



**Finance Committee
Wednesday 13 October
2010
Committee Room 1
Town Hall**

Minutes

Attendance:	Roy Smith (Chair), Jan Kitshoff, Les Naughton Peter Mercer, Peter Fitzhenry, Ian Robinson (part), Allen Barber, David Pendleton David Tolson David Cowley (part)
Apologies:	Carole Hassan, Jim Stockton

Committee decisions	Action
<p>FC 2010 – 001 RS be appointed Chair. Any member to act as Deputy in his absence.</p> <p>FC 2010 – 002 Feed in Tariffs system – the self generation of electricity - Decision The Committee agreed that: a detailed brief be prepared to include the issues raised and recommending a way forward.</p> <p>FC 2010 – 003 Treasury Management Strategy - Decision 1. The slide presentation on Treasury Management be made to the Board meeting on 27 October 2010; 2. The terms of the letter from Santander be accepted; 3. The Board be recommended to approve delegated authority to allow the transaction to be completed.</p> <p>FC 2010 – 004 Stock Transfer update on financial matters – verbal report - Decision The report be noted and support be given to continue the negotiations on the basis of obtaining the best terms in order to meet the 29 November transfer date.</p>	

<p>FC 2010 – 005 Management Accounts 2010/11 – Decision The Committee approved the Management Accounts for period 5.</p> <p>FC 2010 – 006 Accommodation update - Decision The Committee noted the update on accommodation.</p>		
1.	<p>Declarations of Interest None.</p>	
2.	<p>Apologies As above.</p>	
3.	<p>Election of Chair/Deputy</p> <p>RS was elected Chair of the Committee and took over chairing the meeting.</p> <p>The Committee agreed that in the Chair's absence any member will act as Deputy</p> <p>FC 2010 – 001 RS be appointed Chair. Any member to act as Deputy in his absence.</p>	
4.	<p>Finance Committee – Terms of Reference</p> <p>DP introduced a report on the approved Terms of reference for the Committee:</p> <p>The Committee noted the report.</p>	
5.	<p>Minutes of the Finance and Resources Committee 11 August 2010</p> <p>The minutes were accepted as an accurate record of the meeting.</p>	
6.	<p>Feed in Tariffs system – the self generation of electricity - Decision</p> <p>The Board's working group agreed that we should approach Santander to provisionally include capital resources to fund a F.I.T scheme. DT introduced a report on the Feed in Tariffs (FITS) scheme introduced by the Government from 1 April 2010. This offered an opportunity for Social Landlords to instal solar panels to generate electricity and meet a number of their objectives including:</p> <ul style="list-style-type: none"> • Reduction of energy costs for Tenants • Tackling fuel poverty • Contributing towards the Closing the gap strategy • Delivery of their Environmental Policy commitments • Provision of local employment and training opportunities • Potential access to a financial return on their investment. <p>The report was an initial high-level look at the opportunities available and provided some background to the scheme, highlighting the options to be considered and</p>	

	<p>proposing a way forward.</p> <p>The Committee received details from DC on the Council's current proposals relating to the potential of solar panels including the potential for a partnership arrangement between the Council and the future GGHT. The Council is planning for significant investment in F.I.T schemes and it expects to achieve substantial financial returns.</p> <p>Members reported information from the NHF Conference held earlier that day on a wide range of energy efficiency schemes, (RHI, MDHP) which appeared to be worth further consideration.</p> <p>The Board had agreed to approach the preferred lender, Santander, for additional funding to allow a scheme to proceed. Following discussions with Santander the Committee noted that it would not be feasible to achieve this before stock transfer. If the Board decides to take up a F.I.T scheme then it may be possible to borrow the capital from WBC using prudential borrowing.</p> <p>Questions/comments:</p> <ul style="list-style-type: none"> • Combined heat and power together with improvements to thermal insulation to the fabric of the property was promoted at the NHF event to provide savings to customers. <i>Cavity insulation programmes have been carried out and around 4000 properties have no storage cylinder because combi-boilers are usually installed. The Warrington Offer also included energy saving works.</i> • <i>The RHI scheme was developed by the previous government and is due to come on stream in April 2011. There are uncertainties about its actual implementation and the resultant benefits of the scheme.</i> • New Government may make announcement as part of Comprehensive Spending Review regarding climate change energy conservation incentives and this may affect financial viability of schemes. • Need to follow-up on information provided at the NHF conference on climate change and energy strategy position to establish what potential there is for further investigation. • Consider the role for the in-house team along side alternative providers/installers and any requirement for external specialist advice in evaluating benefit of new technologies. <p>FC 2010 – 002 Feed in Tariffs system – the self generation of electricity - Decision</p> <p>The Committee agreed that: a detailed brief be prepared to include the issues raised and recommending a way forward.</p>	DT
7.	<p>Treasury Management Strategy - Decision</p> <p>DT outlined a report on Treasury Management Strategy. To support this he gave a slide presentation on the Strategy covering the following areas:</p> <ul style="list-style-type: none"> • Treasury Governance 	

