

STANDING FINANCE COMMITTEE

MINUTES OF STANDING FINANCE COMMITTEE MEETING HELD WEDNESDAY 24th APRIL 2019 in the Liberation Room, Secretariat, at 3pm

These minutes are draft minutes until confirmed by resolution at the next meeting of the Committee

Present: The Honourable R Spink, MLA, Chairman
The Honourable S Bragger, MLA
The Honourable Dr. B Elsby, MLA
The Honourable I Hansen, MLA
The Honourable M Pollard, MLA

In Attendance: The Honourable Financial Secretary, James Wilson
The Head of Finance, Andrew Francis
The Management Accountant, Mark Rutherford
The Director of Health and Social Services, Mandy Whittingham for Agenda Item 17.
Personal Assistant, Margaret Butler

Public & Press: 2 Members of the Press

PART I

| | | |
|--------------|---|-------------|
| 1 | Apologies for Absence The Honourable Chief Executive, Barry Rowland The Honourable R Edwards, MLA, Vice Chairman The Honourable T Barkman, MLA The Honourable L Roberts, MLA | |
| 2 | Declarations of Interest There were no declarations of interest. | |
| 3 | Confirmation of the minutes of the meeting held on Wednesday 27th March 2019. | |
| 3.1 | The minutes were confirmed as a true and accurate record and signed by the Chairman. | |
| 4 | Matters arising from the Open minutes of the meeting held on Wednesday 27th March 2019. There were four matters arising from this meeting: - | |
| 4.1 | Item 4.1.1 - Retail Price Index (RPI) Quarter 2 – 2018-19 (Page 1 of 7) - Paper 03/2019. | |
| 4.1.1 | It was noted that a meeting has not yet been arranged between the Policy Unit and Gilbert House to discuss the Retail price Index and the Household Expenditure Survey (HES). | DPED |
| 4.1.2 | ACTION – Policy Unit to arrange a meeting with Gilbert House. | |

| | | |
|--------------|--|---------------|
| 4.2 | Item 4.2 – October 2018 – Electricity Price Review (Page 2 of 7) – Paper 04/2019. | Action |
| 4.2.1 | The Honourable Financial Secretary (FS) drew attention to Item 4.2.2 (Page 2 of 7) “Sinking/Renewal fund” advising the Committee that ExCo paper 135/2003 (May) recommended the closure of this fund. As a result of this decision funds were transferred to the Capital Equalisation Fund with a view to using this fund to replace assets when required. | |
| 4.3 | Item 6.1 – Virement Report No 7 – HSS – February 2019 (Page 3 of 6) 0201 – 0331 – Health Admin – Locum/Seconded Staff Costs - £11,220. | |
| 4.3.1 | The Management Accountant (MA) Mark Rutherford advised the Committee this Virement related to Agency Costs and a replacement for the previous Hospital Manager. | |
| 4.4 | Item 7.1.12- Summary Financial Report – 8 months to the 28th February 2019 – Paper 17/2019 (Page 4 of 6). | |
| 4.4.1 | The Head of Finance (HoF) Andy Francis advised the Committee the Director of Natural Resources (DNR) has confirmed there is unlikely to be an Illex refund based on volumes and price information. The forecast has been adjusted accordingly to take this into account. | |
| 5 | Virement Report No 8 of 2018/19 | |
| 5.1 | 0353 – 0502 – Quarry & Asphalt – Electricity (£20,000). 0353 – 0452 – Quarry & Asphalt – Fuel and Plant £20,000. | |
| 5.1.2 | The Committee considered this report with the MA advising as a result of increased aggregate sales more fuel is being used than originally anticipated. As a result of the new asphalt plant being more efficient to run and the sale of a larger proportion of lower end aggregates requiring less electricity to produce this funding is from electricity savings. | |
| 5.2 | 0102 – 1430 – FIGAS – Equipment Rental/Leasing – (£28,000). 0102 – 0614 – FIGAS – Fuel and Lubricants - £20,000. | |
| 5.2.1 | The MA advised the Committee as a result of the increase in the cost of AVGAS there are now insufficient funds in this code to cover the costs with surplus funds from the non-usage of the lease aircraft being used to cover this. | |
| 6 | Retail Price Index – Quarter 1 – 2018/19 – Paper 19/2019 | |
| 6.1 | The Committee discussed this report noting the increase in the Index of 0.5% during the quarter and a change in the index over the year to 31 st March 2019 was 2.3%. It was further noted that the annual increase as at the 31 st December 2018 was 2.9% leading to the reduction of 0.6% at the end of the first quarter. | |
| 6.2 | Page 2 of the report drew attention to Sure’s increased data allowance within each broadband package with the Hon MLA Dr Barry Elsby noting that although data had increased the price had not. | |

