

Agenda Item No: 9.2 **Report No:** 52/17
Report Title: Finance Update – Performance Quarter 3 - 2016/2017
Report To: Cabinet **Date:** 20 March 2017
Cabinet Member: Councillor Bill Giles
Ward(s) Affected: All
Report By: Alan Osborne, Deputy Chief Executive
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 Agrees the General Fund and Housing Revenue Account financial performance for the quarter ended 31 December 2016 as set out in section 3.
 - 2 Agrees the Treasury Management financial performance for the quarter ended 31 December 2016 as set out in section 7.
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Reasons for Recommendations

- 1 A report on financial performance following the end of each quarter is made to Cabinet to ensure that the financial health of the General Fund, Housing Revenue Account, Council Tax and Business Rates Collection Funds and the Capital Programme are 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 Financial Performance – General Fund Revenue budgets

3.1 Financial Performance at the end of Quarter 3 (December) 2016/2017 is shown below. Service details are shown at Appendix 1.

	Full year budget £'000	End Quarter 3 profiled budget £'000	End Quarter 3 actual £'000	End Quarter 3 variance £'000
General Fund Summary				
Director of Regeneration and Planning	42	(114)	(449)	(335)
Director of Service Delivery	9,698	7,442	7,003	(439)
Director of Tourism	759	580	692	112
Deputy Chief Executive	4,491	3,326	3,045	(281)
Corporate costs and income	798	352	655	303
Netting off of Central Support Services recharges included above	(3,971)	0	(319)	(319)
Net cost of Service provision	11,817	11,586	10,627	(959)
Contributions to/from Reserves	780	0	0	0
Total cost to be Financed	12,597	11,586	10,627	(959)

3.2 Actual financial performance to the end of Quarter 3 has been largely in line with service budgets. Items to note at this stage are:

- spending on staff (adjusted for payments in respect of agency staff providing cover for short-term absences and shared staffing arrangements with Eastbourne Borough Council) is below budget.
- income generating activities are performing in line with or exceeding projections eg income from planning fees at the end of Quarter 3 £319,000 compared with a full year budget £375,000, feed in tariffs generated by solar panels on Council-owned homes £189,000 compared with a full year budget of £203,000
- as previously reported to Cabinet, the share of business rates income to be received by the General Fund in 2016/2017 is expected to reduce for reasons outside the Council's control. The net reduction for the year is currently projected to be in the region of £241,000 (£280,000 projection at end of Quarter 2). This reduction in financing is not included in the table above.
- trends in housing benefit awarded and associated government subsidy, which can have a net impact on the net budget continue to be monitored and will be more identifiable later in the year.

- as previously reported, the timing of Joint Transformation Programme activity results in the delivery of some of the savings target of £400,000 being deferred into 2017/2018. This is currently offset by a managed vacancy process which will remain until the main restructuring is complete (in two phases during 2017/18 as set out in another paper on the agenda)

3.3 The amount held in the General Fund Uncommitted Reserve, which acts as a buffer against negative movements in the budget, is projected to be £2.3m at 31 March 2017 before any adjustment needed in respect of the items listed in paragraph 3.2. The table below shows the projected movements and balances of each Reserve, and is as reported to Council when it agreed the budgets and set the council tax for 2017/2018 at its meeting in February 2017.

		Balance at 1 April '16	Contributions & transfers	Commitment	Balance at 31 March '17
	Reserve	£'000	£'000	£'000	£'000
1	Strategic Change	(3,657)	(2,383)	3,939	(2,101)
2	Asset Maintenance	(2,653)	(303)	929	(2,027)
3	Vehicle and Equipment Replacement	(2,440)	(320)	215	(2,545)
4	Economic Regeneration	(351)	0	142	(209)
5	Revenue Grants and Contributions	(253)	0	69	(184)
6	Unallocated	(3,105)	813	0	(2,292)
7	TOTAL	(12,459)	(2,193)	5,294	(9,358)

4 Financial performance – Housing Revenue Account budgets

4.1 Financial performance at the end of Quarter 3 is shown on the next page.

	Full year budget £'000	End Quarter 3 profiled budget £'000	End Quarter 3 actual £'000	End Quarter 3 variance £'000
Housing Revenue Account Summary				
Income:				
Rents	(15,290)	(11,468)	(11,468)	0
Service charges	(1,156)	(868)	(868)	0
Other income	(219)	(165)	(131)	34
	(16,665)	(12,501)	(12,467)	34
Expenditure:				
Supervision and Management	534	397	369	(28)
Special Services eg sheltered	1,075	774	566	(208)
Repairs	3,686	3,112	2,881	(231)
Capital financing, etc	7,610	(20)	0	20
Central support charges, etc	3,241	0	0	0
Net cost of Service provision	16,146	4,263	3,816	(447)
Contributions to/from Reserves	519	0	0	0
	0	(8,238)	(8,651)	(413)

4.2 Spending and income is generally in line with service budgets and no significant variations have arisen since the Quarter 2 report to Cabinet. Spending on responsive and void repairs is demand led and can be expected to fluctuate during the course of the year.