	<ul style="list-style-type: none"> • Loan from Santander • Interest rate management • Fixed rate options • Outlook for inflation and interest rates • Sensitivity analysis • Completion process <p>A copy of a letter from Santander dated 11 October 2010 had been sent to all Board members regarding the loan facilities of £70M and their reasons for not increasing this figure before stock transfer.</p> <p>It was recommended that the Board consider fixing the rate on £30m for at least 10 years duration (3 £10m tranches). The fixed rate loans would fit within the business plan profile with commencement dates of 2012/2013/2014/2015.</p> <p>Subject to the approval of the Board the Director of Business Services would agree the fixed interest rate loans and the starting dates on the day of transfer with the bank and the rates achieved.</p> <p>It was recommended that the Director of Business Services should keep interest rates and inflation under review during the year with a view to managing the impact on the budget and the consequences for future year's business plans.</p> <p>Questions/comments:</p> <ul style="list-style-type: none"> • A graph be added to illustrate the effect of fixing rates in tranches and its relationship to debt outstanding. <p>FC 2010 – 003 Treasury Management Strategy - Decision</p> <ol style="list-style-type: none"> 1.The slide presentation on Treasury Management be made to the Board meeting on 27 October 2010; 2.The terms of the letter from Santander be accepted; 3.The Board be recommended to approve delegated authority to allow the transaction to be completed. 	
<p>8.</p>	<p>Stock Transfer update on financial matters – verbal report - Decision</p> <p>AB gave a progress report.</p> <p>A meeting was to be held with WBC on 15 October to discuss pensions and the related BAT shelter, Right to buy, purchase of former tenants' arrears and purchase of 32 new bungalows. The current stance on negotiations agreed by the Board was to be maintained with the overriding aim of achieving the 29 November 2010 stock transfer date. The negotiations were broadly in line with similar negotiations on stock transfer recently completed or under discussion.</p> <p>Comments/questions:</p> <ul style="list-style-type: none"> • Some of the terms appeared to be disappointing when compared to past stock 	

	<ul style="list-style-type: none"> transfers. <i>This was because of the situation in the current economic climate.</i> <p>FC 2010 – 004 Stock Transfer update on financial matters – verbal report - Decision</p> <p>The report be noted and support be given to continue the negotiations on the basis of obtaining the best terms in order to meet the 29 November transfer date.</p>	
<p>9.</p>	<p>Management Accounts 2010/11 – Decision</p> <p>AB outlined the accounts to the end of period 5 (August 2010).</p> <p>The main variances highlighted were:</p> <ul style="list-style-type: none"> ❖ Employee Costs were the main expenditure item for GGH and currently showed an under spend of £126k against profiled budget. Salary savings of £125k had been offset by agency fees of £16k. Salary savings were mainly due to vacancies and had been generated across all business divisions with the largest savings attributable to Housing Management (£106k). ❖ The employee costs budget included a savings target of £200k in relation to saving through non take up of the Pension Fund. Actual savings as at period five were £66k. ❖ The premises budget was currently £1k underspent which could be attributed to Non Domestic Rates (-£14k) for bills not yet received from the Council, office building maintenance (-£12k), grounds maintenance (£10k) and security of premises (£15k) of which £12k related to security at Penketh Court. ❖ Vehicle leases (-£15k), fuel costs (-£6k) and plant hire (-£8k) were lower than anticipated and were the main reasons for the £29k under spend on transport costs. ❖ Supplies and Services were £187k underspent to date. Notable variances were equipment & tools purchases (-£15k), building materials (-£62k), printing (-£15k), consultancy (-£38k), tipping charges (+£9k), legal services (-£29k) and redecoration vouchers (-£12k). ❖ External contractor repairs were underspent by £12k. The major under and overspends were gas servicing (+£30k), specialised repairs (+£32k), structural repairs (+£43k), void caretaking (-£55k), redecoration vouchers (-£12k), legionella (-£11k) and emergency lighting (-£10k). Managers were investigating £22k capital expenditure which might have been included within structural repairs and were reviewing budget profiles for gas servicing, legionella and emergency lighting works. ❖ Income was £20k (0.3%) lower than budget. The overspend was mainly due to furnished accommodation income being (-£58K) higher than the profiled budget, Building Maintenance capital programme income (+£42k) and 	

