

**FINANCE COMMITTEE MEETING
THURSDAY 12 NOVEMBER 2020**

No	Item	Summary of Key Recommendations
1.	Apologies	<i>Councillor McAuley and Councillor McMullan</i>
2.	Declarations of Interest	<i>Nil</i>
3.	Minutes of Finance Committee Meeting Thursday 8 th October 2020	<i>Confirmed</i>
4.	Schedule of Finance Committee Pre-Meetings	<i>Commence at 6 pm, Finance Committee Meeting will immediately follow</i>
	<i>'In Committee' Items 5-11 inclusive</i>	
5.	Period 5 Management Accounts	<i>Note</i>
6.	Finance Dashboards	<i>Note</i>
7.	HMRC VAT Claim	<i>Note</i>
8.	Actual Penny Product	<i>Note</i>
9.	Budget Process	<i>A proposed timetable for setting the annual budget</i>
10.	Any Other Relevant Business (Notified in Accordance with Standing Order 12 (o))	<i>-</i>
	10.1 Update on Capital expenditure profiling	<i>Verbal update</i>
	10.2 Finance Training	<i>Verbal Update</i>

11	PWC Update	Verbal Update

**MINUTES OF THE PROCEEDINGS OF THE MEETING OF
THE FINANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER, CIVIC HEADQUARTERS AND VIA
VIDEO CONFERENCE ON
THURSDAY 12 NOVEMBER 2020 AT 7.00 PM**

In the Chair: Councillor McLean (C)

Members Present: Alderman Duddy (C) and Hillis (C)
Councillors Bateson (R), Knight-McQuillan (C) Callan (C), Beattie (R), Holmes (R), McCaw (C), Peacock (R), Nicholl (R), Schenning (C) and Scott (C)

Officers Present: D Jackson, Chief Executive (C)
M Quinn, Director of Corporate Services (R)
A McPeake, Director of Environmental Services (R)
R Baker, Director of Leisure & Development (R)
L Clyde, Financial Accountant (R)
P Donaghy, Democratic and Central Services Manager (R)
I Owens, Committee & Member Services Officer (R)

In attendance: J Davidson, PwC (R)
C Thompson, ICT Operations Officer (C)
A Lennox, Mobile Operations Officer (C)

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

SUBSTITUTIONS

Councillor Knight-McQuillan substituted for Councillor McQuillan.

1. APOLOGIES

An apology was recorded for Councillor McAuley and Councillor McMullan.

2. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

3. MINUTES OF THE FINANCE COMMITTEE MEETING HELD 8 OCTOBER 2020

AGREED – That the minutes of the meeting held on 8 October 2020 were confirmed as a correct record.

4. SCHEDULING OF HEADS OF SERVICE PRE-MEETINGS

Members explored options for timing of pre-meetings with Heads of Service going forward. After discussion, the Chief Executive suggested pre-meetings commence at 6 pm to conclusion and are immediately followed by the Finance Committee meeting.

AGREED – to recommend that Heads of Service Pre-Meetings commence at 6pm, immediately followed by the Finance Committee Meeting.

MOTION TO PROCEED ‘IN COMMITTEE’

Proposed by Alderman Duddy

Seconded by Councillor Scott

AGREED – that Committee 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.**

5. MANAGEMENT ACCOUNTS FOR PERIOD 6, INCLUDING YEAR-END FINANCIAL MODELLING

Confidential report, previously circulated, presented by the Chief Executive.

Background

This report summarises and provides a narrative for the Causeway Coast and Glens Borough Council 2020-2021 management accounts for the period up to and including month six. Note that these management accounts show gross income and gross expenditure.

Detail

Previously circulated was a management accounts report detailing the financial position as at period 6 of the 2020/21 financial year (up to 30 September) together with a single page service area summary. Also included was a commentary by service areas of the Council, explaining deviations from budget.

Reserves Position

The reserves position was previously circulated.

Capital Expenditure to Date

Capital expenditure for the first 6 months to 30 September, previously circulated, included is Vehicles, plant and equipment and Assets under construction.

Impact of Covid-19

A payment for additional waste costs from DAERA has been received. DfC have paid Tranche 2 of Revitalise Covid-19 recovery for towns and villages.

Overview of Period 6 position (to August 2020)

The net position for the 6 month period was previously circulated. The biggest change is obviously the impact of Covid-19 on income and cost of services. This is offset by service efficiencies, income support from central government and the furloughing of staff. Further to recent press releases from the Executive Office, additional income support from DfC and DAERA is anticipated.

Detailed commentary by service areas was previously circulated as follows.

Leisure and Development

Community and Culture; Tourism and Recreation; Sport and Well-Being and Prosperity and Place.

