

**Agenda Item No:**

**Report No:**

**Report Title: Finance Update**

**Report To: Cabinet**

**Date: 29 September 2014**

**Cabinet Member: Councillor Andy Smith**

**Ward(s) Affected: All**

**Report By: John Magness, Director of Finance**

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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 opinion of the Head of Audit and Performance on the internal control environment at the Council for the year ended 31 March 2014
  - 3** Approves the release of £0.457m from the Housing Revenue Account working balance as funding for a stock condition survey and housing asset management system.
  - 4** Approves the copying fees for Planning and Building Control documents set out in paragraph 9.
  - 5** 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 19 June and 12 September 2014. All activity was consistent with the Council's approved Treasury and Investment Strategies for 2014/2015.
- 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 Opinion of the Head of Audit and Performance on the Internal Control Environment at Lewes District Council for the year ended 31 March 2014

As part of the Council's management of risk and key controls, the Head of Audit and Performance makes an independent appraisal of the overall position each year. The opinion is then reported to Cabinet and is as follows:

The overall standards of internal control are satisfactory. This opinion is based on the work of Internal Audit, other internal reviews and external assurance bodies, and the Council's work on risk management. The risk management process has identified that most risks are mitigated by the effective operation of controls or other measures. Whilst recommendations have been made to improve procedures and controls in some areas, there were no instances in which internal control problems created significant risks for Council activities or services. In most cases managers have addressed the control issues since the respective audits, and within those recommendations not yet implemented there are no issues that create significant risks for the Council.

### 5 Audit of 2013/2014 Accounts

As reported to Cabinet in July 2014, a draft Annual Statement of Accounts was presented to the Council's external auditors (BDO) for audit at the end of June. At the time of finalising this report, BDO were on the point of completing their audit and have issued a report to the Audit and Standards Committee to be held on 22 September which notes that they:

- anticipate issuing an unqualified true and fair opinion on the financial statements for the year ended 31 March 2014. This means that BDO

consider that the Council's accounts present fairly its financial activity in the year and position at 31 March 2014. In finalising the accounts and in discussion with BDO, officers were content to amend entries in the draft accounts particularly in respect of the accounting treatment of HRA improvements and depreciation following the revaluation of assets. None of these amendments had any impact on the final revenue or capital outturn for 2013/2014, or the level of reserves and balances, reported to the last meeting of the Cabinet.

- have not identified any significant deficiencies in the Council's control environment
- are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of
- resources and anticipate issuing an unqualified value for money conclusion

## **6 Medium Term Financial Outlook**

**6.1** At its meeting in February 2014, Council set the General Fund budget for 2014/2015 in the context of the financial outlook through to 2019/2020. The outlook, requiring savings of £2.9m by 2020, was confirmed in June 2014 when Cabinet adopted the Organisational Development Strategy for the Council.

**6.2** The outlook remains fundamentally unchanged. A detailed analysis will be reported to the next meeting of Cabinet, establishing the framework for the 2015/2016 budget round. This will take into account financial performance in the first six months of 2014/2015, including progress made to deliver the savings target.

## **7 Housing Stock Condition Survey**

**7.1** The Council last undertook stock condition surveys of its housing stock in 2000 and 2006. The surveys were of 15% of the stock with the results being extrapolated across the rest of the properties. The information gained has been used in the formation of planned programmes of maintenance and improvements.

**7.2** It is therefore clear that we have not actually physically assessed a large proportion of our stock. A stock survey enables us to:

- Know the condition of the housing for which we have repairing obligations, including its energy efficiency.
- Have costed plans for future maintenance and improvement of our housing which will keep it in reasonable and lettable condition appropriate to likely future needs.
- Be able to demonstrate that we are making adequate financial provision for planned maintenance and improvement works.
- Be confident that our decent home assessment is accurate.

We also need to have accurate information about the condition of asbestos in the stock together with accurate knowledge about aspects of the stock that affect fire safety.

- 7.3** The information we currently have has been stored on excel spreadsheets, which are difficult to manipulate and are limited in the way they can be used, being dependent on data collected on paper forms. There is no link between records of current improvements or planned maintenance, and the spreadsheets where we store the historical data.
- 7.4** Our staff and residents have a wealth of knowledge about the stock and we want to make the best of that knowledge and supplement it with external expertise to create an effective stock condition survey that provides accurate detail about all properties.
- 7.5** We plan to create and procure a survey that makes best use of our existing resources at the same time as procuring an asset management software system that will interface with whichever management system Lewes decides to work with. The asset management software system will enable us to undertake accurate forecasting and 'what if' calculations. It will also provide frontline customer service staff with the most up to date information that will relate to a specific property.
- 7.6** Our strategy will also include provision to ensure that properties are being regularly inspected so we can ensure that every property is properly assessed at least once every 5 years.
- 7.7** The Housing Revenue Account working balance includes an allocation of £0.907m for 'special projects'. When approving the HRA budget for 2014/2015 it was recognised that, of this allocation, £0.457m could be made available to provide funding for a condition survey and associated data analysis, and Cabinet is now requested to confirm that this amount is released as funding for the project outlined above.