Property Services miscellaneous income (+£35k).

There were some profiling issues and variances being reviewed with managers. Salary savings had been generated and GGH was on target to achieve savings against the £352k budget. The budget was currently being revised to reflect the impact of Stock Transfer and savings would be carried forward and form part of that revision.

The situation regarding the funding of the Penketh Court home loss payments of £230k had not been resolved with WBC and GGH might have to set aside £200k from reserves to cover these costs pending a decision on the funding. Expenditure incurred to date was £122k. Council officers had met with the Executive Member for Housing to consider the options and a final decision had been deferred. It would be reviewed in light of the Stock Transfer agreement.

Capital programme

The Capital Programme budget for 2010/11 to 28 November 2010 was £3.393 million. Overall expenditure to date was £1.305 million which represented an underspend of £0.816 million (38%) against an even profile of £2.121 million at the end of period 5. Officers had reviewed programmes and had undertaken a reforecasting exercise which indicated an overall underspend of £114k against the £3.393 million budget. Certain pressures and under spends are set out below.

- ❖ Roof replacement programme was estimated to overspend by £120k against an 8 month budget figure of £267k. Roofing replacement works were a continuation of the programme that had commenced in 2009-2010. Resources had been identified as being available as a result of overall forecast under spending on the Capital Programme.
- ❖ Aids & Adaptations programme was forecast to overspend by £110k and officers were liaising with Bramalls to undertake this work.
- ❖ Procurement options had been re-evaluated for the Asbestos Boiler Replacement Programme and works were now able to be undertaken in conjunction with Fusion 21. Forecast overspend of £50k was anticipated.
- ❖ The Water Mains Replacement programme had been tendered; VFM prices and assurances that works will be completed by 28th November 2010 had been obtained. The programme was anticipated to spend in line with the budget.
- ❖ Budget savings of £136k were anticipated for Voids and Structural works. There were very few structural works to date; costs in relation to 33 Cavendish and 38 Secker Avenue were being funded by WBC outside of the Capital Budget.
- ❖ Tenant Compensation budget savings of £150k were expected. This budget

comprised mainly of homeloss payments to Penketh Court tenants. The Council's external auditors had deemed that homeloss payments were revenue expenditure. It was still undecided as to whether the Council or GGH were responsible for this expenditure.

Officers had a met on 7 October to provide an update on forecast and programme information and had been reminded that 28 November was the cut-off date for capital budget expenditure.

ICT expenditure

£62k slippage on the thin client project had been carried forward from 2009/10. Expenditure of £35k had been incurred at the end of period 5. The Head of ICT was reviewing telephony requirements and approval may be requested for an additional budget allocation. Development costs for the Stock Transfer were to be covered by the set-up costs budget agreed with the Council.

GGHT set-up costs

A budget of £2.265 million had been established for set up costs, with the largest single item being loan arrangement fees of £0.975 million. These costs would initially be funded through a loan from Warrington Borough Council. The loan would be repaid at point of transfer, with £1.960 million repaid from the initial purchase price paid by GGHT. A further £0.3 million was to be repaid at point of transfer. This was in relation to ICT development costs. It should be noted that VAT was not recoverable on these items as GGH is supplying a service under the terms of the management agreement.

