

**Agenda Item No:** 8.1  
**Report Title:** Finance Update – Performance Quarter 3 - 2017/2018  
**Report To:** Cabinet **Date:** 19 March 2018  
**Cabinet Member:** Councillor Bill Giles  
**Ward(s) Affected:** All  
**Report By:** Alan Osborne, Deputy Chief Executive  
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**Purpose of Report:**

To provide an update on the Council's financial performance to the end of Quarter 3 2017/2018 and explain the impact on the current financial position.

**Officers Recommendation(s):**

**That Cabinet:**

- 1 Agrees the General Fund, Housing Revenue Account, Collection Fund and Treasury Management financial performance for the quarter ended 31 December 2018.
  - 2 Agrees the write-off of irrecoverable debts noted in paragraph 8.2.
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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) 2017/2018 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
<b>General Fund Summary</b>				
Director of Regeneration and Planning	361	309	(166)	(475)
Director of Service Delivery	8,209	6,046	5,530	(516)
Director of Tourism	663	612	550	(62)
Deputy Chief Executive	4,533	3,339	3,354	15
Corporate costs and income	685	473	772	299
Netting off of Central Support Services recharges included above	(3,303)	0	0	0
Net cost of Service provision	11,148	10,779	10,040	(739)
Contributions to/from Reserves	704	0	0	0
<b>Total cost to be Financed</b>	<b>11,852</b>	<b>10,779</b>	<b>10,040</b>	<b>(739)</b>

- 3.2 Items to note at this stage are:

- spending on staff (adjusted for payments in respect of agency staff providing cover for short-term absences) was £361,000 below budget at the end of Quarter 3. This reflects increased sharing of staff resources with Eastbourne Borough Council, new management structures following completion of Phase 1 of the Joint Transformation Programme (JTP) and vacancy management ahead of Phase 2.
- the reductions in staffing costs arising from the JTP contribute towards the full year savings target of £600,000 which is included within the 'corporate costs and income' heading above, and offset the £299,000 variation indicated at the end of Quarter 3.
- income from fees and charges compared with the budget is variable, with the main items being as follows

	£'000
Income higher than budget at end Quarter 3	
- Green Waste	(112)
- Community Infrastructure Levy admin share	(76)
- Car parking	(72)
- Hackney Carriage licences	(20)
- Licensing Act	(22)
- Art Wave	(13)
- Minor capital receipts	(13)
- PV Feed in Tariff	(17)
- Trade Waste	(27)
Sub-total	<b>(372)</b>
Income below budget at end Quarter 3	
- Recycling: sales and recycling credits	98
- Building Control	38
- Industrial Estates rents	25
- Development Control	12
- Cemeteries	15
Sub-total	<b>188</b>
Net additional income	<b>(184)</b>

- a number of ad-hoc grants have been received from the Government which were not included in the budget, including Resettlement Programme (£136,000) and Homelessness Reduction Act measures (£39,000). These grants will be used to offset associated expenditure in either 2017/2018 or subsequent years.
- at the end of Quarter 3 unbudgeted business rates with a total cost of £110,000 have been incurred in respect of commercial premises which were empty pending letting or redevelopment.
- trends in housing benefit awarded and associated government subsidy, which can have a net impact on the net budget will be more identifiable later in the year.

**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 £2.1m at 31 March 2018 before any adjustment needed in respect of the items listed in paragraph 3.2. The table below shows the projected movements in each Reserve in 2017/2018 and the balance at the end of the year. The projection is as reported to Council when it agreed the budgets and set the council tax for 2018/2019 at its meeting in February 2018.