Environmental Services

Estates, Health and Built Environment; Infrastructure; Operations; ES Business Support and ES Centrally Managed.

Corporate Services

Democratic Services; Human Resources; ICT; Policy and Community Planning; Contribution to Other Bodies; Internal Audit and Centrally Managed.

Performance, Finance, Legal and Planning

Performance; Health and Safety and Insurance; Civic Buildings; Finance and Planning.

Non-service Income and Expenditure

Rates income is on track. Rates support grant is better than budget by but this is offset by the transferring functions grant being down.

Investment income has a favourable variance and is a result of the increased rental income from the National Trust as part of the five year rent review at GCVC.

AGREED - to recommend that Council note the report.

6. FINANCE DASHBOARDS

Confidential report, previously circulated, presented by the Chief Executive, including graphical illustrations as follows:-

Council Wide; Environmental Services; Leisure and Development; Corporate Services and Planning.

At the request of Councillor Callan, the Chief Executive agreed to provide detail of the Annual budget and cost to date for Call-In's Opinions? The Chief Executive advised the cost of Call-In's had exceeded the Annual budget and some still not invoiced.

At the request of Councillor Callan, the Chief Executive gave an update on the in-house legal staffing provision, confirming there were currently two Solicitors and one Paralegal employed. The Chief Executive confirmed the in-house legal staffing provision was under review.

Alderman Duddy asked for a breakdown of the cost of the Judicial Review, the Chief Executive agreed to provide this information.

Councillor Callan asked if members could have live access to the financial dashboard, the Chief Executive agreed this would be facilitated.

AGREED - to recommend that Council note the report.

7. HMRC VAT

Confidential report, previously circulated, was presented by the Chief Executive.

Background

Claims against HMRC for VAT payments in Leisure Services were lodged by 26 councils in March 2011. As claims can be backdated for up to 4 years, and the fact that VAT Returns are submitted on a quarterly basis (they can be submitted monthly), the original claims were backdated to 1 April 2007. These claims have been updated every 4 years to ensure that no years fall out. The current estimate (at a high level) is an aggregate repayment of about £70m to all 11 councils (up to 31 March 2020).

Potential for appeal

HMRC have a right of appeal for 56 days after 17 October 2020. The legal opinion is that it would be a very difficult appeal for HMRC to win. Assuming that HMRC don't appeal, or if they do and their appeal is unsuccessful, there will be a recurrent benefit to councils going forward. Again assuming that HMRC don't successfully appeal, it is assumed that HMRC will want to do due diligence regarding the amounts actually claimed.

There is an outside possibility that, even if HMRC don't appeal, they might contend that councils would be unjustly enriched if they paid us the money (because technically they might say we should pay the VAT back to the people who originally paid it and now we couldn't really do that even if we wanted to).

If HMRC attempt to say that the new councils are not the successors in title to the VAT pre 1 April 2015 because all Councils (excluding BCC) have different VAT registrations as different legal entities, that has been covered off by councils enter into deeds of assignment in March 2015 prior to the old councils being wound up.

Costs

The aggregate costs of the case are now approaching £500,000. The costs aren't recoverable from HMRC because the Tribunal decided circa 2012 that the case was not a complex case. The costs have been shared between all the NI councils on an ongoing basis.

Conclusion

Senior Council has indicated that this is a major victory with potentially far reaching consequences for local authorities in various service areas (not just leisure and recreation) in the UK (not just NI)

AGREED - to recommend that Council note the report.

8. ACTUAL PENNY PRODUCT

Confidential report, previously circulated, presented by the Chief Executive.

Background

Land and Property Services (LPS) who issue bills and collect rates on behalf of Councils issue in year forecasts on the Actual Penny Product (APP) and projected outturns with regards the amount of rates actually collected.

Detail

LPS has issued to Councils the second in year forecast for the APP based on figures at 30 September 2020. The forecast for Causeway Coast and Glens Borough Council indicates that we are on course to receive a positive finalisation in terms of rates income. The figure has

been calculated on the basis of a number of assumptions, previously circulated.:

* **Councillor Nicholl left the meeting at 7.37 pm during discussion of this item.**

Members cautiously welcomed the contents of this report, given the current pandemic and the possible impact on businesses.

The Chief Executive advised members the Land and Property Services closing balance could adversely or favourably affect the figures next year and reminded members of the potential for a reduced business rates income.

The Chief Executive considered the Regeneration Projects, The Open Golf, Games of Thrones investment and Tourist Destination work had all been favourable to the Borough in financial terms.

The Chief Executive indicated the planned development of housing in Ballymoney and Limavady may potentially favourably affect rates income.

