

Agenda Item No: 9.1 **Report No:** 51/16
Report Title: Finance Update
Report To: Cabinet **Date:** 21 March 2016
Cabinet Member: Councillor Bill Giles
Ward(s) Affected: All
Report By: Alan Osborne, Director of Corporate Services
Contact Officer(s)-
Name(s): Steve Jump
Post Title(s): Head of Finance
E-mail(s): steve.jump@lewes.gov.uk
Tel No(s): 01273 484043

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 Agrees the General Fund and Housing Revenue Account financial performance for the quarter ended 31 December 2015 as set out in section 4.
- 2 Agrees the Capital Programme financial performance for the quarter ended 31 December 2015 as set out in section 6.

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 Treasury Management investment activity between 20 October and 31 December 2015 is summarised in the table below. All activity was consistent with the Council's approved Treasury and Investment Strategy for 2015/2016.

Type of investment	New investments	Matured investments	Average on deposit £m	Average return %
Short term deposits	£14.5m	£18.5m	8.78	0.53
Long term deposits	Nil	Nil	0.00	0.00
Treasury Bills	£11.0m	£5.0m	10.73	0.49
Money Market Funds	daily		4.78	0.57
Interest Bearing Accounts			2.46	0.35

3.2 No new borrowing was undertaken in the period. Long term borrowing remains at £56.6m.

3.3 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 Financial Performance – Revenue budgets

4.1 Financial Performance at the end of Quarter 3 (December) 2015/2016 is shown below. Service details are shown at Appendix 1.

Activity	Full year budget £'000	End Qtr 3 Profiled Budget £'000	End Qtr 3 actual £'000	End Qtr 3 variance £'000
Service Delivery				
Housing and Environment	1,638	2,235	1,917	(318)
Planning and Revenues	1,716	(6,179)	(6,382)	(203)
Customer Service	1,482	1,423	1,382	(41)
Waste and Recycling	2,776	2,093	2,072	(21)
	7,612	(428)	(1,011)	(583)

Activity	Full year budget £'000	End Qtr 3 Profiled Budget £'000	End Qtr 3 actual £'000	End Qtr 3 variance £'000
Business Strategy and Development				
Business Strategy and Performance	673	520	528	8
Regeneration and Investment	1,022	638	336	(302)
Strategic Policy	545	354	301	(53)
	2,240	1,512	1,165	(347)
Corporate Services				
Property and Facilities	2,469	864	748	(116)
Legal	499	276	321	45
Democratic Services	899	583	438	(145)
Human Resources	538	340	342	2
Information Technology	1,565	1,068	1,125	57
Finance	990	590	505	(85)
Audit, Fraud and Procurement	310	200	204	4
	7,270	3,921	3,683	(238)
Corporate Strategy and Programmes	1,158	702	753	51
Financing, interest, grants, etc	(12,605)	(2,835)	(2,603)	232
Central Support Service recharges	(5,675)	(88)	(90)	(2)
Housing Revenue Account	0	(6,508)	(7,063)	(555)
TOTAL	0	(3,724)	(5,166)	(1,442)

4.2 Financial performance in the third quarter resulted in a favourable net variation of £1,442,000. This builds on the Quarter 2 position reported to Cabinet in September. Key elements of this variation were:

	£'000
Employee costs – the savings delivery plan assumes a vacancy savings target of 2% for the year. At the end of Quarter 3, in year savings from vacant posts exceeded the target by 4%	(493)
Staff severance costs – costs incurred as part of corporate restructuring	93
Planning Development Control fees – income in Quarter has continued to exceed the profiled budget	(104)
Car parking income in excess of budget and reduction in management fee	(90)

	£'000
Business Rates local discount scheme - £370,000 has been earmarked to support a pilot scheme. At the end of Quarter 3 only 2 (minor) discounts have been awarded on application	(278)
Government grants received – funding has been received in respect of the Neighbourhood Planning process and electoral registration changes and costs associated with changes in the requirements for land charges fee setting	(173)
Recyclate sales – the budget for this income stream is £350,000. As reported at the end of Quarter 1 the market for recyclates is restricted. An overall shortfall against the budget for the year of £250,000 continues to be anticipated	172
Green Waste collection service – this trial service in Seaford has been operational since August	(25)
Housing Revenue Account stock condition survey and specialist support. Tender documents for the survey have been prepared and the activity is now likely to take place in summer 2016	(362)
Low value asset sales	(21)
Planned repairs at General Fund property eg offices, parks, etc	(95)
Other minor variances	(66)
Total	(1,442)

- 4.3 Spending activity in many service areas has continued to be slow in Quarter 3 and the 'gap' between budgeted and actual spend is expected to close in the remainder of the year. Trends in housing benefit awarded and associated government subsidy due are being kept under close review.