		<b>Balance at 1 April '17</b>	<b>Contributions &amp; transfers</b>	<b>Commitment</b>	<b>Balance at 31 March '18</b>
	<b>Reserve</b>	£'000	£'000	£'000	£'000
1	Strategic Change	(3,668)	(1,323)	3,535	(1,456)
2	Asset Maintenance	(2,591)	(283)	1,272	(1,602)
3	Vehicle and Equipment Replacement	(2,591)	(470)	1,541	(1,520)
4	Economic Regeneration	(274)	0	66	(208)
5	Revenue Grants and Contributions	(400)	0	267	(133)
6	Unallocated	(2,288)	226	0	(2,062)
7	<b>TOTAL</b>	<b>(11,812)</b>	<b>(1,850)</b>	<b>6,681</b>	<b>(6,981)</b>

#### 4 Financial performance – Housing Revenue Account budgets

4.1 Financial performance at the end of Quarter 3 is shown below.

	<b>Full year budget £'000</b>	<b>End Quarter 3 profiled budget £'000</b>	<b>End Quarter 3 actual £'000</b>	<b>End Quarter 3 variance £'000</b>
<b>Housing Revenue Account Summary</b>				
Income:				
Rents	(15,224)	(11,418)	(11,418)	0
Service charges	(1,209)	(909)	(904)	5
Other income	(200)	(150)	(83)	67
	<b>(16,633)</b>	<b>(12,477)</b>	<b>(12,405)</b>	<b>72</b>
Expenditure:				
Supervision and Management	622	443	324	(119)
Special Services eg sheltered	1,047	752	621	(131)
Repairs	3,880	2,956	2,691	(265)
Capital financing, etc	7,852	(23)	(11)	12
Central support charges, etc	3,232	0	0	0
Net cost of Service provision	<b>16,633</b>	<b>4,128</b>	<b>3,625</b>	<b>(503)</b>
Contributions to/from Reserves	0	0	0	0
Net cost/(income)	<b>0</b>	<b>(8,349)</b>	<b>(8,780)</b>	<b>(431)</b>

4.2 Spending and income is generally in line with service budgets. New contracts have been let for responsive repairs, communal cleaning and alarm systems in sheltered schemes, reducing costs against the budget. 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 2018, projections of Business Rates and Council Tax at 31 March 2018 are as follows:

	Total £'000	LDC Share £'000
Business rates collection fund - deficit	780	312
Council tax collection fund - surplus	(839)	(130)

**5.2** There are significant risks associated with retained business rates income, with more than 70 appeals against the 2010 rating list remaining to be settled by the Valuation Office Agency (VOA), and uncertainty over the number of appeals against the 2017 rating list received by the VOA.

## **6 Financial Performance – Capital Programme**

**6.1** Details of capital programme spending at the end of Quarter 3 were reported to Cabinet in February 2018.

**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 the 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 2017/2018.

Type of investment	Average return Q1 %	Average return Q2 %	Average return Q3 %	Average return Q1-Q3 %
Fixed term deposits	0.34	0.22	0.35	0.32
Treasury Bills	n/a	0.19	0.36	0.32
Bonds, certificates of deposit, etc	0.55	0.69	0.64	0.63
Money Market Funds	0.32	0.29	0.35	0.32
Interest Bearing Accounts	0.15	0.15	0.24	0.18
<b>Total investments</b>	<b>0.44</b>	<b>0.34</b>	0.56	0.47
<b>7-day LIBID benchmark</b>	<b>0.11</b>	<b>0.11</b>	0.28	0.19

**7.2** No new long term borrowing was undertaken in the period, and the total of the portfolio remains at £56.6m. No temporary borrowing arrangements were entered into in Quarter 3.

## **8 Debts written off**

**8.1** Financial Procedure Rules authorise the Deputy Chief Executive to write-off a debt which is below £10,000 or where the amount involved is claimable in bankruptcy or liquidation proceedings. Cabinet or Council approval is required to write off a single debt in excess of £10,000 or £50,000 respectively. It is important to ensure that only those debts for which a realistic prospect of recovery exists remain active, and the Council's external auditor can be

expected to review this as part of the statutory audit of accounts. There is nothing to prevent the Council from reinstating a debt, following its write-off, if new information comes to light about the debtor's circumstances.

- 8.2** In Quarter 3, the following amounts have been written off in total when action to recover individual debts has proved to be unsuccessful or uneconomic to pursue. No individual case was in excess of £10,000.

