

Council Finances as at the 31st March 2016

SUMMARY

To inform Executive of the position of the Council Finances as at the 31st March 2016

PORTFOLIO	Finance – Cllr Richard Brooks	24th May 2016
WARDS AFFECTED	All	

RECOMMENDATION

The Executive is advised to **NOTE** the Revenue, Treasury and Capital Position as at 31st March 2016.

1. KEY ISSUES

1.1 This is the fourth quarter monitoring report against the 2015/16 approved budget, which provides an update on the Revenue, Treasury and Capital budget position as at 31st March 2016.

1.2 The report provides a “first view” as to the outturn and the figures are likely to change as a result of the final accounts process. However as things stand the Council has done well in that overall operationally it has come in under budget. This is due to a number of factors such as:

- The Council has invested in property, such as St George’s Industrial Estate, in accordance with Key Priority Two in order to generate income to use on services;
- Services have worked hard at getting better pricing on contracts and services. Waste and recycling have been particularly successful in this and negotiated a £150k reduction in contract costs;
- Staffing costs have been managed and have come in below budget corporately even after taking account of the staff vacancy margin;
- The council has sold it’s services to other local authorities to generate income;
- The Council continues to do exceptionally well in persuading residents to recycle which is not only good for environment but saves money for the council and SCC;
- Increasing the use of shared staff with other Councils. Examples include community services and procurement;
- Back office costs continue to be reduced through software rationalisation, more efficient staffing and moves to less expensive customer contact; and
- Increased income generation from services such as parking and parks which illustrates the returns delivered from investment in those services such as the new parking machines and the 3G pitch.

1.3 Whilst the majority of services have done well, there are still a few which have found the year challenging:

- Whilst the economy is doing well planning income has fallen due to the extension of permitted development rights by Government. This means

that a significant share of the smaller building projects (extensions etc.) no longer need a planning application and therefore no longer attract a fee. They do however generate costs due to the fact that they still need to be monitored and potentially enforced by the Council. This inevitably leads to increased costs and falling income. Fortunately some of this loss has been offset by an increase in land charges search fees due to the upturn in the economy – however this income may soon also disappear as the Government proposes to privatise the Land Registry.

- Whilst the Theatre has made great efforts in reducing its costs base its main challenge continues to be attracting audiences. This has had a detrimental impact on its income and hence the financial performance of the theatre overall. Despite this, the actual financial performance of the theatre is only slightly behind the original business plan and steps are being taken to promote the theatre more widely and to change the programme to make it more attractive.
- The 2014/15 audit proved to be particularly challenging due to the transfer to a new computer system which brought to light a number of historical accounting issues. This has led to a potential increase in audit fees and is currently subject to negotiation with the auditors.

- 1.4 It should be noted that some of the underspend, particularly if it relates to grants, will be carried forward in to next year. This will form part of a separate report to Executive.

2. RESOURCE IMPLICATIONS

Revenue Budget

Services

- 2.1 This draft outturn for services is shown in the attached Annex. This is before any changes due to movements in asset values, pensions and final accounting adjustments and is intended to give a high level view of services' performance.

Wages and Salaries

- 2.2 At the year end there is an overall underspend on wages of £74k. This is after allowing for the vacancy margin of £279k. The Council has worked hard in keeping staffing costs within budget overall despite increasing pressure on wages from the private sector. This is a particular issue in areas such as planning and property where it is becoming increasingly difficult to attract staff.

Capital Budget

- 2.3 Capital spend this year is significantly higher than in previous years due to the Council deciding to take practical steps to support two of its key priorities as follows:
- In support of Key Priority 1 the Council purchased Ashwood House during the year. This significant town centre landmark has been empty for a number of years and in need of regeneration but the private sector had been unable to deliver this. The Council, by purchasing it, is able not only to bring it back in to use again by providing housing but also to achieve spin off benefits by improving the public realm around Princess Way.

- Key Priority 2 emphasises that the Council will invest to support the local economy in Surrey Heath. St George's Industrial Estate provides valuable space to small businesses which is at a premium in the borough. Proposed changes to permitted development rights can put such premises at greater risk of conversion to housing. The Council purchasing this has not only safeguarded employment but furthermore has generated an income, over £200k before interest, to support vital council services.
- Key Priority 2 emphasises the need to bring economic development to Surrey Heath. Key to this is the provision of housing and this can only happen if there is adequate SANGS land provided to mitigate against the potential impact on the SPA. The Council, using money lent by the LEP, acquired land in Chobham to use as a SANG. This will enable housing to be delivered in the eastern part of the borough thereby boosting the local economy.

2.4 All three of the schemes above had to be financed by borrowing which the Council entered in to for the first time this year. Total debt so far amounts to £17.9m and has been funded by the Public Works Loans Board and the LEP. It is clear that the Council will need to borrow more money if it is to further its regeneration and economic development aspirations as well as securing an income flow for the future. This will of course be subject to sound business cases.