5 Financial Performance – Council Tax and Business Rates

- 5.1 Projected collectable income from Council Tax and Business Rates in 2015/2016 was used in assessing the Collection Fund position at 31 March 2016 reported to the last Cabinet meeting as part of the budget setting process. This is as follows:

	Total £'000	LDC share £'000
Council Tax Collection Fund projected surplus	(1,090)	(172)
Business Rates Collection Fund projected deficit	1,599	640

The Council Tax Collection Fund surplus and Business Rates Collection Fund deficit will be distributed/recovered in 2016/2017.

- 5.2 The outcome of appeals against business rate valuations remains a key risk. Successful appeals can be backdated to 2010 and the decisions of Valuation Tribunals elsewhere in England can trigger fresh appeals from certain categories of business (eg GP surgeries in 2015). In December 2015, 230 appeals against the LDC rating list were yet to be settled.

6 Financial Performance – Capital Programme

6.1 Appendix 2 gives details of the capital programme spending in Quarter 3, along with an explanation of progress where significant. Payments of £7.9m have been made in the year, of which £4.1m were made in Quarter 3.

7 Financial Appraisal - referred to under individual items above.

8 Legal Implications - there are no legal implications arising from this report.

9 Risk Management Implications

9.1 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 expenditure 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.

9.2 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.

10 Equality Screening

This Finance Update is a routine report for which detailed Equality Analysis is not required to be undertaken. The equality implications of individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports.

Background Papers:

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

Appendices

Appendix 1 – Financial performance Quarter 3 by service

Appendix 2 – Capital Programme 2015/2016 – Quarter 3

Financial Performance Quarter 3 – Service details

	End Qtr 3 Profiled Budget £'000	End Qtr 3 actual £'000	End Qtr 3 variance £'000
Service Delivery			
Housing and Environment			
: Regulatory Services - Licensing	(150)	(181)	(31)
: Regulatory Services - Public Health	47	41	(6)
: Regulatory Services - Food Safety	2	2	0
: Regulatory Services - Environmental Protection	17	26	9
: Regulatory Services - Health and Safety	1	10	9
: Regulatory Services - Port Health	1	2	1
: Community Safety	7	9	2
: Emergency Planning	21	23	2
: Homelessness	175	152	(23)
: Housing Strategy, Enabling and Advice	15	13	(2)
: Private Sector Housing Renewal	9	3	(6)
: Salaries, management, admin costs	2,090	1,817	(273)
Sub-total	2,235	1,917	(318)
Planning and Revenues			
: Building Control	(254)	(155)	99
: Coast Protection	17	1	(16)
: Flood Defence	134	138	4
: Development Control	(573)	(670)	(97)
: Street Naming	6	8	2
: Regulatory Services - Environmental Protection	42	53	11
: Council Tax Support Scheme Mgt	0	0	0
: Local Tax Collection - Council Tax	89	121	32
: Local Tax Collection - Business Rates	6	2	(4)
: Housing Benefit Administration	(42)	(21)	21
: Housing Benefit	(7,099)	(7,099)	0
: Salaries, management, admin costs	1,495	1,240	(255)
Sub-total	(6,179)	(6,382)	(203)
Customer Service			
: Regulatory Services - Animal and Pest Control	13	7	(6)
: Cemeteries	(14)	(1)	13
: Open Spaces	271	203	(68)
: Sports and Playing Fields	191	184	(7)
: Vehicle Workshop	(88)	(23)	65
: Internal Corporate Support Unit	114	106	(8)
: Salaries, management, admin costs	936	906	(30)
Sub-total	1,423	1,382	(41)