	Total value £
Sundry Debtors	7,470
Housing Benefit overpayments	69,910
Housing Rents	1,410
Council Tax	21,290
Business Rates	66,880
<b>Total</b>	<b>166,960</b>

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

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

**11 Risk Management Implications**

**11.1** 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.

**11.2** 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.

**12 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

<https://lewes.cmis.uk/CMIS5/Document.ashx?czJKcaeAi5tUFL1DTL2UE4zNRBcoShgo=v57WXfe3sAc795sURi7UH1dSk7o8VuBJ09Dogx1LOuyt2Loo7St3gg%3d%3d&rUzwRPf%2bZ3zd4E7lkn8Lyy%3d%3d=pwRE6AGJFLDNIh225F5QMaQWCtPHwdhUfCZ%2fLUQzgA2uL5jNRG4jdQ%3d%3d&mC TIbCubSFfXsDGW9IXnlq%3d%3d=hFfIUdN3100%3d&kCx1AnS9%2fpWZQ40DXFvdEw%3d%3d=hFf>

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**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
<b>Director of Regeneration and Planning</b>				
<b>Assets and Property</b>				
: Investment Properties	(518)	(374)	(282)	92
: Industrial Estates	(669)	(501)	(424)	77
: Public Conveniences	222	159	155	(4)
: Car Parking	(409)	(488)	(593)	(105)
: Office Accommodation	448	370	263	(107)
: Solar Panel installations	(154)	(98)	(131)	(33)
: Depots	116	98	111	13
Sub-total	(964)	(834)	(901)	(67)
<b>Planning</b>				
: Development Control	(847)	(516)	(562)	(46)
: Planning Policy	105	79	(6)	(85)
: Planning Policy - Conservation	0	0	0	0
Sub-total	(742)	(437)	(568)	(131)
<b>Regeneration</b>				
: Economic Development	323	249	154	(95)
: Newhaven Enterprise Centre	(160)	(100)	(111)	(11)
: Property Portfolio/Regeneration	0	0	104	104
: Street Naming	7	5	(3)	(8)
Sub-total	170	154	144	(10)
<b>Salaries and Administration</b>				
: Corporate Property	431	325	405	80
: Strategic Policy	457	344	177	(167)
: Planning	776	582	416	(166)
: Regeneration	233	175	161	(14)
Sub-total	1,897	1,426	1,159	(267)
Director total	361	309	(166)	(475)
<b>Director of Service Delivery</b>				
<b>Community</b>				
: Building Control	(317)	(238)	(202)	36
: Regulatory Services - Travellers sites	17	18	17	(1)
: Community Safety	20	15	(4)	(19)
: Voluntary Sector Support	219	165	137	(28)
: Town and Parish Council grant	171	171	171	0
Sub-total	110	131	119	(12)



	Full year budget £'000	End Quarter 3 profiled budget £'000	End Quarter 3 actual £'000	End Quarter 3 variance £'000
<b>Environmental Health and Licensing</b>				
: Regulatory Services - Licensing	(186)	(139)	(189)	(50)
: Regulatory Services - Public Health	36	29	22	(7)
: Regulatory Services - Food Safety	3	2	1	(1)
: Regulatory Services - Environmental Protection	21	18	9	(9)
: Regulatory Services - Health and Safety	11	12	27	15
: Regulatory Services - Port Health	2	1	1	0
: Regulatory Services - Animal and Pest Control	30	23	15	(8)
: Coast Protection	15	16	(1)	(17)
: Flood Defence	145	7	0	(7)
: Cemeteries	(31)	(28)	(10)	18
Sub-total	46	(59)	(125)	(66)
<b>Housing (General Fund)</b>				
: Homelessness	99	189	1	(188)
: Housing Strategy, Enabling and Advice	60	45	3	(42)
: Private Sector Housing Renewal	1	0	(1)	(1)
: Contributions to the HRA re shared items	159	0	0	0
: Housing Benefit Administration	101	76	(10)	(86)
: Housing Benefit	(462)	(541)	(541)	0
Sub-total	(42)	(231)	(548)	(317)
<b>Local Taxation</b>				
: Council Tax Support Scheme Mgt	15	48	38	(10)
: Local Tax Collection - Council Tax	(52)	87	71	(16)
: Local Tax Collection - Business Rates	(133)	(2)	19	21
Sub-total	(170)	133	128	(5)
<b>Parks and Playing Fields</b>				
: Open Spaces	365	280	240	(40)
: Sports and Playing Fields	247	168	174	6
Sub-total	612	448	414	(34)
<b>Waste and Recycling</b>				
: Recycling	835	638	753	115
: Waste Collection	907	469	336	(133)
: Street Cleansing	628	537	482	(55)
: Vehicle Workshop	(195)	(145)	(112)	33
Sub-total	2,175	1,499	1,459	(40)
<b>Salaries and Administration</b>				
: Customer Services - Revenues and Benefits	1,257	947	1,036	89
: Housing and Environmental Health	2,621	1,972	1,953	(19)
: Hub, Mobile Team and Parks	1,240	935	826	(109)
: Waste and Recycling	360	271	268	(3)
Sub-total	5,478	4,125	4,083	(42)
Director total	8,209	6,046	5,530	(516)