5 Financial Performance –Business Rates and Council Tax

5.1 As reported to Cabinet in February 2017, projections of Business Rates and Council Tax at 31 March 2017 are as follows:

	Total £'000	LDC Share £'000
Business rates collection fund - deficit	1,386	555
Council tax collection fund - surplus	(1,700)	(266)

6 Financial Performance – Capital Programme

6.1 Details of capital programme spending at the end of Quarter 3 were reported to Cabinet in February 2017.

6.2 There are no variations to the capital programme requiring Cabinet approval.

7 Financial Performance - Treasury Management

7.1 Treasury Management investment performance at the end of Quarter 3 is shown in table below, along with the average 7-day London Interbank Bid (LIBID) Rate. All activity was consistent with the Council's approved Treasury and Investment Strategy for 2016/2017.

Type of investment	Average return in Q1 %	Average return in Q2 %	Average Return in Q3 %	Average return Q1-Q3 %
Fixed term deposits	0.56	0.53	0.40	0.41
Treasury Bills	0.42	0.40	0.41	0.41
Bonds, certificates of deposit, etc	0.65	0.58	0.44	0.57
Money Market Funds	0.59	0.52	0.40	0.49
Interest Bearing Accounts	0.40	0.24	0.16	0.23
Total investments	0.56	0.52	0.35	0.40
7-day LIBID benchmark	0.36	0.20	0.23	0.23

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

8 Financial Appraisal - referred to under individual items above.

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 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.

10.2 An additional risk 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

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

Financial Performance Quarter 3 – Service details

	Full year budget £'000	End Quarter 3 profiled budget £'000	End Quarter 3 actual £'000	End Quarter 3 variance £'000
Director of Regeneration and Planning				
Assets and Property				
: Investment Properties	(197)	(138)	(158)	(20)
: Industrial Estates	(669)	(501)	(482)	19
: Public Conveniences	221	159	169	10
: Car Parking	(350)	(468)	(474)	(6)
: Office Accommodation	465	384	333	(51)
: Solar Panel installations	(147)	(106)	(175)	(69)
: Depots	111	95	91	(4)
Sub-total	(566)	(575)	(696)	(121)
Planning				
: Development Control	(822)	(615)	(656)	(41)
: Planning Policy	25	19	16	(3)
: Planning Policy - Conservation	0	0	0	0
Sub-total	(797)	(596)	(640)	(44)
Regeneration				
: Economic Development	464	348	195	(153)
: Newhaven Enterprise Centre	(140)	(105)	(91)	14
: Property Portfolio/Regeneration	0	0	30	30
: Street Naming	8	6	7	1
Sub-total	332	249	141	(108)
Salaries and Administration				
: Property	384	289	335	46
: Strategic Policy	444	334	249	(85)
: Salaries, management, admin costs	245	185	162	(23)
Sub-total	1,073	808	746	(62)
Director total	42	(114)	(449)	(335)
Director of Service Delivery				
Community				
: Building Control	(342)	(257)	(225)	32
: Regulatory Services - Travellers sites	17	17	17	0
: Community Safety	9	6	2	(4)
: Voluntary Sector Support	212	160	160	0
: Town and Parish Council grant	201	101	101	0
Sub-total	97	27	55	28