	End Qtr 3 Profiled Budget £'000	End Qtr 3 actual £'000	End Qtr 3 variance £'000
Waste and Recycling			
: Recycling	591	797	206
: Waste Collection	751	603	(148)
: Street Cleansing	464	439	(25)
: Management and administration	214	169	(45)
: Robinson Road facility	73	64	(9)
Sub-total	2,093	2,072	(21)
Service Delivery Total	(428)	(1,011)	(583)
Business Strategy and Development			
Business Strategy and Performance			
: Voluntary Sector Support	195	193	(2)
: Print Plus service	(20)	13	33
: Salaries, management, admin costs	345	322	(23)
Sub-total	520	528	8
Regeneration and Investment			
: Tourism	106	112	6
: Culture and Heritage: Arts Development	1	8	7
: Economic Development	419	115	(304)
: Newhaven Enterprise Centre	(104)	(72)	32
: Salaries, management, admin costs	216	173	(43)
Sub-total	638	336	(302)
Strategic Policy			
: Planning Policy	26	9	(17)
: Planning Policy - Conservation	0	0	0
: Salaries, management, admin costs	328	292	(36)
Sub-total	354	301	(53)
Business Strategy and Development total	1,512	1,165	(347)
Corporate Services			
Property and Facilities			
: Investment Properties	(128)	(123)	5
: Industrial Estates	(500)	(506)	(6)
: Property Portfolio/Regeneration	387	436	49
: Public Conveniences	176	177	1
: Culture and Heritage - Newhaven Fort	84	98	14
: Indoor Leisure - Wave	456	396	(60)

	End Qtr 3 Profiled Budget £'000	End Qtr 3 actual £'000	End Qtr 3 variance £'000
: Car Parking	(244)	(335)	(91)
: Office Accommodation	393	335	(58)
: Salaries, management, admin costs	240	270	30
Sub-total	864	748	(116)
Legal Services	276	321	45
Democratic Services			
: Democratic Representation	220	190	(30)
: Electoral Registration	61	50	(11)
: Elections - LDC	90	105	15
: Elections - other	0	1	1
: Local Land Charges	(19)	(140)	(121)
: Salaries, management, admin costs	231	232	1
Sub-total	583	438	(145)
Human Resources			
: Recruitment and Training	88	47	(41)
: HR service	252	295	43
Sub-total	340	342	2
Information Technology	1,068	1,125	57
Finance			
: Treasury Management	38	32	(6)
: Salaries, management, admin costs	552	473	(79)
Sub-total	590	505	(85)
Audit, Fraud and Procurement	200	204	4
Corporate Services Total	3,921	3,683	(238)
Corporate Strategy and Programmes			
: Corporate Management	252	231	(21)
: Organisational Development	0	63	63
: Salaries, management, admin costs	450	459	9
Corporate Strategy and Programmes total	702	753	51
Financing, interest, grants, etc			
Contributions to the HRA re shared items	0	0	0
Interest payments and receipts	(58)	(67)	(9)

	End Qtr 3 Profiled Budget £'000	End Qtr 3 actual £'000	End Qtr 3 variance £'000
Town and Parish Council grant	118	119	1
Contributions to/from Reserves	0	(33)	(33)
Service Priority budget and savings target	(211)	0	211
Pensions accounting	63	121	58
Provision for Debt Repayment	0	0	0
Government Grants	(2,747)	(2,743)	4
Council Tax	0	0	0
Retained Business Rates	0	0	0
Use of Balance	0	0	0
Total	(2,835)	(2,603)	232
Central Support Service recharges	(88)	(90)	(2)
Housing Revenue Account			
Rent income	(11,597)	(11,600)	(3)
Charges for Services	(134)	(199)	(65)
Contributions towards expenditure	(31)	(39)	(8)
Community Amenities Contribution	0	0	0
Supervision and Management	631	161	(470)
Special Services	782	661	(121)
Repairs and Maintenance	2,402	2,534	132
Rents, rates, etc	143	139	(4)
Provision for irrecoverable debts	0	0	0
Capital accounting	0	0	0
Interest payments and receipts	1,296	1,280	(16)
Depreciation	0	0	0
Capital Programme funding	0	0	0
Transfer to/from HRA Balance	0	0	0
Total HRA	(6,508)	(7,063)	(555)
TOTAL	(3,724)	(5,166)	(1,442)