

**Agenda Item No:** **Report No:**

**Report Title:** **Finance Update**

**Report To:** **Cabinet** **Date:** **24 April 2014**

**Cabinet Member:** **Councillor Andy Smith**

**Ward(s) Affected:** **All**

**Report By:** **Director of Finance**

**Contact Officer(s)-**

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#### **Purpose of Report:**

To provide an update on financial matters affecting the General Fund Revenue Account, the Housing Revenue Account and the approved Capital Programme.

#### **Officers Recommendation(s):**

##### **That Cabinet:**

- 1 Notes that Treasury Management activity since the last report to Cabinet has been consistent with the Council's approved Treasury and Investment Strategy.
  - 2 Notes the Leader of the Council's action to adopt Government-funded flood support schemes.
  - 3 Approves the acceptance of tenders set out in paragraph 5.1.
  - 4 Notes the remainder of the report
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#### **Reasons for Recommendations**

- 1 A report on funding issues in relation to the Council's General Fund Revenue Account, Housing Revenue Account and Capital Programme is made to each meeting of the Cabinet to ensure that the Council's financial health is kept under continual review. It is essential to ensure that the Council has a sound financial base from which to respond to changing activity levels and demand for statutory services and to ensure that, when appropriate, its finances are adjusted in response to reducing income levels and inflationary pressures on expenditure.
- 2 The Council's Treasury Management function deals with very large value transactions on a daily basis. It is essential that the Council is satisfied that appropriate controls are in place and in accordance with the Code of Practice on Treasury Management in the Public Services prepared by CIPFA (the

Chartered Institute of Public Finance and Accountancy) and adopted by the Council.

## Information

### 3 Treasury Management

- 3.1** Appendix 1 gives details of the Treasury Management activity between 1 December 2013 and 21 March 2014. All activity was consistent with the Council's approved Treasury and Investment Strategy for 2013/2014.
- 3.2** In accordance with the Council's approved Treasury Strategy Statement, the Audit and Standards Committee reviews all treasury activity that takes place in order to confirm that it has been undertaken in accordance with the approved Strategy. Should the Audit and Standards Committee have any observations they would be recorded in its minutes and referred to Cabinet.

### 4 Flood Recovery

#### 4.1 Support for homes and businesses

**4.1.1** The Government has introduced a range of financial measures to support homes and businesses affected by severe weather between 1 December 2013 and 31 March 2014. These are:

- Funding of discretionary council tax discounts
- Funding of Business Rates relief
- Repair and Renew Grants scheme
- Business Support Scheme

**4.1.2** Local authorities will administer these schemes in local areas, following high level guidance. The Government's intention is that local authorities should move quickly so that households and businesses can be supported without undue delay.

**4.1.3** Appendix 2 explains the measures in detail. The Leader of the Council has agreed that the Council will make available all four forms of support to eligible households and businesses, and that the Director of Service Delivery is to be authorised to approve the award of grants.

#### 4.2 Severe Weather Recovery Scheme Grant

**4.2.1** In February 2014, the Council applied for assistance from a Government pool of £7m set aside to contribute towards the costs of supporting local communities affected by the severe weather between December 2013 and 7 February 2014. The Council has now been allocated a grant of £32,000. The basis of allocation was the number of residential and commercial properties directly affected by the ingress of water.

**4.2.2** The grant can be used for a wide range of activities to support local communities including addressing tourism impacts. A programme of work is being developed, which is likely to include repairing damage to signage and infrastructure.

### **4.3 Bellwin Scheme Support**

**4.3.1** The Council has indicated to the Government its intention to seek Bellwin Scheme support for additional expenditure incurred during the severe weather. The Bellwin Scheme supports expenditure by a local authority on, or in connection with, the taking of immediate action to safeguard life or property or to prevent suffering or severe inconvenience, in their area or among its inhabitants.

**4.3.2** Under the Bellwin Scheme, the Government will make a 100% grant to a local authority in respect of eligible expenditure in excess of a threshold set at 0.2% of its annual budgeted expenditure. This Council's threshold is £23,065. Expenditure with a total value of approximately £57,000 was incurred as a result of the severe weather, including almost £29,000 on sandbags. Not all of the expenditure may be eligible for grant (insurable costs, for example, are excluded).

## **5 Procurement**

**5.1** Contract Procedure rules require Cabinet to approve the acceptance of a tender which is other than the lowest. This is applicable to the following cases:

**5.1.1** Plumpton Playground - tenders were invited for playground refurbishment works at Plumpton Playground funded through S106 contributions and a contribution from Plumpton Parish Council. Three tenders were received and following evaluation it has been decided that the highest tender, £50,000 (which exceeds the lowest by £24) offers the best value for money and best meets the brief and should be accepted.

**5.1.2** Big Parks Project Skatepark - tenders were invited for the design and build of a new skatepark funded through S106 contributions and a grant from Veolia. Three tenders were received, including one which technically failed the specified 'return of tenders' requirements but was included in the subsequent evaluation with the agreement of the Leader of the Council. Following evaluation it has been decided that the second highest tender, £159,901 (which exceeds the lowest by £149) offers the best value for money and best meets the brief and should be accepted. This was not the tender which had failed the 'return of tender' requirements.