Treasury Investments

2.5 The council on the advice of its treasury advisors diversified its investment portfolio about 18 months ago. This change has resulted in interest from investment being £483k for the year which is significantly above the budgeted figure of £300k and the £241k last year. Most of this income has come from floating investment funds where their value can go up as well as down. Although these investments are designed to be held for the longer term they can be cashed in at any time. Had this happened at the 31st March 2016 then the Council would have realised a loss on investment of £97k which even so is significantly less than the interest these investments have generated. During discussions with our treasury advisors they advised that we should continue to hold these funds as they represent a good investment for the medium to longer term.

2.6 A list of investments held at the 31st March is shown in Annex B

Debtors

Sundry Debts

2.7 Sundry debts include all debts except those relating to benefits. At the 31st March 2016 these amounted to £396k compared with £337k at the same date last year. Although on first sight this looks like an increase it should be noted that of the £396k outstanding this year £143k relates to property invoices for the March quarter which was not the case at the end of last year. Most of these have been paid since the year end. Hence if this is allowed for on a like for like basis overall debts have fallen.

Housing Benefit Debts

- 2.8 These debts arise when an overpayment in housing benefit has been made and thus has to be recovered. At the 31st March 2016 the balance was £637k compared to £609k last year. During the year £182k was collected, an increase of 12% on the last year, but more invoices were also issued. In terms of debts outstanding Surrey Heath has the one off the lowest levels of benefit debt in the County. In addition, Surrey Heath recovered 79% of the value of debts raised in year, compared with 58% in Guildford and 51% in Elmbridge making it the best performer in the county.

3. OPTIONS

- 3.1 The report is for noting only.

4. PROPOSALS

- 4.1 It is proposed that the Executive is advised to NOTE the Revenue, Treasury and Capital Position for the period to 31st March 2016.

5. SUPPORTING INFORMATION

- 5.1 None

6. CORPORATE OBJECTIVES AND KEY PRIORITIES

- 6.1 This item addresses the Council's Objective of delivering services efficiently, effectively and economically and demonstrates through investment that Key Priority 2 is supported.

7. SUSTAINABILITY

- 7.1 Budget monitoring and financial control are important tools in monitoring the financial sustainability of the Council.
- 7.2 Key services are being maintained despite financial constraints

8. RISK MANAGEMENT

- 8.1 Regular financial monitoring enables risks to be highlighted at an early stage so that mitigating actions can be taken.

9. OFFICERS COMMENTS

- 9.1 This high level report on controllable spend shows that the Council has managed to come in under budget despite a number of pressures. This has been achieved through reductions in support costs, shared services and keener contracting as well as a drive to generate further income, either by the services themselves or through investment in income generating assets. This is something the Council will need to do more of as the fiscal screw continues to be tightened and demand continues to increase.
- 9.2 The overall outturn, which will reflect the pension deficit, asset charges and other accounting differences will be presented in the financial statements which are due to be published on the 30th June 2016.

ANNEXES	A - Detail on the Revenue Budget Position at 31st March 2016 B - Investments as at 31 March 2016 C - Capital Report 2015/16
BACKGROUND PAPERS	Monthly service and salary budget monitoring reports held in Finance
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CONSULTATIONS, IMPLICATIONS AND ISSUES ADDRESSED

	Required	Consulted	Date
Resources			
Revenue	✓		
Capital			
Human Resources			
Asset Management			
IT			
Other Issues			
Corporate Objectives & Key Priorities			
Policy Framework			
Legal			
Governance			
Sustainability			
Risk Management			
Equalities Impact Assessment			
Community Safety			
Human Rights			
Consultation			
P R & Marketing			

Review Date:

Version:

Detail on the Revenue Budget Position at 31st March 2016

Services are asked to explain significant variances between their profiled budget and actual expenditure to date. They were then asked to predict what the year end variance to budget will be.

The statements below show the budget position as at the 31st March 2016. This does not include any recharges for movement in asset values or for pension deficit contributions. These have been excluded as they are not in the control of the services themselves.

Corporate Service

Budget for year £1.483m, Actual £1.456m Underspend £27k

Corporate have had an interesting year the highlight of which were the combined election in May 2015 and are pleased to report that they have managed to finish under budget. Savings have been achieved in a number of areas but principally reductions in printing costs and consultation costs

Legal and Property Service

Budget for year £100k, actual £162k Underspend £62k

Building control has performed especially well coming in at £40k under budget due to increased income. Corporate property rents have been challenging but the returns from the purchase of St Georges Industrial Estate have helped.

Regulatory

Budget for year £2.179m, actual £1.872m, underspend £307k

There have been significant underspends in areas such as the Surrey Heath Local Plan, Supporting People and Homelessness some of which will be carried forward in to next year to reflect the fact that either there is still work to be done or unspent grants to be carried forward. Development control suffered from a reduction in planning fees mainly caused by an extension of permitted development rights brought in by the Government. It is hoped that these rights will not be extended further as this will increase the financial pressure on this service.

