



FINANCE COMMITTEE MEETING THURSDAY 12 AUGUST 2021

No.	Item	Summary of Key Recommendations
1.	Apologies	Councillor Bateson
2.	Declarations of Interest	Nil
3.	Minutes of the previous Finance Committee	Confirmed
	'IN COMMITTEE' (Items 4-10 inclusive)	
4.	General Financial Update	Information
5.	P3 Management Accounts	Information
6.	Causeway Coast and Glens Borough Council Procurement Function	Option 2 and Option 6
7.	Timetable of Deliverables	Information
8.	Causeway Coast and Glens Borough Council Debt Position	Information
9.	Mid Ulster v Department of Finance Judicial Review	Information
10.	PWC update	Information
11.	Any Other Relevant Business	Nil

**MINUTES OF THE PROCEEDINGS OF THE FINANCE COMMITTEE MEETING HELD IN
THE COUNCIL CHAMBER, CIVIC HEADQUARTERS AND VIA VIDEO CONFERENCE
ON THURSDAY 12 AUGUST 2021 AT 7.00 PM**

- In the Chair:** Alderman Hillis (C)
- Members Present:** Alderman Duddy (C), Finlay (C)
Councillors Beattie (R), Callan (R), Holmes (C), McMullan (R),
McLaughlin (R), McLean (C), Nicholl (R) Schenning (R) Peacock
(R), Scott (C), Wilson (C)
- 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:** J Davidson, PWC (R)
- C Thompson, ICT Officer (C)
A Lennox, ICT Mobile Operations Officer (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.

SUBSTITUTION

The Chair advised Councillor McLaughlin was substituting for Councillor Bateson.

1. APOLOGIES

Apologies were recorded for Councillor Bateson.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS FINANCE COMMITTEE

Summary previously circulated.

The Minutes of the Finance Committee meeting held Thursday 10 June 2021 were confirmed as a correct record.

MOTION TO PROCEED 'IN COMMITTEE'

Proposed by Councillor Schenning

Seconded by Councillor Scott and

AGREED – to recommend 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.

The Chair advised Committee of its obligations and protocol whilst the meeting was being audio recorded '*In Committee*'.

4. GENERAL FINANCIAL UPDATE

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

The aim of the report was to provide members with an overview of the Finance Team workstream that are complete or in progress. More specific items that require Finance Committee decisions, proposals or recommendations will be provided for in their own reports.

The Director of Finance provided commentary from the report on the following matters:

P2 And P3 Accounts

P2 (May) Accounts were produced and reviewed by the Senior Leadership Team at the end of July 2021. The P3 (June) are presented to Finance Committee in its own report this meeting. We are in the process of standardising the reporting structure of the report and feedback is welcome. Once agreed, we will keep the reports in the same format going forward.

The purpose of standardizing the reports is to help readers of the reports, namely Finance Committee Members quickly identify the information they look for on a month-by-month basis.

Additional information is added, such as cashflows and balance sheet. More information for decision making purposes will be added that will include a monthly review of project position.

Procurement Position

A report on the Procurement function is presented in its own report this meeting and a decision or further direction is sought.

Timetabling Finance Committee Deliverables

A report on the core tasks that lie ahead and related deadlines for the Finance Team to meet is presented in its own report this meeting.

Rates Support Grant - Judicial Review: Mid Ulster District Council

A report on the Judicial Review started by Mid Ulster District Council v The Department of Finance is presented in its own report this meeting, for information.

Timetabling the Month End Reporting Process

The Finance Team are preparing a formal Month End timetable that will need support from the other departments in Causeway Coast and Glens Borough Council.

A formal month end reporting timetable is an agreed set of tasks aligned to deadlines to deliver the monthly management reports throughout the financial year.

It will detail specific owners and specific days for delivery, review, period close, sign-off and commentary for the period accounts ahead of delivery to Finance Committee and Council.

In setting clear deadlines when tasks are expected, it will allow staff to plan for tasks, delegate authority if they fall on their own holidays, and reduce stress, pressure and quality risks because of unexpected short deadline demands.

The Timetable will involve the whole organisation and require Officers to support the process and meet the deadlines Finance ask of them. A communication exercise is already on way to get this message across. The Finance Team relies on critical timely information from other departments, and so this is essential part of the process for the timetable to work. For example, new unfamiliar deposits may come into the bank that the Finance Team do not know where to code this income and will therefore rely on the departments to have either previously advise Finance of the income, or, worst case quickly respond to Finance's questions. A similar issue may arise where an invoice is received directly into Finance Team without a PO number or Budget Holder approval and requires investigation by the Finance Team. If these matters are not resolved by agreed timeframes, Finance may then be forced to journal the related income and expense to the suspense code, and in doing so, impact the accuracy of the period accounts.