## **6 Chancellor's Budget March 2014**

No further funding reductions were announced for local government by the Chancellor. The Budget confirms that public expenditure will continue to fall in 2016/17 and 2017/18 at the same rate as in the current Parliament. This is in line with the previous announcements on which the Council's medium term financial projections are based. As reported to Cabinet in February 2014, our forecast anticipates that the Revenue Support Grant that we will receive from the Government (£2.3m in 2014/15) will be progressively withdrawn by 2020. The savings target remains unchanged at £2.9m for the period 2014/15 to 2019/20.

**7 Financial Appraisal** - referred to under individual items above.

## **8 Sustainability Implications**

I have not completed the Sustainability Implications Questionnaire as this Report is exempt from the requirement because it is a budget monitoring report.

## **9 Legal Implications**

There are no legal implications arising from this report.

## **10 Risk Management Implications**

**10.1** The Council maintains an overview of its policy programme, its Medium Term Financial Strategy and the external factors that affect them. Without this constant analysis and review there is a risk that the underlying recurring revenue budgets will grow at a faster rate than the resources available to fund them. This risk is mitigated through regular reports to Cabinet on the Council's overall revenue and capital position and Cabinet's correcting actions taken in accordance with the objectives and principles it set for management of the Council's finances.

**10.2** An additional risk in the current climate is that reserves and balances will be drawn upon sooner than is necessary unless an assessment is made of resource implications where activity levels have fallen or risen to any significant degree. This risk is mitigated by identifying such areas, making an assessment covering the short and medium term and taking corrective action.

## **11 Equality Screening**

The Equality Screening process for this Report took place in March 2014. No potential negative impacts were identified.

## **12 Background Papers**

Flood Support Schemes – Government guidance note 24 Feb 2014  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/284174/Flood-Support-Schemes-guidance.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284174/Flood-Support-Schemes-guidance.pdf)

Local Government Association – On the Day Briefing for the Budget 2014  
[http://www.local.gov.uk/web/guest/briefings-and-responses/-/journal\\_content/56/10180/6029141/ARTICLE](http://www.local.gov.uk/web/guest/briefings-and-responses/-/journal_content/56/10180/6029141/ARTICLE)

## **Appendix**

Appendix 1 - Statement of Investment Activity: 1 December 2013 to 21 March 2014

Appendix 2 – Severe Weather December 2013 to February 2014:  
: Flood Support Schemes

**Statement of Treasury Management Activity:  
1 December 2013 to 21 March 2014**

**1. Fixed Term Deposits**

Loan	Counterparty	Principal £	From	To	Capital O/s £	Capital Repaid £	Interest Rate %
<b>Current investments at 21 March 2014</b>							
216013	Conwy County Borough Council	2,000,000	29 Nov 13	30 May 14	2,000,000		0.450
216213	Nationwide Building Society	1,000,000	07 Nov 13	07 May 14	1,000,000		0.530
217213	Nationwide Building Society	1,000,000	24 Jan 14	24 Apr 14	1,000,000		0.470
	<b>Total</b>				<u>4,000,000</u>		
<b>Investments that have matured since last report</b>							
215413	Cornwall County Council	1,000,000	28 Oct 13	28 Jan 14		1,000,000	0.310
215613	Cornwall County Council	2,000,000	04 Nov 13	04 Feb 14		2,000,000	0.320
215913	Blaenau Gwent CBC	2,500,000	04 Nov 13	04 Dec 13		2,500,000	0.320
216113	Nationwide Building Society	1,000,000	07 Nov 13	07 Feb 14		1,000,000	0.450
216413	Cornwall County Council	2,000,000	09 Dec 13	10 Mar 14		2,000,000	0.400
216513	Debt Management Office	1,300,000	16 Dec 13	30 Dec 13		1,300,000	0.250
216613	Debt Management Office	1,000,000	16 Dec 13	19 Dec 13		1,000,000	0.250
216713	Debt Management Office	4,750,000	02 Jan 14	03 Jan 14		4,750,000	0.250
216813	Debt Management Office	2,250,000	06 Jan 14	13 Jan 14		2,250,000	0.250
216913	Debt Management Office	2,500,000	13 Jan 14	20 Jan 14		2,500,000	0.250
217013	Debt Management Office	1,500,000	15 Jan 14	24 Jan 14		1,500,000	0.250
217113	Debt Management Office	1,500,000	15 Jan 14	27 Jan 14		1,500,000	0.250
217313	Debt Management Office	1,500,000	03 Feb 14	12 Feb 14		1,500,000	0.250
217413	Debt Management Office	2,500,000	04 Feb 14	12 Feb 14		2,500,000	0.250
217513	Debt Management Office	1,000,000	07 Feb 14	12 Feb 14		1,000,000	0.250
217613	Debt Management Office	2,500,000	10 Mar 14	14 Mar 14		2,500,000	0.250
	<b>Total</b>					<u>£30,800,000</u>	