	Full year budget £'000	End Quarter 3 profiled budget £'000	End Quarter 3 actual £'000	End Quarter 3 variance £'000
Environmental Health and Licensing				
: Regulatory Services - Licensing	(188)	(141)	(181)	(40)
: Regulatory Services - Public Health	36	29	32	3
: Regulatory Services - Food Safety	3	2	2	0
: Regulatory Services - Environmental Protection	21	16	14	(2)
: Regulatory Services - Health and Safety	13	(2)	16	18
: Regulatory Services - Port Health	2	1	1	0
: Regulatory Services - Animal and Pest Control	19	14	9	(5)
: Coast Protection	8	15	7	(8)
: Flood Defence	143	141	142	1
: Cemeteries	(15)	(16)	(19)	(3)
Sub-total	42	59	23	(36)
Housing (General Fund)				
: Homelessness	150	176	168	(8)
: Housing Strategy, Enabling and Advice	20	15	5	(10)
: Private Sector Housing Renewal	11	9	(1)	(10)
: Contributions to the HRA re shared items	166	0	0	0
: Housing Benefit Administration	82	62	(56)	(118)
: Housing Benefit	(460)	(442)	(443)	(1)
Sub-total	(31)	(180)	(327)	(147)
Local Taxation				
: Council Tax Support Scheme Mgt	15	11	(3)	(14)
: Local Tax Collection - Council Tax	(55)	84	98	14
: Local Tax Collection - Business Rates	(134)	(133)	(112)	21
Sub-total	(174)	(38)	(17)	21
Parks and Playing Fields				
: Open Spaces	358	278	260	(18)
: Sports and Playing Fields	243	165	174	9
Sub-total	601	443	434	(9)
Waste and Recycling				
: Recycling	965	735	717	(18)
: Waste Collection	919	847	666	(181)
: Street Cleansing	651	553	529	(24)
: Vehicle Workshop	402	311	306	(5)
Sub-total	2,937	2,446	2,218	(228)
Salaries and Administration				
: Customer Services - Planning Revenues and Benefits	1,945	1,464	1,462	(2)
: Housing and Environmental Health	2,656	1,999	1,991	(8)
: Hub, Mobile Team and Parks	1,295	974	933	(41)
: Waste and Recycling	330	248	231	(17)
Sub-total	6,226	4,685	4,617	(68)
Director total	9,698	7,442	7,003	(439)

	Full year budget £'000	End Quarter 3 profiled budget £'000	End Quarter 3 actual £'000	End Quarter 3 variance £'000
Director of Tourism				
Tourism				
: Tourism	131	102	133	31
: Culture and Heritage: Arts Development	7	5	0	(5)
Sub-total	138	107	133	26
Wave Leisure				
: Culture and Heritage - Newhaven Fort	110	84	85	1
: Indoor Leisure - Wave	511	389	474	85
Sub-total	621	473	559	86
Director total	759	580	692	112
Deputy Chief Executive				
Corporate Services				
: Emergency Planning	23	17	17	0
: Organisational Development	120	90	40	(50)
: Treasury Management	58	49	47	(2)
: Local Land Charges	(90)	(68)	(58)	10
Sub-total	111	88	46	(42)
Democratic Services				
: Democratic Representation	260	195	200	5
: Electoral Registration	79	60	42	(18)
: Elections – LDC	8	6	4	(2)
: Elections – other	0	0	(1)	(1)
Sub-total	347	261	245	(16)
Salaries and Administration				
: Business Strategy and Performance	493	371	323	(48)
: Legal Services	417	372	313	(59)
: Finance	675	507	478	(29)
: Audit, Fraud and Procurement	266	200	189	(11)
: Democratic Services	366	275	273	(2)
: Information Technology	1,420	1,018	955	(63)
: HR service	250	125	129	4
: Recruitment and Training	146	109	94	(15)
Sub-total	4,033	2,977	2,754	(223)
Director Total	4,491	3,326	3,045	(281)
Corporate costs				
: Corporate Management	160	120	221	101
: CMT - Salaries, management, admin costs	560	421	391	(30)
: Interest payments and receipts	(180)	(135)	(111)	24
: Pensions accounting	215	161	154	(7)
: Service Priority budget and savings target	(287)	(215)	0	215
: Provision for Debt Repayment	330	0	0	0
	798	352	655	303

	Full year budget £'000	End Quarter 3 profiled budget £'000	End Quarter 3 actual £'000	End Quarter 3 variance £'000
Netting off of Central Support Services recharges included above	(3,971)	0	(319)	(319)
Net cost of Service provision	11,817	11,586	10,627	(959)
Contributions to/from Reserves	780	0	0	0
Total cost to be Financed	12,597	12,171	10,627	(1,544)
Financing				
: Council Tax	(6,996)	0	0	0
: Retained Business Rates	(2,430)	0	0	0
: Government Grants	(3,171)	(2,378)	(2,378)	0
Total Financing	(12,597)	(2,378)	(2,378)	0