Total costs to date were £357k and GGH remained on target for spend in line with budget. However it should be noted that ICT development costs were being firmed up and there may be some pressures on this element of the budget.

A budget of £2.265m had been established for set up costs Total costs were £176k at period 3 and on target for a spend in line with the budget. However, ICT development costs were being firmed up and there might be some pressure on this budget element.

Cash flow

A positive cash flow had been maintained throughout the first 5 months and this had earned interest of £1.5k. Cash on deposit at the end of August was £0.175 million. The average balance on deposit during 2010-11 was £0.922 million. Cash balances were lower compared to 2009/2010 as GGH had undertaken the responsibility to pay external contractors for capital works prior to recharging the Council.

FC 2010 – 005 Management Accounts 2010/11 – Decision

The Committee approved the Management Accounts for period 5.

<p>10.</p>	<p>Accommodation update - Decision</p> <p>AB outlined the report which provided an update of the review of accommodation needs for GGHT. ADT Workplace and Colliers International had been selected to work with GGHT in developing its accommodation strategy and to support it in selecting, fitting out and moving to new accommodation for GGHT. ADT Workplace was providing advice on space planning and fitting out. Colliers International was undertaking the property search and negotiations for new property and an exit strategy on existing properties.</p> <p>The project had been split into three areas – short term accommodation needs, stores and building maintenance and new head office requirements. The report gave a detailed update on each of these areas and details of the inspections made on 12 October were reported to the meeting.</p> <p>GGH's existing office accommodation was considered to be sufficient to meet requirements in the short term. Property searches had begun on head office accommodation for 175 staff, including meeting and training room facilities. A full appraisal was being undertaken on short-listed properties and a report would then be submitted to the Board. It was expected that GGHT should be in a position to move to new accommodation in late summer/early autumn of 2011.</p> <p>Questions/comments</p> <ul style="list-style-type: none"> • What is the situation with the stores? <i>Contract with Jewsons extended for materials, still in negotiation with them about the stores accommodation.</i> <p>FC 2010 – 006 Accommodation update - Decision</p> <p>The Committee noted the update on accommodation.</p> <p>JK left the meeting</p>	
<p>11.</p>	<p>Financial Management arrangements</p> <p>AB outlined the report and highlighted that effective financial management was a key element in GGHT being well managed and financially sound and it would also make a significant contribution to meeting TSA Standards on Financial Viability and Value for Money. It would also enhance our relationship with our funders as clearly they would expect finances to be well managed</p> <p>It was considered that GGHT would be building from a good base, in terms of financial management, but had new challenges with regard to improvement programme and treasury management and there was a need to review the processes to meet the new environment GGHT was moving to. The report set out the measures GGHT was to put in place in order to improve financial management across the whole organisation in the following areas:</p> <ul style="list-style-type: none"> • Develop financial capacity • Internal controls 	

	<ul style="list-style-type: none"> • Financial reporting arrangements <ul style="list-style-type: none"> ○ Budget setting ○ Monitoring arrangements ○ Year end audit ○ Business planning ○ Other reporting arrangements <p>Questions/comments</p> <ul style="list-style-type: none"> • Why is there a need to expand the Finance team? <i>The staff were required to meet new or changed responsibilities eg on Treasury Management, rent account reconciliations, improvement and capital works.</i> <p>The Committee noted the contents of the report.</p>	
	ITEMS FOR INFORMATION	
12.	<p>Any Other Business</p> <p><u>Board meeting – November 2010</u></p> <p>PM reported a proposal to change the date of the Board meeting from 24 to 17 November 2010. The Council were expected to approve the stock transfer on 15 November and the earlier date was to allow additional time before completion on 29 November. RS supported the change but would be unable to attend a meeting on 17 November because of other business.</p>	
	PART II – Confidential Items - NIL	
13.	Date of next meeting: Wednesday 8 December 2010, Peter Mercer's office, 5pm	