The Finance Team are very conscious of the need to deliver accurate information, but equally having timely information for decision making purposes is equally as important. A set of reports that is 99% accurate delivered 4 months late will lose their value for decision making purposes. As such, a balance must be struck between accuracy of information and the timeliness of its delivery.

Directors have been briefed on this timetabling process through weekly SLT meetings and are supportive of the process and in communicating with their teams on agreed deadlines

The Finance Team are currently updating a Causeway Coast and Glens Borough Council draft timetable with tasks and deadlines in August to be agreed with Departmental Teams. This will be done through a series of meetings with the Departments and supported by the Director of Finance. An operational timetable is planned to be fully operational October and presented to the Finance Committee in November for information. Current monthly deadlines are set and advised to SLT.

The timeframes of the timetable are expected to improve throughout the year as the process is bedded down and action owners adjust to a new process.

New Period Accounts Reporting Format for Committee

The reports delivered to Finance Committee and Council are to some degree formatted by the Department Directors in their own style.

A new standardised reporting format is drafted and in discussion with the Departmental Directors for agreement.

The purpose of a standardised reporting format will allow the reader of the reports, generally Members, to become familiar with layout of the report, and monthly, support an easier understanding of the information.

Additional information is added to the monthly reports to include cash flow forecasting, Balance Sheet, and a 2-look view at the overall accounts by cost centres and income/expense. This will allow the reader greater transparency to financial operations and budgets.

Audited Financial Statements – 2019/20 and 2020/21

The Northern Ireland Audit Office (NIAO) certified the 2019 / 20 Accounts on the 26th July 2021. This brings this financial period to a close and the accounts now published on the Councils website.

The 2020/21 external Audit is still ongoing and to date, there is no significant or material issues that have been raised to management.

The Finance Team continue to meet the demands of the external audit team in a timely manner as the process progresses throughout August, as per our Audit Timetable.

The Audit Committee are due to meet 16th September to review and approve the 2020/21 Accounts ahead of a Special Council meeting to approve the accounts. The deadline of the 30th September to publish certified accounts on the Council website is on track.

Finance Implementation Project - Update

The Crown Commercial Service is the biggest public organisation in the UK and uses its commercial expertise to help public sector buyers procure the best commercial deals in the interest of the taxpayer.

The procurement of the finance system was completed on the Government's Crown Commercial Service and as of writing this report today, management are in the final stages of negotiating and agreeing contract, analysing the detail and negotiating costs before signing contract.

Due to unforeseen circumstances, the already ambitious project deadlines to complete the project by the 31st March 2022 will most likely slip and the project could now be delayed by a couple of months. It is not expected the slippage will impact on costs as the project and related costs has not begun.

The Project Team have been in contact with other councils who have implemented, or started to implement it, looking for lessons for feedback and any lessons to learn.

Debt Model and Debt Forecasting

Councils Capital Finance Requirement at June 31st June was £80.2M but a half yearly debt repayment of £4.0M reduced the CFR by £2.9M to £77.3M (note, £1.1M was paid in interest) the next debt repayment will be in February and will be a similar payment.

As of writing this report, PWC have returned their draft comments on our Debt Model and at a high level, while there are improvement recommendations, the basis of the model is sound.

The next steps on the PWC report is for the Finance Team to review and comment on PWC's draft report before Partner approval is given. A PWC meeting to review the report occurred August 6th.

Workshops are needed to raise aware of the modelling with elected members and these will be considered in September.

BUDGET PLANNING – 2022/23

The Finance Team are mindful that the 2022/23 budget needs finalised by February 15th, 2022 and beginning initial steps on the budget planning. Further updates will be provided as the 2022/3 Budget planning progresses.

Actions Needed

Finance Committee are asked to note this report and question as necessary.

Councillor Holmes wished to see ratios on the accounts relevant to staff numbers for budget planning.

Alderman Finlay, referring to the last Finance Committee meeting and finance systems renewal decision, stated that when faced with a large commitment, he would like more awareness of Council's financial situation, surrounding affordability. Alderman Finlay further queried whether Departments were in line with their budgets.

The Director of Finance (Interim) stated a debt model forecast would be presented to give Committee the opportunity to prioritise its projects.

The Director of Finance (Interim) outlined his role in the management of budgets, material considerations and budgeting reforecasting.