## **8 Write-off of Bad Debts**

- 8.1** Financial Procedure rules enable the Director of Finance to write off an amount owed to the Council, where the debt is less than £10,000, or the amount involved is claimable in bankruptcy or liquidation proceedings. In such cases amounts written off are to be reported to Cabinet.
- 8.2** Appendix 2 analyses the write-offs made in 2013/2014 and which have been incorporated in the audited accounts for that year.

## **9 Amendment to copying fees for Planning and Building Control documents**

- 9.1** Financial Procedure rules require Cabinet to approve all fees and charges. Due to the increase in supplying electronic copies of documents in relation to house purchases, officers believe that our copying fees for these documents need to be revised.
- 9.2** At present we charge a fee of 60p+vat per side (minimum charge of £1.20+vat) for both Planning and Building Control documents such as Section 106 agreement and completion certificates. This fee is regardless of whether the document is sent in hard copy or electronically. Actual fees charged vary according to the number of pages but are typically between £4 and £30 for Planning Legal documents, and approximately £61 for Building Regulations completion certificates. We feel as the number of pages is irrelevant to the amount of work involved

in sending an electronic document i.e. staff do not need to photocopy or print the pages, a flat fee for these services would be more appropriate.

**9.3** The fees for electronic documents that we propose are:

	Proposed fee (incl vat)	Notes
Legal Planning Documents	£15.00	decision notices are published online and are no longer charged for
Building Regulations completion certificate or Approval of plans	£66.00	this includes the £50 file retrieval fee

This should simplify our fees and make it clearer to the users of the service what they need to pay.

## **10 Counter Fraud Fund**

**10.1** The DCLG invited local authorities to submit proposals for funding that will result in real financial savings through effective counter fraud activities. All proposals must demonstrate that the savings that will be achieved will be at least equivalent to, or exceed, the funding requested. The DCLG were keen to receive proposals that seek to achieve efficiencies and service transformation through partnership working between local authorities and/or with other public and private sector organisations. Proposals were to be submitted by 5 September 2014.

**10.2** The Council has actively engaged as a partner in 2 projects for which bids for funding have been submitted:

(a) Council Tax Reduction Review Service – a consortium of 13 local authorities and 2 private sector suppliers, with Pendle Borough Council as the lead authority. The key objective is to target fraud and error within the Council Tax Reduction Scheme caseloads by applying sophisticated data matching and analytics. The total grant sought by the consortium is £1.2m. There will be no direct cost to the Council. The staff time which will be required to submit data for analysis each month can be managed within existing resources.

(b) Fighting Fraud in East Sussex initiative – a partnership of the District and Borough Councils, East Sussex County Council and Brighton and Hove City Council, with Eastbourne Borough Council as the lead authority. The objectives of the project are to establish and develop a coordinated approach to fighting fraud locally, build local capacity to detect and prevent fraud, and to focus on identified vulnerable areas. The total grant sought by the partnership is £0.6m. There will be no direct cost to the Council. The work of the proposed local 'hub' will be supported by staff currently engaged in fraud investigations in each authority.

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

**12 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.

### **13 Legal Implications**

There are no legal implications arising from this report.

### **14 Risk Management Implications**

**14.1** 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.

**14.2** 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.

### **15 Equality Screening**

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

### **16 Background Papers**

Treasury Strategy Statement <http://www.lewes.gov.uk/council/20987.asp>

### **Appendices**

Appendix 1 - Statement of Investment Activity: 19 June to 12 September 2014

Appendix 2 – Summary of Bad Debts Written Off

**Statement of Treasury Management Activity:  
19 June to 12 September 2014**

**1. Fixed Term Deposits**

Loan	Counterparty	Principal £	From	To	Capital O/s £	Capital Repaid £	Interest Rate %
<b>Current investments at 12 September 2014</b>							
220014	Barclays Bank plc	1,000,000	12 Jun 14	13 Oct 14	1,000,000		0.490
220714	Barclays Bank plc	1,000,000	13 Aug 14	13 Aug 15	1,000,000		1.000
220914	Nationwide Building Society	1,000,000	01 Sep 14	02 Mar 15	1,000,000		0.640
221014	Nationwide Building Society	1,000,000	01 Sep 14	02 Feb 15	1,000,000		0.580
	<b>Total</b>				<u>4,000,000</u>		
<b>Investments that have matured since last report</b>							
219914	Debt Management Office	1,500,000	11 Jun 14	23 Jun 14		1,500,000	0.250
220114	Debt Management Office	1,750,000	16 Jun 14	23 Jun 14		1,750,000	0.250
219814	Debt Management Office	1,000,000	05 Jun 14	25 Jun 14		1,000,000	0.250
218314	Nationwide Building Society	1,000,000	28 Apr 14	30 Jun 14		1,000,000	0.440
220214	Debt Management Office	5,000,000	01 Jul 14	02 Jul 14		5,000,000	0.250
218814	Barclays Bank plc	1,000,000	07 May 14	07 Jul 14		1,000,000	0.410
218914	Barclays Bank plc	1,000,000	07 May 14	07 Aug 14		1,000,000	0.440
220414	Debt Management Office	4,000,000	01 Aug 14	08 Aug 14		4,000,000	0.250
220514	Debt Management Office	2,000,000	01 Aug 14	11 Aug 14		2,000,000	0.250
220814	Debt Management Office	2,000,000	15 Aug 14	18 Aug 14		2,000,000	0.250
219414	Nationwide Building Society	1,000,000	30 May 14	29 Aug 14		1,000,000	0.480
220314	Nationwide Building Society	1,000,000	01 Jul 14	01 Sep 14		1,000,000	0.450
220614	Debt Management Office	2,000,000	07 Aug 14	08 Sep 14		2,000,000	0.250
221114	Debt Management Office	1,000,000	01 Sep 14	08 Sep 14		1,000,000	0.250
221214	Debt Management Office	1,000,000	02 Sep 14	12 Sep 14		1,000,000	0.250
221314	Debt Management Office	2,000,000	08 Sep 14	12 Sep 14		2,000,000	0.250
	<b>Total</b>					<u>28,250,000</u>	