**2. Money Market Funds**

	Average held £'000	Average Net return %
Goldman Sachs Sterling Liquid Reserves Fund	964	0.52
Deutsche Managed Sterling Fund	964	0.52

**3. Deposit Accounts**

	Average held £'000	Interest rate %
Co-operative Bank Public Sector Reserve Acc	5	Minimal
Santander UK plc Business Reserve Account	2,420	0.40
Bank of Scotland Corporate Deposit Account	1,818	0.40

#### 4. Treasury Bills

	Purchased	£'000	Return %
Held at 21 March 2014 - £Nil			

#### 5. Landsbanki Islands hf (LBI)

On 30 January 2014 the Council sold its claim against the insolvent estate of LBI. The claim was sold through a competitive auction process. The price at which the claim was sold was based on a reserve price set by the Council on the basis of legal advice and financial advice procured by the Local Government Association.

The sale means that the Council recovered 96% of the amount that was originally deposited with LBI. The sale of the claim represents a clean break and the Council is now no longer a creditor of LBI.

*The sale was previously referred to in the Treasury Strategy 2014/2015 report to Cabinet in February 2014. It is referred to here for completeness of reporting all treasury transactions in the period 1 December 2013 to 21 March 2014.*

#### 6. Borrowing

No new long term borrowing undertaken in period.  
Long-term loans outstanding £56.6m.

## Severe Weather December 2013 to February 2014

### Flood Support Schemes

#### 1. Council Tax Discounts

- 1.1. The Government is making funding of up to £4m available nationally, to local authorities who use discretionary discounts for homes that have been flooded after 1 December. S13A of the Local Government Finance Act 1992 gives local authorities the power to give discretionary council tax discounts.
- 1.2. Ministers have been clear that they wish to reimburse discounts on properties that are not liveable, this could include:
  - where gardens/adjoining land/outbuildings have been severely affected;
  - services such as sewerage, drainage, and electricity being severely affected;
  - upper storey flats (above ground level) where accessibility or impacted services mean the property is not liveable.
- 1.3. In addition local authorities could also apply for reimbursed council tax discount funding for:
  - People who have been displaced into temporary accommodation as a result of flooding may receive relief in respect of their primary home and in respect of the temporary home into which they are displaced.
- 1.4. Information currently held indicates that seven homes in the District may have been unliveable for a period of time as a result of flooding (a further 43 may have been affected). The owners of these properties have been contacted and asked to provide further details which will enable officers to determine if a council tax discount should be applied.

#### 2. Business Rate Relief

- 2.1. The Government will fully reimburse local authorities for the cost of granting 100% discretionary rate relief for three months where:
  - a property has been flooded in whole or in part as a result of adverse weather conditions; and
  - on that day, as a result of the flooding at the property, the business activity undertaken at the property was adversely affected; and
  - the rateable value of the property on that day was less than £10 million
- 2.2. In considering whether the business activity was adversely affected, local authorities should consider the impact of the flooding in the full context of all

business activities undertaken at the premises. Very small or insignificant impacts should be ignored.

- 2.3. Information currently held indicates that 15 business properties in the District are likely to meet these criteria. The owners of these properties have been contacted and asked to provide further details. The Leader of the Council has delegated authority to approve discretionary rate relief to a value of £5,000 per property.
- 2.4. The funding from the Government will be provided for 3 months' rate relief irrespective of how long the flooding or adverse business impacts last.

### **3. Repair and Renew Grant**

- 3.1. The Government has announced a scheme to provide grants of up to £5,000 to homeowners and businesses that had been flooded. The grant is being provided to fund additional flood resilience or resistance measures.
- 3.2. Local authorities will administer the scheme and decide in each individual case whether to provide a grant and at what level. Grants are intended to fund additional measures over and above the cost of repairs that would normally be covered by insurance. They must be used only for improvements to the fabric of the premises that would have the impact of reducing the impact and cost of subsequent flooding on the property.
- 3.3. The Department for Environment Food and Rural Affairs has released template application forms and guidance notes for applicants and local authorities. The Director of Service Delivery will approve the award of grants under this scheme.

### **4. Business Support Scheme**

- 4.1. The Government is making £10 million available to local authorities to support all small and medium sized business in flood affected areas that have been impacted by the floods and suffered a significant loss of trade. This Council's allocation is £37,500.
- 4.2. Local authorities are able to determine their own approach to implementing a Business Support Scheme, within the parameters of Government guidance, which are:
  - only businesses affected by coastal and inland flooding since 1 December 2013 will be eligible
  - eligible businesses are those that have sustained hardship and significant loss of trade as a result of the floods
  - unlike the business rate relief and repair and renew grant, this scheme can also be used to support businesses which have been indirectly impacted by the floods. Very small or insignificant impacts should be ignored.
- 4.3. Local authorities will have discretion on the maximum payments to individual businesses but the Government has indicated that in other similar recovery schemes the average claim was approximately £2,500 per business.
- 4.4. The Director of Service Delivery will approve the award of grants under this scheme.