Alderman Duddy commented the staffing structure had failed to meet its deadline for completion in May and considered a saving could be made, if finalised.

The Director of Finance (Interim) stated staffing was a function of HR and that whilst taking an active interest, would be kept under review, he further advised the Agency Tender contract was due for renewal in March. In response to Alderman Duddy, he advised Agency and permanent staff figures could be provided.

5. P3 MANAGEMENT ACCOUNTS

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

The Director of Finance (Interim) presented a new standardised format, he provided commentary on the layout.

The Chief Finance Officer clarified the cost for Agency staff had been budgeted as if all staff were employed and therefore whilst there are agency staff in post a modest saving is made; Agency staff costs were less expensive than permanent employees, due to employer's pension contributions.

The Chief Finance Officer provided commentary on the Accounts and invited questions.

Councillor Holmes stated the format easy to read and understand, he requested a year-end likely position to aid budget holders.

In response to Councillor McLean, the Chief Finance Officer advised budgets were profiled taking into account seasonality and cyclical periods, where possible.

6. CAUSEWAY COAST AND GLENS BOROUGH COUNCIL PROCUREMENT FUNCTION

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

Purpose of Report

The aim of this report is to update Finance Committee on Causeway Coast and Glens Borough Council's Procurement function and management's attempts to replace an essential member of procurement staff who left the organisation in February.

Next step options are included in this report along with a recommendation for Members to consider, question and if satisfied approve.

Background

In the year 2020/21, Causeway Coast and Glens Borough Council had operating expenditure (ignoring salaries, and year-end adjustments) of £33.0M with Capital Expenditure of £5.3M, in total £38.3M. Causeway Coast and Glens Borough Council operates a decentralised procurement model that is supported by the Finance team by one Procurement Specialist. Since February of this year, the Procurement Specialist within the Finance Team has been vacant. Prior to February 21, the Procurement Officer was on secondment for a period in 2019/20, as outlined in NIAO Report to Those Charged with Governance.

Active engagement with recruitment consultants from April to fill the vacancy on a temporary measure proved unsuccessful (only one candidate was put forward over 2 months whose procurement experience was limited).

Further detail was set out within the report.

Benchmarking

In the year 2019/20:

ABC Council reported operating expenditure of £46.6M with Capital Expenditure of £32.3M. With a procurement team of 3 and a new post being advertised. ABC is further supported with £60k procurement consulting costs (assumed an additional 1.5 FTE). It is therefore estimated that ABC has a Procurement Team of 5.5 looking after £78.9M expenditure, that equates to £14.3M per centralised FTE.

BCC reported operating expenditure of £123.0M with Capital Expenditure of £43.7M . With a Procurement Team of 12, expenditure per centralised FTE equates to £13.89M.

While Causeway Coast and Glens Borough Council operates a decentralised model, it is apparent that our Procurement Specialist oversees expenditure almost 3 times the size of their peers.

Issues

There are several issues that may lie ahead of Causeway Coast and Glens Borough Council in failing to recruit a Procurement Specialist in the Finance team, set out within the report.

Options

The following lists some options available for Finance Committee to consider for steps ahead

Option 1: Re-run the advertisement campaign for the Procurement Manager position. This may take 2 or 3 months to get a person in place but is not guaranteed to succeed based on current market conditions. If this option is considered in isolation, then we may fail to adequately prepare for the Agency Contract ITT.

Option 2: Pause the recruitment Procurement process to consider a strategic review of the procurement service within Causeway Coast and Glens Borough Council. In recent discussions with the procurement consultants, discussions were made how Causeway Coast and Glens Borough Council could enhance the procurement role within Finance to make it more attractive to a candidate. As procurement is a commercial role, a strategic focus could introduce the role to include maximisation income. Commercialising the role would support Finance meet a strategic objective in its Business Plan to “Develop of an effective procurement and commercial strategy that will increase income, reduce costs while maximizing the use of local suppliers to the benefit of council rate payers” The downside may be introducing new tasks may enhance the role to a higher level and introduce budgetary pressures, although these costs may be mitigated of the Procurement Manager is given income / expenditure targets to meet.

Option 3: Engage external consultants (KPMG, PWC, EY, Deloitte, Performance Purchasing) on an interim full-time basis for 4 of the estimated 6 months required, to

support the delivery of the Agency Contract and support the procurement function on a day-to-day perspective, until a permanent member of staff is recruited. This could immediately support Causeway Coast and Glens Borough Council issues and reassure the NIAO that experienced staff are in place, but will be an expensive process and unbudgeted. Cost are estimated at £132,000

Option 4: Arrange a secondment of a procurement expert from within the decentralised departments who will support Finance in the procurement service, especially on the Agency Contract. This could take place within a short time frame and in place for September 1st, before the Agency ITT begins, although may expose an essential gap within operations and their procurement expertise may lie in different areas (for example, construction).