**2. Money Market Funds**

	Average held £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	741	0.52
Deutsche Managed Sterling Fund	1,000	0.52

**3. Deposit Accounts**

	Average held £'000	Interest rate %
Co-operative Bank Public Sector Reserve Acc	43	Minimal
Santander UK plc Business Reserve Account	1,867	0.40
Bank of Scotland Corporate Deposit Account	1,891	0.40

#### 4. Treasury Bills

	Purchased	£'000	Return %
<b>Held at 12 September 2014</b>			
UK Treasury Bills 0% 22 Sep 2014	23 Jun 14	995	0.420
UK Treasury Bills 0% 06 Oct 2014	07 Jul 14	2,000	0.459
UK Treasury Bills 0% 03 Nov 2014	04 Aug 14	2,000	0.420
UK Treasury Bills 0% 10 Nov 2014	11 Aug 14	2,000	0.410
UK Treasury Bills 0% 15 Sep 2014	15 Aug 2014	2,000	0.330
<b>Matured in period</b>			
UK Treasury Bills 0% 07 Jul 2014	09 Jun 14	2,000	0.300
UK Treasury Bills 0% 07 Jul 2014	09 Jun 14	2,000	0.330
UK Treasury Bills 0% 21 Jul 2014	23 Jun 14	2,000	0.380
UK Treasury Bills 0% 21 Jul 2014	23 Jun 14	1,000	0.400
UK Treasury Bills 0% 28 Jul 2014	30 Jun 14	2,000	0.400
UK Treasury Bills 0% 04 Aug 2014	07 Jul 14	2,000	0.395
UK Treasury Bills 0% 04 Aug 2014	07 Jul 14	2,000	0.415
UK Treasury Bills 0% 11 Aug 2014	14 Jul 14	2,000	0.395
UK Treasury Bills 0% 01 Sep 2014	4 Aug 14	1,000	0.350
UK Treasury Bills 0% 01 Sep 2014	4 Aug 14	1,000	0.330

#### 5. Borrowing

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



## Summary of Bad Debts Written Off – 2013/2014

<b>Sundry Debtors</b>		
<b>Amount Range</b>	<b>No. of Accounts</b>	<b>Value £</b>
Up to £10	14	67
£10 - £500	167	22,382
£501 - £1,000	43	31,058
£1,001 - £2,500	30	47,534
£2,500 - £10,000	11	50,736
Over £10,000	1	12,115
<b>Total</b>	<b>266</b>	<b>163,892</b>

<b>Council House Rents</b>		
<b>Amount Range</b>	<b>No. of Accounts</b>	<b>Value £</b>
Up to £10	1	1
£10 - £500	33	6,106
£501 - £1,000	8	5,933
£1,001 - £2,500	9	13,154
£2,500 - £10,000	2	5,135
Over £10,000		
<b>Total</b>	<b>53</b>	<b>30,329</b>

<b>Council Tax</b>		
<b>Amount Range</b>	<b>No. of Accounts</b>	<b>Value £</b>
Up to £10	293	146
£10 - £500	99	17,438
£501 - £1,000	12	8,473
£1,001 - £2,500	12	17,139
£2,500 - £10,000	10	33,342
Over £10,000	-	-
<b>Total</b>	<b>426</b>	<b>76,538</b>
During this period a sum of £34,225 has been written back on.		

<b>Business Rates</b>		
<b>Amount Range</b>	<b>No. of Accounts</b>	<b>Value £</b>
Up to £10	25	18
£10 - £500	7	1,456
£501 - £1,000	2	1,315
£1,001 - £2,500	3	3,631
£2,500 - £10,000	17	70,581
Over £10,000	4	84,202
<b>Total</b>	<b>58</b>	<b>161,203</b>
During this period a sum of £22,846 has been written back on.		