything above £30,001 requires a full Open Tender and Council Approval is also required.

The change proposed, takes the thresholds of the previous Procurement Policy, and allows an individual director's threshold to move from £5,001 - £15,000 and SLT threshold to include £15,001 - £30,000. All other threshold limits remain the same.

The table that sets out the thresholds are found in the draft procurement policy and at pages 5 and 6 of this report.

It is recommended that Finance Committee recommends this updated Procurement Policy for Council Approval.

Councillor Peacock considered there was no need to raise the threshold, it was working well and there were more reports coming to Committees.

Councillor McLean referred to a recent decision from Environmental Services Committee regarding £15,000 to replace a floor in Ballycastle Depot and advised it would be beneficial to have reports in front of Committees.

The Director of Finance (Interim) clarified thresholds and obtaining quotations processes.

Proposed by Councillor Peacock
Seconded by Councillor Nicholl and

AGREED – to recommend that Council do not approve the updated Procurement Policy and keep these limits to £10,000.

The Chair put the motion to the Committee to vote.
10 Members voted For; 0 Members voted Against; 0 Members Abstained.
The Chair declared the motion carried unanimously.

11. CONCESSIONARY TRADING UPDATE

Confidential report, previously circulated, presented by the Director of Finance (Interim).

Background

At November 2021, Committee Members raised a question on the debt over 90 days in relation to Concessionary Trading Income. The purpose of this report is to advise members further on that issue.

Detail

In November 2021, Finance Committee raised a question on concessionary trading terms and conditions surrounding debt management

Committee members will find the ES Concessionary Trading Outcome – Online Auction report on the Members Portal that was heard in the 11th May 2021.

Members are advised that all applicants received T&C's and point 12 addressed the payment schedule which stated:

- a) Year 1: 1st April 2021 – 31st March 2022 – payment in full before the 1st April 2021 or 50% of bid payable before 1st April 2021 with the remaining 50% to be paid on or before 1st June 2021;
- b) Year 2: Subject to Council agreeing to an extension for a second year, payment agreed at 2021 auction to be received in full by 31 March 2022; and

- c) Year 3: Subject to Council agreeing to an extension for a third year, payment agreed at 2021 auction to be received in full by 31 March 2023;

Finance is aware that a payment plan is in place for one of the purchasers of the license agreements and that the plan is being adhered too. Full payment is expected to be completed December 2021.

Recommendation

It is recommended that Finance Committee note the terms and conditions.

12. RATES ESTIMATES PROGRESS

The Director of Finance (Interim) provided a verbal update, an overview of timeframes.

He stated Corporate Policy and Resources Committee have seen the first draft of their budget at the end of last month, Environmental Services and Leisure and Development will see their first draft in December, there will be another opportunity in January for all committees to have a review before Rates Strike on February 3rd and a place holder for February 10th if February 3rd fails but the ultimate deadline for submission is 15th February. If the budgets are not finalised coming to the end of January, workshops can be set up.

The Chief Finance Officer further advised Committees will review their budgets in due course, the first draft estimates, and stated Council were meeting significant pressures from a number of fronts and these were detailed for Committee Members. He stated the current pressure percentage and in response to comments advised estimates could be presented in November in future years.

Alderman Finlay referred to Committees making decisions, that it was very hard to see what all the rest of the Council were doing and stated reluctance for the information to be presented to Committees.

The Director of Finance (Interim) took on board the comment and advised in that instance, workshops would be held; he would take the information away and consider how information could be shared.

Councillor McLean stated concern that Council would need to consider issues on a night on its own and suggested forecasting was last minute.

Councillor Holmes suggested Council look at the Government Central Procurement for electricity. The Chief Finance Officer advised he would refer the matter to the relevant Department and report at the next Committee meeting.

Councillor Nicholl stated frustrations that Council should go together to get the best deal, there is the technology available to look ahead month-by-month.

13. ANY OTHER RELEVANT BUSINESS

There were no matters of Any Other Business Notified.

MOTION TO PROCEED ‘IN PUBLIC’

Proposed by Councillor McQuillan
Seconded by Councillor McLean and

AGREED – that Committee move *‘In Public’*.

This being all the business the Chair thanked everyone for their attendance and the meeting closed at 8.48pm

Chair

Unconfirmed