Option 5: Seek short term agency support outside the Northern Ireland Market. With the onset of Covid and the increase usage of remote working and Zoom meetings, the talent pool, could be in the UK mainland or Ireland. Initial costs estimate with UK recruiters to cover a 4-month period are £41,888. Arranging such an option carries risk that the person may find another opportunity and leave at short notice, taking with them valuable knowledge and experience, as 1 days' notice is normal on short contracts.

Option 6: Secondment from another area of Finance for a member of the team to lead and manage the procurement administration, backfilling their position with a temporary finance resource (if necessary). This will support an approach to develop our own staff internally and could entice staff to study for the CIPS qualification. Additional expertise could be supplied on a one or two day a week basis to help with the Agency contract, while supported by a senior member of the Finance Team. Estimated costs of option is £30,000. The advantage of this option will minimise additional costs to the business, development internal staff, and an almost immediate support to the issue. The disadvantage is that risks remain high as a non-procurement expert within the Finance Team will take responsibility leading a large ITT process alongside increasing demands on that senior officer.

Recommendation

Option 6 and Option 2 is recommended to Finance Committee.

Option 6 will have an immediate impact on the Procurement Function along with Option 2 that supports planning and may support a long-term approach for Causeway Coast and Glens Borough Council. While the risk will remain medium to high, there is also a £102,000 variance with the safest option of employing a full-time consultant.

If significant risks were to materialise through extra demand or complexity, extra consulting days could be purchased through a additional consultancy days that could reduce the risk.

Approval for unbudgeted consulting costs will need to be found surrendered elsewhere if unbudgeted variance materialises.

Actions Needed

Finance Committee are asked to question as necessary and accept recommendation or offer further guidance as they see appropriate.

The Chair, Alderman Hillis, commented on the importance of a Procurement Officer, especially with regard to recent savings in obtaining contract of services through procurement.

Alderman Duddy recalled difficulty in recruiting historically, he enquired whether in-house expertise and interest existed. The Finance Director (Interim) outlined that seeking temporary inhouse support was included in option 6.

Proposed by Alderman Duddy
Seconded by Councillor Peacock and

AGREED – to recommend that Council approve Option 6 and Option 2.

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

Alderman Finlay suggested Council train staff, the Director of Finance advised that he was supportive of that idea and advised that 2 members of staff recently started professional accounting exams, along with another member of staff considering a Prince2 Project Management course ahead of our own system implementation project.

7. TIMETABLE OF DELIVERABLES

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

The aim of this report is to provide members with a high-level overview of specific Finance deliverables to Finance Committee, related deadlines and their progress to completion.

The timetable is provided in Appendix 1 (circulated).

Finance Committee are asked to note this reports and question as necessary.

There were no questions.

8. CAUSEWAY COAST AND GLENS BOROUGH COUNCIL DEBT POSITION

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

The aim of this report is to keep members informed of Causeway Coast and Glens Borough Council debt position, along with benchmarking our gearing ratio to other Northern Ireland councils.

Gearing Ratio

A gearing ratio is a general classification describing a financial ratio that compares some form of owner equity (or capital) to funds borrowed by an organisation.

Net gearing is calculated by dividing the total organisational debt by the total equity, or in councils' case Useable Reserves for our calculations.

The higher the gearing percentage, the higher the levered or geared an organisation is and the greater financial risk an organisation is seen.

Causeway Coast and Glens Borough Council Gearing Benchmarked to other Councils

Appendix 1 (circulated) provides the financial detail of borrowings and Useable Reserves as provided in the most recent published 2019/20 Financial Accounts from councils.

On analysis Causeway Coast and Glens Borough Council is seen as the second highest geared council in Northern Ireland with a gearing ratio of 784% (to Useable Reserves)

Ards and North Down Council is the highest geared with a ratio of 912% compared to Mid Ulster District Council with the lowest gearing of 22%.

Combined, the net gearing ratio for all 11 councils is 219% and could be seen as an industry average.

Since 2014/15, Causeway Coast and Glens Borough Council debt spending has not risen, whereas 5 other councils have. When formed, it is worth noting that Causeway Coast and Glens Borough Council had the highest loan position at £72.8M.