	Full year budget £'000	End Quarter 3 profiled budget £'000	End Quarter 3 actual £'000	End Quarter 3 variance £'000
<b>Director of Tourism</b>				
<b>Tourism</b>				
: Tourism	147	114	136	22
: Culture and Heritage: Arts Development	7	5	(4)	(9)
Sub-total	154	119	132	13
<b>Wave Leisure</b>				
: Culture and Heritage - Newhaven Fort	103	104	96	(8)
: Indoor Leisure - Wave	406	389	322	(67)
Sub-total	509	493	418	(75)
Director total	663	612	550	(62)
<b>Deputy Chief Executive</b>				
<b>Corporate Services</b>				
: Emergency Planning	24	18	23	5
: Organisational Development	120	90	90	0
: Treasury Management	55	47	46	(1)
: Local Land Charges	(86)	(75)	(72)	3
Sub-total	113	80	87	7
<b>Democratic Services</b>				
: Democratic Representation	270	203	205	2
: Electoral Registration	77	57	32	(25)
: Elections - LDC	8	6	11	5
: Elections - other	0	0	0	0
Sub-total	355	266	248	(18)
<b>Central and Support Services</b>				
: Business Strategy and Performance	554	416	393	(23)
: Legal Services	423	260	307	47
: Finance	650	488	475	(13)
: Audit and Counter Fraud	266	200	190	(10)
: Democratic Services	368	277	261	(16)
: Information Technology	1,420	1,064	1,130	66
: HR service	254	190	206	16
: Recruitment and Training	130	98	57	(41)
Sub-total	4,065	2,993	3,019	26
Director Total	4,533	3,339	3,354	15
<b>Corporate costs</b>				
: Corporate Management	180	135	75	(60)
: Corporate Management Team	501	377	296	(81)
: Interest payments and receipts	(180)	(44)	29	73
: Revenue financing of capital expenditure	210	157	34	(123)
: Pensions accounting	229	172	338	166
: Provision for Debt Repayment	177	0	0	0

	Full year budget £'000	End Quarter 3 profiled budget £'000	End Quarter 3 actual £'000	End Quarter 3 variance £'000
: Service Priority budget and savings target	(432)	(324)	0	324
	685	473	772	299
Netting off of Central Support Services recharges included above	(3,303)	0	0	0
Net cost of Service provision	11,148	10,779	10,040	(739)
Contributions to/from Reserves	704	0	0	0
<b>Total cost to be Financed</b>	<b>11,852</b>	<b>10,779</b>	<b>10,040</b>	<b>(739)</b>
<b>Financing</b>				
: Council Tax	(7,356)	0	0	0
: Retained Business Rates	(2,367)	0	0	0
: Government Grants	(2,129)	(1,597)	(1,597)	0
<b>Total Financing</b>	<b>(11,852)</b>	<b>(1,597)</b>	<b>(1,597)</b>	<b>0</b>