| | | |
|--------------|--|---------------|
| 6.3 | The Hon Chairman expressed his satisfaction that the rate of inflation seemed to be under control noting following a forecast reduction in fuel prices a further drop would be expected. | Action |
| 7 | Summary Financial Report – 9 months to the 31st March 2019 – Paper /2019 | |
| 7.1 | The Head of Finance (HoF) presented his information only summary finance report as at the 31 st March 2019 for the 2018/19 financial year. | |
| 7.1.1 | Item 3.1 – March YTD Operating Revenues: - The Committee noted the Natural Resources positive variance of £2,740K reflects that the budget incorporates the risk that Illex refunds will be given in the event of a poor season. Taking into consideration there is still the possibility of refund based on price and catch information, but the full forecast has been adjusted to reflect the assumption of no refund. | |
| 7.1.2 | The Treasury Adverse variance of £2,025K relates to Corporation Tax receipts being below budget for the year to date with the HoF advising there is the potential for this to catch up at the end of the financial year. | |
| 7.1.3 | Item 3.5 – March Full year forecast operating surplus 2018/19. The Committee noted the full year forecast surplus of £13,226K comparing to an original budget of £10,884K. | |
| 7.1.4 | The Hon Chairman MLA Roger Spink noted this is very good and after taking out the Illex adjustment this is almost on budget. | |
| 8 | Capital Report – Quarter 3 – 2018/19 – Paper 21/19. | |
| 8.1 | The MA drew attention to Item 3.2 (Page 2 of 12) of the report advising as at the 31 st March 2019 £15M out of a total revised budget of £58.8M including carryover of unspent 17/18 budget had been spent. A further £7.8M of commitments has been raised. | |
| 8.1.2 | Taking the above into consideration it was noted that £29.1M of capital expenditure budgeted may be carried over into 2019/20. Taking this into consideration if was recognised that the total budget of £58M will not be spent by the end of the 2018/19 financial year. | |
| 8.1.3 | The Hon FS drew attention to more money being spent on capital this year than in previous years. | |
| 9 | To determine which items from the Executive Council meeting held on Wednesday 24th April 2019 can be considered in public and to resolve these items. | |
| 9.1 | There were no matters with financial implications referred from this meeting. | |
| 10 | Date of next meeting: Tuesday 4th June 2019. It was confirmed that the next meeting of the Standing Finance Committee would be held on Tuesday 4 th June 2019 at 8am. | |

| | | |
|---------------|--|-------------------|
| 11 | Exclusion of Press and Public | Action |
| 11.1 | <p><u>The Chairman to move as follows:</u></p> <p>“I move that the press and public be now excluded on the grounds that the next items of business to be considered are likely to disclose exempt information under Part 2, Schedule 3 of the Committees (Public Access) report, Paragraph 7 relating to information about individuals; Paragraph 9, information about others’ financial and business affairs and Paragraph 17 budgetary information.”</p> | |
| 12 | <p>Confirmation of the Exempt Minutes of the meeting held on Wednesday 27th March 2019.</p> <p><i>NOT FOR PUBLICATION by virtue of Paragraph 7 of Schedule 3 of the Committees (Public Access) Ordinance 2012 relating to information about individuals; Paragraph 9 relating to information about others financial and business affairs and Paragraph 17 relating to budgetary information</i></p> | |
| 12.1 | The Minutes were confirmed as a true and accurate record and signed by the Chairman. | |
| 13 | Matters arising from the Exempt Minutes of the meeting held on Wednesday 27th March 2019. | |
| 13.1 | There were two matters arising from this meeting: - | |
| 13.1.2 | <p>Agenda Item 12.1.1 – Courts Budget – Legal Costs for Government of South Georgia South Sandwich Islands (GSGSSI) – Paper 18/18 (Page 5 of 6).</p> <p><i>NOT FOR PUBLICATION by virtue of Paragraph 17 of Schedule 3 of the Committees (Public Access) Ordinance 2012 relating to budgetary information.</i></p> | |
| 13.1.3 | The Committee noted that an ExCo paper is still to be prepared by the Attorney General (AG) who has confirmed this will be added to the forward plan for June 2019. | |
| 13.1.4 | A full record of this discussion is contained in the Exempt section of the meeting. | |
| 13.1.5 | ACTION: AG to prepare an ExCo paper once this work has been completed. | AG |
| 13.2 | <p>Agenda Item 12.3.1 – Additional funding for Overseas Care – SFC Paper 73/2018 (Page 5 of 6).</p> <p><i>NOT FOR PUBLICATION by virtue of Paragraph 17 of Schedule 3 of the Committees (Public Access) Ordinance 2012 relating to budgetary information.</i></p> | |
| 13.2.1 | The Honourable MLA Ian Hansen advised the Committee he would follow this item up and would report back to the Committee in due course. | MLA Hansen |
| 14 | Exempt matters with financial implications referred from the Executive Council meetings held on Wednesday 24th April 2019. | |
| 14.1 | There were no exempt items with financial implications referred from this meeting. | |