Useable Reserves

Appendix 1 (circulated) illustrates that Causeway Coast and Glens Borough Council Useable Reserves follows a similar trend to our gearing ratios, with the second lowest reserve ratio at £9.2M. The average Useable Reserves across the councils is £24.1M.

Finance Committee are ask to note this report and question as necessary.

Councillor Wilson sought confirmation the information was already within the public domain, he advised positive public relations in the area of Finance was important, there was a lot of useful information. The Chair stated this was a good idea, the Director of Finance (Interim) stated he would refer the matter to Senior Leadership.

Councillor McLean concurred, that Council had broken even over 7 years, there had been a misconception.

Councillor Holmes considered some NI Councils' debt had spiralled, and should be challenged more often. He stated the gearing figures were not favourable for Council.

Alderman Duddy stated the information would be good in the public domain, he further advised Council required to manage what they want with expectations.

Councillor Scott commented on the historic debt, a plan was additionally required on how to get the debt down.

The Director of Finance (Interim) stated he would being a report back to committee on how Council progresses with its debt.

* **Alderman Duddy left the meeting at 8.22PM.**

9. MID ULSTER V DEPARTMENT OF FINANCE JUDICIAL REVIEW

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

The aim of this report is to keep members informed of activity that is taking place outside of Causeway Coast and Glens Borough Council that may impact on our rates.

Background

The Department of Finance introduced new ways to set rates that came into effect on the 11th of February 2021. These regulations removed the mandatory conversion factors and gave power to districts to make different rates for domestic and non-domestic, and in doing so, is insensitive to the particular conditions of property values in each district. The Department's approach was to allow councils greater capacity to keep business rates as low as possible.

Mid Ulster District (MUD) Council claim that the rate setting process between domestic and non-domestic rates have been set out in statue, dating back as far as 1976, and through these conversion factors: (i) they historically maintain the relative burden between domestic and non-domestic rates, and (ii) are sensitive to the particular conditions of

property values. The conversion factors are individual to each council in Northern Ireland and help set the Rates Support Grant (RSG) amongst councils.

MUD objected to the DoF actions and specifically focuses on (i) lack of consultation, and (ii) breaching section 75 equality.

Potential Impact

Causeway Coast and Glens Borough Council can still set district rate factors that are linked by way of the historical conversion factor, but it is an extra step that Council Members will have to agree on.

It is clear how removing the conversion factors will impact the RSG, as these factors are used in the calculation of each Council's allocation of RSG.

Causeway Coast and Glens Borough Council have contacted MUD and requested to be kept informed of the Judicial Review as it progresses and will monitor any impact it has on the RSG allocation.

Finance Committee to note and question as necessary.

The Chair Alderman Hillis, commented on a recent positive case involving MUDC.

* **Alderman Duddy re-joined the meeting at 8.26pm during consideration of the Item.**

10. PWC UPDATE

The Chair invited J Davidson to speak.

J Davidson provided an update on the reports presented, he commented on the following Items raised:

- P3 Financial statements, the start of the year a positive surplus, however, it was clear to see Covid was still impacting, income from caravans and staycations was up, whilst that from Sport and Wellbeing, down;
- the new reporting format combines categories and the position very helpful, he suggested improving the narrative as currently it does not answer all the questions regarding bigger variances for example;
- if the outturn forecast for year-end is added, this would be a first class set of management information, this could be added quarterly to reduce the burden of it and helps with accountability;
- the Procurement Agency contract is for a large sum of money and would be appropriate to bring expertise in; an individual for administration and legalities; the focus could be on commercials, saving money and to have a full time person;

- the debt position was not the highest in NI, the information easily verifiable, gearing is on the upper end, a debt forecasting / capital model important and to set out how to bring the debt down.

The Chief Finance Officer clarified year-end forecasting would be implemented again from Quarter 2, considering the first Quarter too early to forecast given the pandemic and Central Government funding.

Alderman Finlay queried ways of bringing down the debt, commenting on penalties.

J Davidson concurred, accelerating loan repayments would face penalties, he advised of three areas for consideration:

- 1) reduce the amount of new buildings commencing (stop increasing);
- 2) asset sales, there were a number in the pipeline (cash);
- 3) diverting revenue to capital repayment (efficiencies day-to-day).

11. ANY OTHER RELEVANT BUSINESS

There were no matters of Any Other Relevant Business.

MOTION TO PROCEED 'IN PUBLIC'

Proposed by Councillor Scott
Seconded by Alderman Finlay and

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

This being all the business, the Chair thanked everyone in attendance and the meeting concluded at 8.38PM.

Chair