At the request of Alderman Hillis, The Chief Executive confirmed Building Control Officers were in regular contact with Land and Property Services and were active in determining the status of buildings to ensure rates were payable on occupation.

The Chief Executive agreed to invite Land and Property Services to Council to discuss issues around Rates.

Councillor Scott referred to housing developments in Limavady which had been passed by Planning but were subject to funding by Stormont for the sewer network. Councillor Callan concurred stating the sewage and water provision within the Borough required investment.

The Chief Executive agreed to write to the Minister for Infrastructure to lobby for the release of funds to undertake required works for sewerage and water provision in the borough.

AGREED - to recommend that Council note the report.

9. BUDGET PROCESS

Confidential report, previously circulated, presented by the Chief Executive.

Background

District councils are obliged under legislation, Section 3 of the Local Government Finance Act (Northern Ireland) 2011, as part of the annual budget procedures to submit estimates of income and expenditure of the council for the next financial year. Regulation 3 of the Local Government (Capital Finance and Accounting) Regulations (Northern Ireland) 2011 states the prescribed date for the annual budget for a financial year beginning on or after 1st April 2012 shall be 15th February. There is a possibility that this date may be delayed to March 2021 due to the Covid-19 pandemic. This report proposes a timetable for the annual Council budget setting.

The suggested programme reflects the uncertainty relating to the Covid-19 pandemic and its impact on Council services and costs.

A proposed timetable for setting the annual budget is tabled below at Appendix (previously circulated)

It is recommended that Finance Committee agrees the proposed timetable for setting the annual budget.

Councillor Callan welcomed the update from the Chief Executive and felt this would ensure all parties were well informed and would enable a robust decision, in advance of the Rates Strike deadline.

Alderman Duddy asked that consideration be given to efficiencies if possible, in December.

Alderman Hillis also welcomed the robust timetable suggested by the Chief Executive and asked about the timeline of regional rate provision. The Chief Executive confirmed this was usually provided in May and that Council struck the rate figure in advance of this information being available.

Proposed by Councillor Callan
Proposed by Councillor Scott and

AGREED: to recommend that Council agrees the proposed timetable for setting the annual budget.

Discussion ensued regarding how best to enable fuller discussion given the pandemic and the need for social distancing. The Chief

Executive agreed to give this further consideration and update members accordingly at next Finance Committee.

10. ANY OTHER RELEVANT BUSINESS (NOTIFIED IN ACCORDANCE WITH STANDING ORDER 12 (O))

The Chief Executive clarified that mandatory training for all Heads of Services was scheduled to take place in December and in addition, a NILGA Finance Masterclass was taking place on 3rd December at 10.30am.

The Chief Executive agreed, at the request of Councillor Callan that a separate evening training session be requested from NILGA for Finance Committee members.

11. PwC UPDATE

Mr Davidson was invited to give a verbal update on the debt and capital forecasting work as follows:

- Debt levels of the Council at September 2020 are currently £69.5 million
- This compares to debt levels at March 2016 of £69m, as shown in the publically available annual accounts.
- There have been no additions to the debt level this financial year, with debt reducing in year (from £72.1m in the March 2020 annual accounts) due to bi-annual capital repayments
- The Council has identified a desire to reduce its debt levels and servicing costs going forward. To do so, there will be a number of variables needing consideration, such as proposals around assets purchases/realisations, debt profiles, decisions around how much revenue spend is directed to capital, and any other one-off adjustments.
- To enable councillors to make decisions which impact on the future debt position, the Council finance team is preparing a capital/debt forecast for the next ten years.
- This forecast is relatively complex and needs to factor in all variables with regards the asset position, debt profile, working capital, and cash flow.
- To highlight the complexity, an example to consider would be that whilst the Council's debt has indeed reduced this year, this has only been possible due to the ability for certain approved asset purchases to be funded out of available free cash flow.

- This free cash is available due to cash reserves that build over time. In the longer term however, additional debt may need to be taken out on the unfinanced assets purchased this year.
- This is part of the council's treasury management policy to manage the interest costs on debt in the short term, and all nuances such as this will need to be accounted for in the capital/debt forecast.

Councillor Callan felt that Council was on a sound financial footing and there was the potential to increase income with the realisation of Dunluce Ctr, Waterworld and Laurehill.

Proposed by Alderman Duddy

Seconded by Councillor Knight-McQuillan

AGREED to recommend that Council publicise the fact that the current financial position is good.

MOTION TO PROCEED '*IN PUBLIC*'

Proposed by Alderman Duddy

Seconded by Councillor Scott

AGREED – that Committee move '*In Public*'.

This being all the business, the Chair thanked everyone for their attendance and the meeting closed at 8.31 PM.

Chair