Transformation

Budget for year £958k, actual £900k, underspend £58k

Expenditure on community and community safety grants came in significantly lower than anticipated. In addition there were savings in software costs as licences were rationalised. Transformation expenditure incurred mainly related to work on plans for the redevelopment of Camberley town centre.

Business

Budget for year £556k, actual for year £971k, variance £415k

Business has had a good year in areas such as parking, parks and open spaces, the museum and the Arena have all come in under budget in the main, due to increased income but also through better cost control. The Camberley Theatre continues to be challenging with, income being £450k under budget. Despite this overall the net performance of the theatre is just short of that set out in the business plan 2 years ago.

Community

Budget for Year £4.50m, Budget £3.918m, Underspend £582k

The Community Service has had a great year achieving underspends in many areas. Recycling and Waste alone have come in almost £300k under budget due to lower costs in particular a reduction in the contract costs skillfully negotiated by the service during the year. This better contracting also managed to save almost £70k in street cleansing as well. The use of shared staff in a number of areas has reduced overheads and the push to get more people to use older people's services has increased income.

Finance

Budget £2.018m, actual £1,992m underspend £25k

Finance has achieved savings in cost of collection of council tax and business rates. Housing benefits realised an underspend due to better recoveries and lower costs. The main area with a potential overspend is external audit due to the issues experienced last year referred to in the report and hence the potential additional external audit fees this may result in.

Annex B

INVESTMENTS as at 31st March 2016

	£
National Counties Building Society	1,000,000
Nationwide Building Society	2,000,000
Total Building Society	<u>3,000,000</u>
 Icelandic Banks	 676,779
Total Banks, Building Societies and DMO	<u>3,676,779</u>
 Glasgow City Council	 2,000,000
Greater London Authority	2,000,000
Lancashire County Council	1,500,000
The London Borough of Islington	2,000,000
Total Local Authorities	<u>7,500,000</u>
 AAA Rated MM Fund - Aberdeen (SWIP)	 2,966,626
AAA Rated MM Fund - Blackrock	0
AAA Rated MM Fund - CCLA	0
AAA Rated MM Fund - Insight	1,005,923
AAA Rated MM Fund - Standard Life (Ignis)	3,000,000
Total Money Market Funds	<u>6,972,549</u>
 CCLA Property Fund	 2,119,085
M & G Investments - Global Dividend Fund	944,211
M & G Investments - Strategic Corp Bond Fund	1,976,256
Threadneedle - Global Equity Income Fund	1,041,965
Threadneedle - Strategic Bond Fund	1,925,765
Total Longer Term Investments	<u>8,007,282</u>
 Total Invested (excluding the NatWest SIBA)	 <u>26,156,610</u>
 NatWest SIBA	 1,456,672
 Total Invested (including NatWest SIBA)	 <u><u>27,613,281</u></u>

Annex C

Capital Report 2015/16

	B/Fwd From 2014/15	General Fund Adjustments	Approved Bids 2015/16	Total 2015/16 Programme	Current Spend & Commitments	Funds Available	C/Fwd 16/17 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Finance							
Property Acquisition Strategy	1,790	-	-	1,790	377	1,413	1,413
Doman Rd Depot Improvements	-	-	-	-	1 -	1	-
Ashwood House	7,155	-	-	7,155	7,108	47	-
St Georges	8,000	-	-	8,000	8,378 -	378 -	378
Sub Total	16,945	-	-	16,945	15,864	1,081	1,035
Transformation							
Civica Financial System	48	-	-	48	18	30	30
Sub Total	48	-	-	48	18	30	30
Business							
Main Square Refurbishments	56	24	-	80	79	1	-
PIC Monies	132	-	-	132	5	127	127
Camberley Park & Obelisk	59	-	-	59	17	42	42
Wellington Park	20	-	-	20	-	20	20
Heatherside Rec Ground	-	14	-	14	14	0	0
Deanside Diamond Ridge Woods Picnic Area	35	-	-	35	-	35	35
Frimley Lodge 3G Pitch	-	-	-	-	19 -	19 -	19
Lightwater CP Visitor Centre	70	-	-	70	41	29	29
Theatre Air Conditioning	-	-	38	38	36	1	-
Sub Total	372	38	38	447	211	236	234
Community							
Disabled Grants	-	-	500	500	355	145	-
Maintenance	-	-	25	25	16	9	-
Adaptions	-	-	-	-	4 -	4	-
Community Bus	-	36	-	36	36	0	-
Sub Total	-	36	525	561	411	150	-
Corporate							
Public Web Portal	51	-	-	51	39	12	12
Telephone System	25	-	-	25	-	25	25
Surrey Heath House Air Conditioning	38	-	-	38	36	1	-
Sub Total	114	-	-	114	76	38	37
Regulatory							
Sangs	1,394	-	-	1,394	995	399	259
Sub Total	1,394	-	-	1,394	995	399	259
GRAND TOTAL OF ALL SCHEMES	18,873	73	563	19,508	17,574	1,934	1,595