| | | |
|-------------|--|---------------|
| 15 | Capital Report – Quarter 3 – Exempt – SFC Paper 22/2019. <i>NOT FOR PUBLICATION by virtue of Paragraph 10 of Schedule 3 of the Committees (Public Access) Ordinance 2012 relating to information about relevant contracts and negotiations.</i> | Action |
| 15.1 | The Committee considered this report which contained an update on the progress of all capital projects under the FIG Capital Scheme up to the end of Quarter 3 of the financial year 2018/19 where costings cannot be publically disclosed for tender purposes. | |
| 15.2 | It was noted that forecast expenditure in 2018.19 is £29.4M. | |
| 15.3 | A full record of this discussion is contained in the Exempt section of the meeting. | |
| 16 | Debtors Report – 31st March 2019 – SFC Paper 23/2019 <i>NOT FOR PUBLICATION by virtue of Paragraph 7 of Schedule 3 of the Committees (Public Access) Ordinance 2012 relating to information about others' financial and business affairs.</i> | |
| 16.1 | The Committee considered this report containing an update on the Government debt position as at the 31 st March 2019. | |
| 16.2 | It was noted that as a result of actions on debtor's management undertaken in the quarter housing related debts are reducing with all payment plans that are in place being adhered to. | |
| 17 | Additional Funding for Medical Treatment Overseas – SFC Paper 24/2019. <i>NOT FOR PUBLICATION by virtue of Paragraph 17 of Schedule 3 of the Committees (Public Access) Ordinance 2012 relating to budgetary information.</i> | |
| 17.1 | The Director of Health and Social Services joined the meeting and presented her paper requesting additional funds for the KEMH to cover identified cost pressures in relation to the Medical Treatment Overseas budget. | |
| 17.2 | The DHSS advised the Committee MTO cases are unpredictable with some patients needing to spend extended periods overseas and even looking at year on year comparisons doesn't help. Even following the MTO process carefully additional requested funds to support this budget area for the remainder of the year is needed. | |
| 17.3 | After due consideration the Committee agreed to the requested additional funds with a full record of this discussion contained in the exempt section of the meeting. | |

| | | |
|---------------|--|--|
| 18 | Investment Strategy and Management Review – SFC Paper 25/2019 <i>NOT FOR PUBLICATION by virtue of Paragraph 10 of Schedule 3 of the Committees (Public Access) Ordinance 2012 relating to information about relevant contracts and negotiations.</i> | |
| 18.1 | The Committee considered the Financial Secretary's report which updated the Committee about a review undertaken by Portfolio Manager Consultancy (PMCL) in early 2019 on the Investment Management of FIG's funds. | |
| 18.2 | PMCL provided an independent review of the following: - FIG's Investment Strategy The portfolio structure and performance Review of the investment management arrangements | |
| 18.2.1 | The valuation date used for this was 31 st December 2018 which is two years after the previous review undertaken by Stanhope Consulting. | |
| 18.3 | PMCL analysed the structure and performance of the portfolio in light of the current investment strategy and as part of the analysis have also contacted pension scheme actuaries and also the FIG insurance broker. | |
| 18.4 | As part of this review PMCL have made some recommendations for potential changes to the investment strategy and investment management guidelines, these were considered and agreed by the Committee. | |
| 18.5 | A full record of this discussion is contained in the exempt section of the meeting. | |

Minutes confirmed this 4th day of June 2019.

Chairman

The Treasury,
Stanley

Clerk